



7327 Oak Ridge Highway
Knoxville, TN 37931

phone 866/594-5999
fax 866/998-0005

Dear Stockholder:

You are cordially invited to attend the 2010 annual meeting of stockholders, which will be held on Thursday, June 17, 2010 at 3:00 p.m. Eastern Time at the offices of Baker, Donelson, Bearman, Caldwell & Berkowitz, PC located at 265 Brookview Centre Way, Suite 600, Knoxville, Tennessee 37919.

The Notice and Proxy Statement on the following pages contain details concerning the business to come before the meeting.

Regardless of whether you plan to attend the 2010 annual meeting in person, please complete, sign and date the enclosed proxy card and return it promptly in the accompanying postage-paid envelope. I look forward to personally meeting all stockholders who are able to attend.

/s/Peter R. Culpepper
Peter R. Culpepper
Chief Financial Officer, Chief Operating Officer and Secretary

YOUR VOTE IS IMPORTANT

TO ENSURE THAT YOU ARE REPRESENTED AT THE 2010 ANNUAL MEETING OF STOCKHOLDERS, PLEASE COMPLETE, SIGN, DATE AND PROMPTLY RETURN THE ENCLOSED PROXY IN THE ACCOMPANYING ENVELOPE, REGARDLESS OF WHETHER YOU PLAN TO ATTEND THE 2010 ANNUAL MEETING OF STOCKHOLDERS IN PERSON. NO ADDITIONAL POSTAGE IS NECESSARY IF THE PROXY IS MAILED IN THE UNITED STATES. YOU MAY REVOKE YOUR PROXY AT ANY TIME BEFORE IT IS VOTED AT THE MEETING.



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**NOTICE OF 2010 ANNUAL MEETING OF STOCKHOLDERS
TO BE HELD ON JUNE 17, 2010**

To the Stockholders of Provectus Pharmaceuticals, Inc.:

NOTICE IS HEREBY GIVEN that we will hold the 2010 annual meeting of stockholders of Provectus Pharmaceuticals, Inc. on Thursday, June 17, 2010 at 3:00 p.m. Eastern Time, at the offices of Baker, Donelson, Bearman, Caldwell & Berkowitz, PC located at 265 Brookview Centre Way, Suite 600, Knoxville, Tennessee 37919. The 2010 annual meeting is being held for the following purposes:

1. To elect five directors to serve on our Board of Directors for a one-year term;
2. To approve an amendment to our Amended and Restated 2002 Stock Plan, as amended, to increase the number of shares of our common stock reserved for issuance from 10,000,000 to 15,000,000; and
3. To ratify the selection of BDO Seidman, LLP as our independent auditor for 2010.

Stockholders also will transact any other business that properly comes before the 2010 annual meeting of stockholders.

OUR BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT YOU VOTE "FOR" ALL THE PROPOSALS.

Only stockholders of record as of the close of business on April 23, 2010 will be entitled to notice of and to vote at the 2010 annual meeting of stockholders and any adjournment thereof.

Important Notice Regarding the Availability of Proxy Materials for the 2010 Annual Meeting of Stockholders to Be Held on June 17, 2010. The Proxy Statement is available at http://www.pvct.com/annual_reports.html.

By order of our Board of Directors,

/s/Peter R. Culpepper
Peter R. Culpepper
Secretary

April 30, 2010
Knoxville, Tennessee

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**PROXY STATEMENT FOR
2010 ANNUAL MEETING OF STOCKHOLDERS
TO BE HELD ON JUNE 17, 2010**

We are delivering these proxy materials to solicit proxies on behalf of our Board of Directors of Provectus Pharmaceuticals, Inc., for the annual meeting of stockholders to be held on Thursday, June 17, 2010, beginning at 3:00 p.m. Eastern Time, at 265 Brookview Centre Way, Suite 600, Knoxville, Tennessee.

We are mailing this proxy statement, together with a form of proxy and our annual report on Form 10-K for the year ended December 31, 2009, beginning on April 30, 2010.

At the meeting, our stockholders will vote on proposals to (1) elect five directors to serve on our Board of Directors for a one-year term; (2) approve an amendment to our Amended and Restated 2002 Stock Plan, as amended, to increase the number of shares of our common stock reserved for issuance from 10,000,000 to 15,000,000; and (3) ratify the selection of BDO Seidman, LLP as our independent auditor for 2010. The proposals are set forth in the accompanying Notice of 2010 Annual Meeting of Stockholders and are described in more detail in this Proxy Statement. Stockholders also will transact any other business, not known or determined at the time of this proxy solicitation, that properly comes before the 2010 annual meeting of stockholders, although our Board of Directors knows of no such other business to be presented.

OUR BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT YOU VOTE "FOR" ALL THE PROPOSALS.

When you submit your proxy by executing and returning the enclosed proxy card, you will authorize the proxy holders – Peter R. Culpepper and Linda M. Crouch-McCreadie – to vote as proxy all your shares of our common stock or our 8% convertible preferred stock and otherwise to act on your behalf at the 2010 annual meeting of stockholders and any adjournment thereof, in accordance with the instructions set forth therein. These persons also will have discretionary authority to vote your shares on any other business that properly comes before the meeting. They also may vote your shares to adjourn the meeting and will be authorized to vote your shares at any adjournment of the meeting.

YOUR VOTE IS IMPORTANT

TO ENSURE THAT YOU ARE REPRESENTED AT THE 2010 ANNUAL MEETING OF STOCKHOLDERS, PLEASE COMPLETE, SIGN, DATE AND PROMPTLY RETURN THE ENCLOSED PROXY IN THE ACCOMPANYING ENVELOPE, REGARDLESS OF WHETHER YOU PLAN TO ATTEND THE 2010 ANNUAL MEETING OF STOCKHOLDERS IN PERSON. NO ADDITIONAL POSTAGE IS NECESSARY IF THE PROXY IS MAILED IN THE UNITED STATES. YOU MAY REVOKE YOUR PROXY AT ANY TIME BEFORE IT IS VOTED AT THE MEETING.

QUESTIONS AND ANSWERS ABOUT THE 2010 ANNUAL MEETING OF STOCKHOLDERS

What is the purpose of the 2010 Annual Meeting?

At the 2010 annual meeting, stockholders will act upon the following matters:

1. To elect five directors to serve on our Board of Directors for a one-year term;
2. To approve an amendment to our Amended and Restated 2002 Stock Plan, as amended, to increase the number of shares of our common stock reserved for issuance from 10,000,000 to 15,000,000; and
3. To ratify the selection of BDO Seidman, LLP as our independent auditor for 2010.

Stockholders also will transact any other business that properly comes before the 2010 annual meeting.

Who is entitled to vote?

Only stockholders of record at the close of business on April 23, 2010, the record date for the 2010 annual meeting, are entitled to receive notice of the 2010 annual meeting and to vote the shares of our common stock and 8% convertible preferred stock that they held on that date at the 2010 annual meeting. Each outstanding share of our common stock, par value \$.001 per share, and of our 8% convertible preferred stock, par value \$.001 per share, entitles its holder to cast one vote on each matter to be voted on at the 2010 annual meeting. The shares of our common stock and 8% convertible preferred stock will vote together as a single class.

Am I entitled to vote if my shares are held in "street name"?

If you are the beneficial owner of shares held in "street name" by a brokerage firm, bank, or other nominee, such entity, as the record holder of the shares, is required to vote the shares in accordance with your instructions. If you do not give instructions to your nominee, it will nevertheless be entitled to vote your shares on "discretionary" items but will not be permitted to do so on "non-discretionary" items. Both Proposal 1 (election of directors) and Proposal 2 (approval of an amendment to our Amended and Restated 2002 Stock Plan) are non-discretionary items for which a nominee will not have discretion to vote in the absence of voting instructions from you. However, Proposal 3 (ratification of the selection of our independent auditor) is a discretionary item on which your nominee will be entitled to vote your shares even in the absence of instructions from you.

What constitutes a quorum?

The presence at the 2010 annual meeting, in person or by proxy, of the holders of a majority of the shares of our common stock and 8% convertible preferred stock outstanding on the record date will constitute a quorum. As of the record date, there were 78,010,255 outstanding shares of our common stock and 10,583,325 outstanding shares of our 8% convertible preferred stock, for a total of 88,593,580 shares of stock outstanding. Shares held by stockholders present at the 2010 annual meeting in person or represented by proxy who elect to abstain from voting nonetheless will be included in the calculation of the number of shares considered present at the 2010 annual meeting.

What happens if a quorum is not present at the 2010 annual meeting?

If a quorum is not present at the scheduled time of the meeting, the holders of a majority of the shares of our common stock and 8% convertible preferred stock present in person or represented by proxy

at the meeting may adjourn the meeting to another place, date, or time until a quorum is present. The place, date, and time of the adjourned meeting will be announced when the adjournment is taken, and no other notice will be given unless the adjournment is for more than thirty days, or if after the adjournment a new record date is fixed for the adjourned meeting.

How do I vote?

If you complete and properly sign the accompanying proxy card and return it to us, the proxy holders named on the proxy card will vote your shares as you direct. If you are a registered stockholder and attend the 2010 annual meeting, you may deliver your completed proxy card or vote in person at the 2010 annual meeting. If you hold your shares in a brokerage account or in "street name" and you wish to vote at the 2010 annual meeting, you will need to obtain a proxy from the broker or other nominee who holds your shares.

Can I change my vote after I return my proxy card?

Yes. Even after you have submitted your proxy card, you may change your vote at any time before the proxy is exercised by filing with the Secretary either a notice of revocation or a duly executed proxy card bearing a later date. If you are a "street name" stockholder, you must contact your broker or other nominee and follow its instructions if you wish to change your vote. The powers of the proxy holders will be suspended if you attend the 2010 annual meeting in person and so request, although your attendance at the 2010 annual meeting will not by itself revoke a previously granted proxy.

What are the Board's recommendations?

Our Board of Directors recommends that you vote:

1. "FOR" the election of the director nominees to serve on our Board of Directors for a one-year term;
2. "FOR" the approval of an amendment to our Amended and Restated 2002 Stock Plan, as amended, to increase the number of shares of our common stock reserved for issuance from 10,000,000 to 15,000,000; and
3. "FOR" the ratification of the selection of BDO Seidman, LLP as our independent auditor for 2010.

What happens if I do not specify how my shares are to be voted?

If you submit a proxy but do not indicate any voting instructions, your shares will be voted "FOR" each of the proposals.

Will any other business be conducted at the 2010 annual meeting?

As of the date hereof, our Board of Directors knows of no business that will be presented at the meeting other than the proposals described in this Proxy Statement. If any other business is properly brought before the 2010 annual meeting, the proxy holders will vote your shares in accordance with their best judgment.

What vote is required to approve each item?

1. The director nominees will be elected to serve on our Board of Directors for a term of one year if they receive a plurality of the votes on the shares of common stock and 8%

convertible preferred stock present in person or represented by proxy at the 2010 annual meeting and entitled to vote on the subject matter. This means that the director nominees will be elected if they receive more votes than any other person at the 2010 annual meeting. If you vote to "Withhold Authority" with respect to the election of one or more director nominees, your shares of common stock and 8% convertible preferred stock will not be voted with respect to the person or persons indicated, although they will be counted for the purpose of determining whether there is a quorum at the meeting.

2. The amendment to our Amended and Restated 2002 Stock Plan, as amended, to increase the number of shares of our common stock reserved for issuance from 10,000,000 to 15,000,000 will be approved if a majority of the shares of our common stock and 8% convertible preferred stock present in person or represented by proxy at the 2010 annual meeting and entitled to vote on the subject matter are voted in favor of the proposal.
3. The selection of BDO Seidman, LLP as our independent auditor for 2010 will be ratified if a majority of the shares of our common stock and 8% convertible preferred stock present in person or represented by proxy at the meeting and entitled to vote on the subject matter are voted in favor of the proposal.

How will Abstentions and Broker Non-Votes be Treated?

You do not have the option of abstaining from voting on Proposal 1 (election of directors), but you may abstain from voting on Proposal 2 (approval of an amendment to our Amended and Restated 2002 Stock Plan) and Proposal 3 (ratification of the selection of our independent auditor). With respect to Proposal 1, because the directors are elected by a plurality vote, an abstention will have no effect on the outcome of the vote and, therefore, is not offered as a voting option on the proposal. In the case of an abstention on Proposal 2 or Proposal 3, your shares of common stock and 8% convertible preferred stock would be included in the number of shares of common stock and 8% convertible preferred stock considered present at the meeting for the purpose of determining whether there is a quorum. Because your shares of common stock and 8% convertible preferred stock would be voted but not in favor of Proposal 2 or Proposal 3, your abstention would have the same effect as a negative vote in determining the outcome of the vote on the proposal.

Broker non-votes occur when a brokerage firm, bank, or other nominee does not vote shares that it holds in "street name" on behalf of the beneficial owner because the beneficial owner has not provided voting instructions to the nominee with respect to a non-discretionary item. Both Proposal 1 (election of directors) and Proposal 2 (approval of an amendment to our Amended and Restated 2002 Stock Plan) are non-discretionary items for which a nominee will not have discretion to vote in the absence of voting instructions from you. However, Proposal 3 (ratification of the selection of our independent auditor) is a discretionary item on which your nominee will be entitled to vote your shares of common stock and 8% convertible preferred stock even in the absence of instructions from you. Accordingly, it is possible for there to be broker non-votes with respect to Proposal 1 and Proposal 2, but there will not be broker non-votes with regard to Proposal 3. In the case of a broker non-vote, your shares of common stock and 8% convertible preferred stock would be included in the number of shares of common stock and 8% convertible preferred stock considered present at the meeting for the purpose of determining whether there is a quorum. A broker non-vote, being shares of common stock and 8% convertible preferred stock not entitled to vote, would not have any effect on the outcome of the vote on Proposal 1 or Proposal 2.

STOCK OWNERSHIP

Directors, Executive Officers, and Other Stockholders

The following table provides information about the beneficial ownership of our common stock as of March 31, 2010, by each of our directors, each of our executive officers named in the "Summary Compensation Table" of this proxy statement, all of our directors and executive officers as a group, and each person whom we believe beneficially owns more than 5% of our outstanding common stock. Each outstanding share of our common stock entitles its holder to cast one vote on each matter to be voted on at the 2010 annual meeting, and holders of shares of our 8% convertible preferred stock are entitled to vote their shares of 8% convertible preferred stock on an as-converted basis with the holders of shares of our common stock. Holders of our 8% convertible preferred stock will be entitled to cast one vote on each matter to be voted at the 2010 annual meeting and will not vote as a separate class.

Name and Address ⁽¹⁾	Amount and Nature of Beneficial Ownership ⁽²⁾	Percentage of Class ⁽³⁾
Directors and Executive Officers:		
H. Craig Dees	3,847,859 ⁽⁴⁾	5.1%
Timothy C. Scott	3,805,966 ⁽⁵⁾	5.1%
Eric A. Wachter	4,455,685 ⁽⁶⁾	6.0%
Stuart Fuchs	1,146,418 ⁽⁷⁾	1.6%
Kelly M. McMasters	110,000 ⁽⁸⁾	*
All directors and executive officers as a group (6 persons)	15,540,928 ⁽⁹⁾	19.1%
Other Stockholders:		
Dr. Donald E. Adams and Joan K. Adams 370 Crestmont Drive San Luis Obispo, CA 93401	5,494,928 ⁽¹⁰⁾	7.4%
Gryffindor Capital Partners I, L.L.C. 150 North Wacker Drive, Suite 800 Chicago, IL 60606	4,537,700 ⁽¹¹⁾	6.0%

* Less than 1% of the outstanding shares of common stock.

(1) If no address is given, the named individual is an officer or director of Provectus Pharmaceuticals, Inc., whose business address is 7327 Oak Ridge Highway, Knoxville, TN 37931.

(2) Shares of our common stock that a person has the right to acquire within 60 days of March 31, 2010 are deemed outstanding for computing the percentage ownership of the person having the right to acquire such shares, but are not deemed outstanding for computing the percentage ownership of any other person. Except as indicated by a note, each stockholder listed in the table has sole voting and investment power as to the shares owned by that person.

(3) As of March 31, 2010, there were 72,791,241 shares of our common stock issued and outstanding.

(4) Dr. Dees' beneficial ownership includes 2,393,750 shares of our common stock subject to options which are exercisable within 60 days.

(5) Dr. Scott's beneficial ownership includes 55,996 shares of our common stock held by Scott Family Investment Limited Partnership, a limited partnership established for the benefit of Dr. Scott's family, and 2,450,000 shares of our common stock subject to options which are exercisable within 60 days.

- (6) Dr. Wachter's beneficial ownership includes 4,867 shares of our common stock held by the Eric A. Wachter 1998 Charitable Remainder Unitrust and 1,640,469 shares of our common stock subject to options which are exercisable within 60 days.
- (7) Mr. Fuchs' beneficial ownership includes 275,000 shares of our common stock subject to options which are exercisable within 60 days.
- (8) Dr. McMasters' beneficial ownership includes 100,000 shares of our common stock subject to options which are exercisable within 60 days. Dr. McMasters' beneficial ownership also includes 10,000 shares of our common stock underlying warrants.
- (9) Includes 8,633,843 shares of our common stock subject to options and warrants which are exercisable within 60 days.
- (10) Based on a Schedule 13G/A filed with the SEC by Donald E. Adams and Joan K. Adams on March 18, 2010, to our knowledge Dr. Adams and Ms. Adams beneficially own 5,494,928 shares of our common stock. Of the shares of our common stock beneficially owned, 2,527,096 are owned directly by Mr. Adams and are comprised of (i) 1,968,762 shares of our common stock; and (ii) 558,334 shares of our common stock issuable upon the exercise of a warrant expiring on December 31, 2010. Of the total number of shares of our common stock beneficially owned, 2,967,832 are owned directly by Joan K. Adams and are comprised of (i) 2,409,499 shares of our common stock; and (ii) 558,333 shares of our common stock issuable upon the exercise of a warrant expiring on December 31, 2010. Donald E. Adams and Joan K. Adams are husband and wife. Each Reporting Person disclaims beneficial ownership of the shares of our common stock owned directly by his or her spouse.
- (11) To our knowledge, Gryffindor Capital Partners I, L.L.C.'s beneficial ownership includes 1,646,034 shares of our common stock directly held and 2,891,666 shares of our common stock underlying warrants.

Section 16(a) Beneficial Ownership Reporting Compliance

The federal securities laws require our directors and executive officers and persons who beneficially own more than 10% of a registered class of our equity securities to file with the SEC initial reports of ownership and reports of changes in ownership of our securities. Based solely on our review of the copies of these forms received by us or representations from reporting persons, we believe that SEC beneficial ownership reporting requirements for 2009 were met.

INFORMATION ABOUT OUR BOARD OF DIRECTORS

How does our Board of Directors operate?

Our Board of Directors consists of five members, H. Craig Dees, Timothy C. Scott, Eric A. Wachter, Stuart Fuchs, and Kelly M. McMasters. Dr. Dees, who is our Chief Executive Officer, serves as chairman of our Board of Directors. Only one member of our Board of Directors, Dr. McMasters, is considered independent under the independence standards of the Nasdaq Stock Market.

Because our Board of Directors consists of only five members and our operations remain amenable to oversight by a limited number of directors, our Board of Directors has not delegated any of its functions to standing committees. Our entire Board of Directors acts as our audit committee, nominating committee, and compensation committee. Our Board of Directors has not adopted a nominating committee charter. Our audit committee charter is posted on our website at <http://www.pvct.com/AuditCommitteeCharter.html>, and our compensation committee charter is posted on our website at <http://www.pvct.com/CompensationCommitteeCharter.html>. The information on our website, however, is not a part of this Proxy Statement. Each member of our Board of Directors participates in the consideration of the compensation of our directors and executive officers. We believe that the leadership structure of our Board of Directors is appropriate given that we have only four employees. In addition, our entire Board of Directors is responsible for our risk oversight function due to the fact that we have only four employees, three of whom are members of our Board of Directors, and that our entire Board of Directors serves as our audit committee.

Only one member of our Board of Directors, Dr. McMasters, is considered independent for purposes of audit committee independence under the independence standards of the Nasdaq Stock Market and the SEC. We do not have an "audit committee financial expert," as defined under the rules of the SEC. We believe that all members of our Board of Directors are qualified to serve as the committee and have the experience and knowledge to perform the duties required of the committee. We believe that it has been, and may continue to be, impractical to recruit a director who qualifies as an "audit committee financial expert" unless and until we are significantly larger.

How often did our Board of Directors meet in 2009?

Our Board of Directors met five times and took action by unanimous written consent 17 times during 2009. Each member of our Board of Directors attended more than 75% of the total number of meetings of our Board of Directors and its committees on which he served. Members of our Board of Directors are encouraged to attend the 2010 annual meeting of stockholders. A majority of the members of our Board of Directors attended the 2009 annual meeting of stockholders either in person or via telephone conference.

Director Nominations

Our entire Board of Directors acts as our nominating committee. Our Board of Directors has no set procedures or policy on the selection of nominees or evaluation of stockholder recommendations and will consider these issues on a case-by-case basis. Our Board of Directors will consider stockholder recommendations for director nominees that are properly received in accordance with our bylaws and the applicable rules and regulations of the Securities and Exchange Commission. Our Board of Directors screens all potential candidates in the same manner. Our Board of Directors' review will typically be based on all information provided with respect to the potential candidate. Our Board of Directors has not established specific minimum qualifications that must be met by a nominee for a position on our Board of Directors or specific qualities and skills for a director. Our Board of Directors may consider the diversity of qualities and skills of a nominee, but our Board of Directors has no formal policy in this regard. For

more information, please see the section below entitled “ADDITIONAL INFORMATION.” Stockholders who wish to contact the members of our Board of Directors may do so by sending an e-mail addressed to them at info@pvct.com. Each current director and candidate for reelection in Proposal 1 (election of directors) brings a strong and unique set of experience, qualifications, attributes and skills in a variety of areas. Set forth below are the specific experience, qualifications, attributes and skills of the nominees for reelection to our Board of Directors that led to the conclusion that the nominee should serve as a member of our Board of Directors.

H. Craig Dees is has extensive experience researching, developing, and testing potential pharmaceutical products, including our products. He holds a Ph.D. in Molecular Virology, which we believe provides us with specialized knowledge in that field.

Timothy C. Scott also has extensive experience researching, developing, and testing potential pharmaceutical products, including our products. He holds a Ph.D. in Chemical Engineering, which we believe provides us with specialized knowledge in that field.

Eric A. Wachter has extensive experience researching, developing, and testing potential pharmaceutical products, including our products. He holds a Ph.D. in Chemistry, which we believe provides us with specialized knowledge in that field.

Stuart Fuchs has significant experience with venture capital in the biotech space, including providing strategic and financial advice to companies in the technology sector. Mr. Fuchs also served for 19 years as an investment banker with Goldman, Sachs & Co. After receiving a J.D. from Harvard Law School, he practiced law in New York. We believe that Mr. Fuchs provides valuable insight into the strategic and financial issues that we have encountered and will encounter in the future.

Kelly M. McMasters, M.D., Ph.D., has clinical expertise in treating skin cancer, including melanoma, and surgical oncology. He has served as principal investigator, co-principal investigator or local investigator in over 30 clinical trials, including serving as principal investigator in a multi-institutional study involving 3,500 patients. We believe Dr. McMasters’ expertise in treating skin cancer and melanoma and experience with clinical trials provide our Board of Directors valuable insight into the testing of our pharmaceutical products.

Report of our Board of Directors Acting as our Audit Committee

Our entire Board of Directors serves as our audit committee. Our Board of Directors in its capacity as our audit committee reviews our financial reporting process. In this context, our Board of Directors:

- has reviewed and discussed with management the audited financial statements for the year ended December 31, 2009;
- has discussed with BDO Seidman, LLP (BDO Seidman), our independent registered public accountants, the matters required to be discussed by Statement on Auditing Standards No. 61, as amended (AICPA, *Professional Standards*, Vol. 1. AU Section 380), as adopted by the Public Company Accounting Oversight Board in Rule 3200T; and
- has received the written disclosures and the letter from BDO Seidman required by PCAOB Rule 3526 (“Independence Discussions with Audit Committees”), as modified or supplemented, and has discussed with BDO Seidman the independent accountant’s independence.

Based on this review and the discussions referred to above, our Board of Directors determined that the audited financial statements be included in our Annual Report on Form 10-K for the year ended December 31, 2009, for filing with the Securities and Exchange Commission. Our Board of Directors also appointed BDO Seidman as our independent registered public accountants for 2009.

This report is submitted on behalf of the members of our Board of Directors acting as the audit committee and shall not be deemed "soliciting material" or to be "filed" with the Securities and Exchange Commission, nor shall it be incorporated by any general statement incorporating by reference this proxy statement into any filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, except to the extent that we specifically incorporate this information by reference and shall not otherwise be deemed filed under these Acts:

H. Craig Dees
Timothy C. Scott
Eric A. Wachter
Stuart Fuchs
Kelly M. McMasters

EXECUTIVE COMPENSATION

The table below shows the compensation for services in all capacities we paid during the years ended December 31, 2009 and 2008 to our Chief Executive Officer and our other two most highly compensated executive officers (which we refer to as named executive officers):

Summary Compensation Table

Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Option Awards (\$) ⁽¹⁾	All Other Compensation (\$) ⁽²⁾	Total (\$)
H. Craig Dees CEO	2009	500,000	518,519	46,187	43,269	1,107,975
	2008	450,000	146,143	45,716	37,500	679,359
Timothy C. Scott President	2009	500,000	518,519	46,187	43,269	1,107,975
	2008	450,000	146,143	45,716	37,500	679,359
Eric A. Wachter EVP - Pharmaceuticals	2009	500,000	518,519	46,187	43,269	1,107,975
	2008	450,000	146,143	45,716	37,500	679,359

(1) The amounts in the Option Awards column represent grant date fair values computed in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 718, *Stock Compensation* (FASB ASC Topic 718). The assumptions used in determining the values of option awards are provided in Note 5 to the Consolidated Financial Statements contained in our Form 10-K for the fiscal year ended December 31, 2009. Each named officer is also a director of us. Included is each named executive officer's compensation for service as a director of 50,000 stock options granted at an exercise price of \$1.04 on June 19, 2009 and \$1.00 on June 27, 2008, which was the fair market price on the date of issuance. The options vested immediately on the date of grant and expire ten years from the date of grant. For purposes of estimating the fair value of each stock option on the date of grant, we utilized the Black-Scholes option-pricing model which totaled \$46,187 in 2009 and \$45,716 in 2008 for the 50,000 options.

(2) Other compensation represents unused vacation that was paid out.

Base Salary & Employment Agreements

On July 1, 2009, we entered into executive employment agreements with each of H. Craig Dees, Ph.D., Timothy C. Scott, and Ph.D., Eric A. Wachter, Ph.D., to serve as our Chief Executive Officer, President, and Executive Vice President, respectively. Each agreement provides that such named executive officer will be employed for a one-year term with automatic one-year renewals unless previously terminated pursuant to the terms of the agreement or either party gives notice that the term will not be extended. Each named executive officer's initial base salary is \$500,000 per year and is subject to adjustment by our Board of Directors. Named executive officers are also entitled to participate in any incentive compensation plan or bonus plan adopted by us without diminution of any compensation or payment under the agreement. Named executive officers are entitled to reimbursement for all reasonable out-of-pocket expenses incurred during their performance of services under the agreements. Our named executive officers will be entitled to the payments upon termination of their employment, with or without a change of control, as described under the heading "Potential Payments upon Termination or Change in Control" below. Prior to July 1, 2009, each of our named executive officers was a party to executive employment agreement with substantially similar terms as the agreements entered on July 1, 2009.

During 2009, we paid \$500,000 to each of named executive officers as annual base salary. The annual base salary of each of our named executive officers was increased from \$400,000 to \$500,000 effective July 1, 2008.

Bonus Awards

Our Board of Directors has adopted a longevity bonus policy to recognize service on our behalf when we reach significant milestones and to award year end bonuses at the discretion of our CEO. In 2009, we awarded bonuses for services rendered culminating with continued clinical trial development progress, especially due to the progression of the oncology and dermatology drug product candidates with completion of Phase 2 enrollment and other development in the clinic.

Defined Benefit Plan

Our four employees, including our named executive officers, participate in the Provectus Pharmaceuticals, Inc. Cash Balance Defined Benefit Plan (the "Defined Benefit Plan"), which was established in 2007. Under the Defined Benefit Plan, each employee has a hypothetical account which consists of a yearly pay credit based on a defined percentage of the employee's current salary and an interest credit defined as 5% of the beginning or the year hypothetical account balance. Each year, we make a contribution to fully fund the Defined Benefit Plan. The Defined Benefit Plan contributions vest immediately after three years of service. All four employees are fully vested.

Our investment objective is to achieve investment earnings similar to the 5% interest credit defined by the Defined Benefit Plan. To achieve this, our policy is to only invest in U.S. treasury bills and cash and cash equivalents.

Benefits are payable to our employees upon reaching age 55 and serving five participation years. No benefits have been paid under the Defined Benefit Plan.

Potential Payments upon Termination or Change in Control

Each of the employment agreements with our named executive officers generally provides that if the named executive officer's employment is terminated prior to a change in control (as defined in the agreement) (1) due to expiration or non-extension of the term by us; or (2) by us for any reason other than for cause (as defined in the agreement), then such named executive officer shall be entitled to receive payments under the agreement as if the agreement was still in effect through the end of the period in effect as of the date of such termination. If the named executive officer's employment (1) is terminated by us at any time for cause, (2) is terminated by the named executive officer prior to, and not coincident with, a change in control or (3) is terminated by named executive officer's death, disability or retirement prior to a change in control, the named executive officer (or his estate, as the case may be) shall be entitled to receive payments under the agreement through the last date of the month of such termination, a pro-rata portion of any incentive or bonus payment earned prior to such termination, any benefits to which he is entitled under the terms and conditions of the pertinent plans in effect at termination and any reasonable expenses incurred during the performance of services under the agreement.

Under each of the employment agreements with our named executive officers, in the event that coincident with or following a change in control, the named executive officer's employment is terminated or the agreement is not extended (1) by action of the named executive officer including his death, disability or retirement or (2) by action of us not for cause, the named executive officer (or his estate, as the case may be) shall be entitled to receive payments under the agreement through the last day of the month of such termination, a pro-rata portion of any incentive or bonus payment earned prior to such termination, any benefits to which he is entitled under the terms and conditions of the pertinent plans in

effect at termination and any reasonable expenses incurred during the performance of services under the agreement. In addition, we shall pay to the named executive officer (or his estate, as the case may be), within 30 days following the date of termination or on the effective date of the change in control (whichever occurs later), a lump sum payment in cash in an amount equal to 2.90 times the base salary paid in the preceding calendar year, or scheduled to be paid to such named executive officer during the year of such termination, whichever is greater, plus an additional amount sufficient to pay United States income tax on the lump sum amount paid.

The following table shows the base salary compensation the named executive officers would have received under their employment agreements had a change in control occurred as of December 31, 2009 and had the named executive officers been terminated or their employment agreements not been extended.

Name	Amount
H. Craig Dees, Ph.D.	\$1,450,000
Timothy C. Scott, Ph.D.	\$1,450,000
Eric A. Wachter, Ph.D.	\$1,450,000

Under the terms of our 2002 Stock Plan, as amended, prior to the occurrence of a change in control (as defined in the 2002 Stock Plan), and unless otherwise determined by our Board of Directors, any stock options outstanding on the date such change in control is determined to have occurred that are not yet exercisable and vested on such date shall become fully exercisable and vested. In addition, unless otherwise determined by our Board of Directors, prior to the occurrence of the change in control, all stock options that are vested and exercisable will be terminated in exchange for a cash payment equal to the change in control price reduced by the exercise price of such stock options. As of April 30, 2010, none of our named executive officers had outstanding unvested stock options.

Outstanding Equity Awards at 2009 Year-End

Name	Option Awards			
	Number of Shares of Common Stock Underlying Unexercised Options (#) Exercisable	Number of Shares of Common Stock Underlying Unexercised Options (#) Unexercisable	Option Exercise Price (\$)	Option Expiration Date
H. Craig Dees	18,750	--	0.32	5/29/2013
	25,000	--	0.60	5/29/2013
	300,000	--	1.10	2/26/2014
	25,000	--	0.95	5/27/2014
	300,000	--	0.64	1/7/2015
	300,000	--	0.75	5/25/2015
	25,000	--	0.62	5/19/2015
	200,000	--	0.94	12/9/2015
	50,000	--	1.02	6/23/2016
	1,000,000	--	1.02	6/23/2016
	50,000	--	1.50	6/21/2017
	50,000	--	1.00	6/27/2018
50,000	--	1.04	6/19/2019	
Timothy C. Scott	75,000	--	0.32	5/29/2013
	25,000	--	0.60	5/29/2013
	300,000	--	1.10	2/26/2014
	25,000	--	0.95	5/27/2014
	300,000	--	0.64	1/7/2015
	300,000	--	0.75	5/25/2015
	25,000	--	0.62	5/19/2015
	200,000	--	0.94	12/9/2015
	50,000	--	1.02	6/23/2016
	1,000,000	--	1.02	6/23/2016
	50,000	--	1.50	6/21/2017
	50,000	--	1.00	6/27/2018
50,000	--	1.04	6/19/2019	
Eric A. Wachter	75,000	--	1.10	2/26/2014
	25,000	--	0.95	5/27/2014
	105,469	--	0.64	1/7/2015
	300,000	--	0.75	5/25/2015
	985,000	--	1.02	6/23/2016
	50,000	--	1.50	6/21/2017
	50,000	--	1.00	6/27/2018
50,000	--	1.04	6/19/2019	

DIRECTOR COMPENSATION

Three of our five directors, Drs. Dees, Scott and Wachter, are also full-time employees. As discussed above under the heading "EXECUTIVE COMPENSATION," they are compensated for their service in those roles. Other than the options described below, they are not separately compensated for their service as directors.

Neither Stuart Fuchs or Kelly McMasters received cash compensation for his service as a member of our Board of Directors, although each is reimbursed for expenses incurred in fulfilling his duties as a director, including attending meetings. In 2009, we paid Mr. Fuchs \$82,500 for consulting services performed, and issued 70,000 shares of common stock at a fair market value of \$70,000. In 2009, we paid Dr. McMasters \$30,000 for leading our Scientific Advisory Board. Both are further described below under the heading "PROPOSAL 1 – ELECTION OF DIRECTORS – Transactions with Director Nominees."

On the date of each annual meeting of stockholders, each member of our Board of Directors receives options exercisable for shares of our common stock. In 2009, each of our directors received 50,000 options.

Director Compensation Table for 2009

Name ⁽¹⁾	Fees Earned or Paid in Cash (\$)	Option Awards (\$) ⁽²⁾	All Other Compensation (\$)	Total (\$)
Stuart Fuchs	--	46,187	152,500 ⁽³⁾	198,687
Kelly M. McMasters	--	46,187	30,000 ⁽³⁾	76,187

⁽¹⁾ Our other three directors are also full-time employees whose compensation is discussed above under the heading "EXECUTIVE COMPENSATION."

⁽²⁾ A total of 50,000 stock options were granted to each of the above-named directors at an exercise price of \$1.04, which was the fair market price on the date of issuance. The options vested immediately on the date of grant, June 19, 2009 and expire on June 19, 2019. The amounts in the Option Awards column represent grant date fair values computed in accordance with FASB ASC Topic 718. The assumptions used in determining the values of option awards are provided in Note 5 to the Consolidated Financial Statements contained in our Form 10-K for the fiscal year ended December 31, 2009. For purposes of estimating the fair value of each stock option on the date of grant, we utilized the Black-Scholes option-pricing model.

As of December 31, 2009, Mr. Fuchs had a total of 275,000 stock options outstanding, and Mr. McMasters had a total of 110,000 stock options outstanding.

⁽³⁾ We paid Mr. Fuchs \$82,500 for consulting services performed in 2009, and issued 70,000 shares of common stock at a fair market value of \$70,000. We paid Dr. McMasters \$30,000 for leading our Scientific Advisory Board.

PROPOSAL 1 – ELECTION OF DIRECTORS

Director Nominees

The persons listed below have been nominated by our Board of Directors to serve as directors for a one-year term expiring at the annual meeting of stockholders occurring in 2011. Each nominee has consented to serve on our Board of Directors. If any nominee were to become unavailable to serve as a director, our Board of Directors may designate a substitute nominee. In that case, the persons named as proxies on the accompanying proxy card will vote for the substitute nominee designated by our Board of Directors.

H. Craig Dees, Ph.D., 58, has served as our Chief Executive Officer and as a member of our Board of Directors since we acquired Provectus Pharmaceuticals, Inc., a privately held Tennessee Corporation, on April 23, 2002. Before joining us, from 1997 to 2002 he served as senior member of the management team of Photogen Technologies, Inc., including serving as a member of our Board of Directors of Photogen from 1997 to 2000. Prior to joining Photogen, Dr. Dees served as a Group Leader at the Oak Ridge National Laboratory, and as a senior member of the management teams of LipoGen Inc., a medical diagnostic company which used genetic engineering technologies to manufacture and distribute diagnostic assay kits for auto-immune diseases, and TechAmerica Group Inc., now a part of Boehringer Ingelheim Vetmedica, Inc., the U.S. animal health subsidiary of Boehringer Ingelheim GmbH, an international chemical and pharmaceutical company headquartered in Germany. He earned a Ph.D. in Molecular Virology from the University of Wisconsin – Madison in 1984.

Timothy C. Scott, Ph.D., 52, has served as our President and as a member of our Board of Directors since we acquired PPI on April 23, 2002. Prior to joining us, Dr. Scott was a senior member of the Photogen management team from 1997 to 2002, including serving as Photogen's Chief Operating Officer from 1999 to 2002, as a director of Photogen from 1997 to 2000, and as interim CEO for a period in 2000. Before joining Photogen, he served as senior management of Genase LLC, a developer of enzymes for fabric treatment, and held senior research and management positions at Oak Ridge National Laboratory. Dr. Scott earned a Ph.D. in Chemical Engineering from the University of Wisconsin – Madison in 1985.

Eric A. Wachter, Ph.D., 47, has served as our Executive Vice President – Pharmaceuticals and as a member of our Board of Directors since we acquired PPI on April 23, 2002. Prior to joining us, from 1997 to 2002 he was a senior member of the management team of Photogen, including serving as Secretary and a director of Photogen since 1997 and as Vice President and Secretary and a director of Photogen since 1999. Prior to joining Photogen, Dr. Wachter served as a senior research staff member with Oak Ridge National Laboratory. He earned a Ph.D. in Chemistry from the University of Wisconsin – Madison in 1988.

Stuart Fuchs, 63, has served as a member of our Board of Directors since January 23, 2003. He is a co-founder and has served as a managing principal of Gryffindor Capital Partners, LLC, since January 2000, a Chicago-based venture capital firm. Before joining Gryffindor, he was a founding stockholder of several biotech companies, including Angiogen LLC (since 1998), which develops combinations of drugs to stimulate *in vivo* production of factors that inhibit the growth of blood vessels in tumors, and Nace Pharma LLC (since 1996), which develops drugs that employ novel drug delivery technologies. Through Nace Resources Inc., a Delaware corporation providing strategic and financial advice to companies in the technology sector, Mr. Fuchs has formed or participated in groups of investors on behalf of several companies, including Abiant Inc., Celsion Corp. and Photogen. Before founding Nace Resources Inc., he served for 19 years as an investment banker with Goldman, Sachs & Co., where he co-managed the firm's public finance activities for the Midwest region. Before joining Goldman, Sachs & Co., Mr. Fuchs was a lawyer in private practice with Barrett Smith Schapiro & Simon in New York. Mr. Fuchs holds an A.B.

degree from Harvard College and a J.D. from Harvard Law School and is a member of the Association of the Bar of the City of New York.

Kelly M. McMasters, M.D., Ph.D., 49, has served as a member of our board of directors since June 9, 2008. Additionally, Dr. McMasters served as chairman of our scientific advisory board. Dr. McMasters received his undergraduate training at Colgate University prior to completing the MD/PhD program at the University of Medicine and Dentistry of New Jersey, Robert Wood Johnson Medical School and Rutgers University. He then completed the residency program in General Surgery at the University of Louisville, and a fellowship in Surgical Oncology at M.D. Anderson Cancer Center in Houston. He is currently the Sam and Lolita Weakley Professor of Surgical Oncology at the University of Louisville in Kentucky, a position he has held since 1996. Since 2005, he has chaired the Department of Surgery at the University of Louisville and also has been Chief of Surgery at University of Louisville Hospital. Since 2000, he has also been Director of the Multidisciplinary Melanoma Clinic of the James Graham Brown Cancer Center at the University of Louisville. His is an active member of the surgery staff at the University of Louisville Hospital, Norton Hospital and Jewish Hospital in Louisville. He is on the editorial boards of the Annals of Surgical Oncology, Cancer Therapy and the Journal of Clinical Oncology as well as an ad hoc reviewer for 9 other publications. He holds several honors, chief among them is "Physician of the Year" awarded by the Kentucky Chapter of the American Cancer Society. He is the author and principal investigator (PI) of the Sunbelt Melanoma Trial, a multi-institutional study involving 3500 patients from 79 institutions across North America and one of the largest prospective melanoma studies ever performed. He has been a PI, Co-PI or local PI in over thirty clinical trials ranging from Phase 1 to Phase 3. For the past 12 years he has also directed a basic and translational science laboratory studying adenovirus-mediated cancer gene therapy funded by the American Cancer Society and the National Institutes of Health (NIH).

Transactions with Director Nominees

During 2009, we paid one of our directors, Mr. Fuchs, \$82,500 for consulting services performed in 2009, and issued 70,000 shares of our common stock at a fair market value of \$70,000.

During 2009, we paid one of our directors, Dr. McMasters, \$30,000 for leading our Scientific Advisory Board. During 2008, we paid Dr. McMasters \$30,000 and warrants to purchase 10,000 shares of common stock for leading our Scientific Advisory Board.

Our Board of Directors recommends that the stockholders vote FOR each of the nominees for election to our Board of Directors named above.

PROPOSAL 2 – AMENDMENT TO AMENDED AND RESTATED 2002 STOCK PLAN

Description of the Amendment

Our Board of Directors is seeking our stockholders' approval of an amendment to our Amended and Restated 2002 Stock Plan, as amended (the "2002 Stock Plan") to increase the number of shares of our common stock reserved for issuance thereunder from 10,000,000 to 15,000,000. The 2002 Stock Plan originally was adopted by our Board of Directors and approved by our stockholders on May 29, 2003. The 2002 Stock Plan subsequently was amended upon approval of the stockholders on April 29, 2004, May 19, 2005, and June 22, 2006, in each instance to increase the number of shares of our common stock reserved for issuance thereunder.

Under the 2002 Stock Plan, we are authorized to grant equity-based awards in the form of options, stock appreciation rights, stock purchase rights and long-term performance awards to our and our subsidiaries' officers, directors, employees and consultants. The purpose of the 2002 Stock Plan is to enable us to provide an incentive to our officers, directors, employees and consultants whose present and potential contributions are important to our continued success, to afford these individuals the opportunity to acquire a proprietary interest in us, and to enable us to enlist and retain in our employment the best available talent for the successful conduct of our business.

Our Board of Directors unanimously recommends that stockholders vote "FOR" the approval and adoption of Proposal 2 to amend our 2002 Stock Plan.

Background

At present, we are authorized to grant equity-based awards under the 2002 Stock Plan for up to 10,000,000 shares of our common stock. As of December 31, 2009, there were outstanding options to purchase 8,623,843 shares of our common stock and 1,276,157 shares of our common stock had been issued pursuant to exercises of options. We have not issued any stock appreciation rights, stock purchase rights or long-term performance awards. As a result, as of December 31, 2009, there were 100,000 remaining shares of our common stock available for future awards under the 2002 Stock Plan.

Reasons for the Proposed Amendment

Based on our current compensation policies, our Board of Directors determined that an increase in the reserve of shares of our common stock is necessary in light of the fact that as of December 31, 2009, only 100,000 shares of our common stock are available for issuance under the 2002 Stock Plan. Our Board of Directors believes that we must offer a competitive equity compensation program if we are to continue to successfully attract and retain the most qualified candidates as officers, directors, employees and consultants. Our Board of Directors expects that the 2002 Stock Plan, as amended, will be an important factor in attracting and retaining the personnel essential to our success. Our Board of Directors believes that giving our officers, directors, employees and consultants the opportunity to acquire an equity interest will align the economic interest of these individuals with the economic interest of our other stockholders, thereby benefiting all of our stockholders. Our Board of Directors believes that the increased number of shares reserved for issuance under the 2002 Stock Plan will provide a sufficient number of shares for the foreseeable future. If the amendment to the 2002 Stock Plan is approved by our stockholders, the 2002 Stock Plan will remain unchanged in all other respects. The additional shares represent a 50% increase in the number of authorized shares of our common stock under the 2002 Stock Plan, but constitute only 6.9% of the 72,791,241 shares of our common stock that were outstanding on March 31, 2010.

Summary of 2002 Stock Plan

The following is a summary of the key provisions of the 2002 Stock Plan that is proposed to be amended and restated. The full text of the 2002 Stock Plan, as proposed to be amended and restated, is included as Appendix A to this proxy statement as it would read if Proposal 2 were to be approved by our stockholders. The summary below is qualified in its entirety by reference to the full text of the 2002 Stock Plan.

General. The 2002 Stock Plan authorizes us to grant the following types of equity-based awards: options to purchase our common stock that qualify as “incentive stock options” under Section 422 of the Internal Revenue Code of 1986, as amended (the “Code”), options to purchase our common stock that do not qualify as incentive stock options under Section 422 of the Code, which are referred to as “non-qualified stock options,” stock appreciation rights (“SARs”), stock purchase rights and long-term performance awards.

Purpose. The purpose of the 2002 Stock Plan is to enable us to provide an incentive to officers, directors, employees and consultants whose present and potential contributions are important to our continued success, to afford these individuals the opportunity to acquire a proprietary interest in us, and to enable us to enlist and retain the best available talent for the successful conduct of our business.

Eligible Persons. Currently, our six officers, directors and employees are eligible to participate in the 2002 Stock Plan, as well as consultants to us and our subsidiaries. Under the terms of the 2002 Stock Plan, incentive stock options may be granted only to employees, including those who serve as officers and directors.

Shares Available for Issuance. At present, we are authorized to grant equity-based awards under the 2002 Stock Plan for up to 10,000,000 shares of our common stock. Our Board of Directors is seeking our stockholders’ approval of an amendment to the 2002 Stock Plan to increase the number of shares of our common stock reserved for issuance thereunder from 10,000,000 to 15,000,000 shares. If an award under the 2002 Stock Plan is forfeited or terminated for any reason, the shares of our common stock that were subject to the award will again be available for future distribution under the 2002 Stock Plan. In addition, shares subject to SARs that are exercised for cash will again be available for distribution in connection with future grants of awards under the 2002 Stock Plan.

Administration. The 2002 Stock Plan may be administered by one or more administrators (the “Administrator”) if our Board of Directors deems division of administration necessary or desirable in order to comply with applicable law. Because our Board of Directors has not appointed any committees and because we have so few employees, at present our Board of Directors is acting as the Administrator of the 2002 Stock Plan. The Administrator has the authority to determine the employees, consultants and non-employee directors who may receive awards under the 2002 Stock Plan (the “Participants”) and to determine the type, size and terms of each award, to modify the terms of awards, to determine when awards will be granted and paid, and to make all other determinations which it deems necessary or desirable in the interpretation and administration of the Plan.

Types of Equity-Based Awards

Options. Options are rights to purchase a specified number of shares of our common stock at a price fixed by the Administrator. Each option must be represented by an award agreement that identifies the option as either an “incentive stock option” within the meaning of Section 422 of the Code or “non-qualified option,” which does not satisfy the conditions of Section 422 of the Code. The award agreement also must specify the number of shares of our common stock that may be issued upon exercise of the options and set forth the exercise price of the options. The exercise price for options that qualify as

incentive stock options may not be less than 100% of the fair market value as of the date of grant. The option exercise price may be satisfied in cash, by check or a promissory note, by exchanging shares of our common stock owned by the Participant, or a combination of these methods. Options have a maximum term of ten years from the date of grant. To date options that we have granted generally have a ten-year term and become exercisable in four equal, annual installments beginning on the date of grant. The Administrator has broad discretion to determine the terms and conditions upon which options may be exercised, and the Administrator may determine to include additional terms in the award agreements.

Stock Appreciation Rights. SARs may be granted in connection with a previously or contemporaneously granted stock option or independently. SARs are rights to receive cash or shares of our common stock, or a combination thereof, as the Administrator may determine. The Administrator may provide in the SAR agreement circumstances under which SARs will become immediately exercisable and may accelerate the exercisability of any SAR at any time. To date, we have not issued any SARs under the 2002 Stock Plan.

SARs granted in connection with a stock option are exercisable only when and to the extent that the related stock option is exercisable and expire on the date on which the related stock option expires. If a SAR granted in connection with a stock option is exercised, the related stock option ceases to be exercisable. The amount of the payment for SARs granted in connection with stock options is equal to the excess of (i) the fair market value on the date of exercise of the common stock covered by the surrendered portion of the related stock option over (ii) the exercise price of the stock option covered by the surrendered portion of the related stock option.

SARs granted independently of stock options are exercisable as specified in the award agreement. The amount of the payment for SARs granted independently of stock options is equal to the excess of (i) the fair market value of the common stock covered by the exercised portion of the SAR as of the date of such exercise over (ii) the fair market value of the common stock covered by the exercised portion of the SAR as of the last market trading date prior to the date on which the SAR was granted.

Stock Purchase Rights. Stock purchase rights are rights to purchase a specified number of shares of our common stock which may be restricted in accordance with the terms of the award agreement. The terms of stock purchase rights, including the restrictions and conditions of the offer, the number of shares of our common stock that the offeree will be entitled to purchase, the price to be paid, and the time period in which the offeree must accept the offer, will be set forth in writing. Stock purchase rights must be exercised within thirty days from the date the stock purchase right is granted, unless the Administrator specifies a shorter period. After a Participant exercises a stock purchase right, he or she will have the rights equivalent to those of a stockholder, including the right to vote such shares and to receive dividends and other distributions thereon, subject to the restrictions set forth in the 2002 Stock Plan and in the award agreement. If shares of our common stock are issued as "restricted stock," they will be legended and may not be sold, transferred, or disposed of until the restrictions have lapsed. The Administrator has broad discretion as to the specific terms and conditions of each award, including applicable rights upon certain terminations of employment and restrictions on the transferability of stock purchased pursuant to stock purchase rights. To date, we have not issued any stock purchase rights under the 2002 Stock Plan.

Long-Term Performance Awards. Long-term performance awards entitle the grantee to future payments based upon the achievement of employment or pre-established long-term performance factors. The award agreement for a long-term performance award will establish maximum and minimum performance targets to be achieved and the period in which the targets must be achieved. Thereafter, the Participant will be entitled to a payment in cash or shares of our common stock upon the achievement of the performance targets within the performance periods. The Administrator has discretion to determine the Participants to whom long-term performance awards are to be made, the times in which such awards

are to be made, the size of such awards, and all other conditions of such awards, including any restriction, deferral periods, or performance requirements. To date, we have not issued any long-term performance awards under the 2002 Stock Plan.

Adjustments upon Change of Capitalization, Dissolution, Merger, Asset Sale or Change of Control

Changes in Capitalization. Subject to any required action by our stockholders, the number of shares of our common stock covered by outstanding stock options, SARs, stock purchase rights or long-term performance awards, and the number of shares of our common stock which have been authorized for issuance under the 2002 Stock Plan but as to which no award has been granted or which have been returned to the 2002 Stock Plan upon cancellation or expiration of an award, as well as the price per share of our common stock covered by each such outstanding award, will be proportionately adjusted for any increase or decrease in the number of issued shares of our common stock resulting from a stock split, reverse stock split, stock dividend, combination or reclassification of the our common stock, or any other increase or decrease in the number of issued shares of our common stock effected without receipt of consideration by us.

Dissolution or Liquidation. In the event of the proposed dissolution or liquidation of us, to the extent that stock options, SARs, stock purchase rights or long-term performance awards have not been previously exercised, they will terminate immediately prior to the consummation of such proposed action. Our Board of Directors may declare that any such award shall terminate as of a date fixed by our Board of Directors and give each Participant the right to exercise his or her award, including awards that would not otherwise be exercisable.

Merger or Asset Sale. Subject to the treatment of awards upon a change in control discussed below, in the event of a merger of us with or into another corporation, or the sale of substantially all of our assets, each outstanding award will be assumed or an equivalent award will be substituted by the successor corporation or a parent or subsidiary of the successor corporation. In the event that the successor corporation does not agree to assume the award or to substitute an equivalent award, the Administrator will, in lieu of such assumption or substitution, provide for the Participant to have the right to exercise the award, awards that would not otherwise be exercisable.

Change in Control. In the event of a change in control (as defined in the 2002 Stock Plan) of us, except as otherwise determined by our Board of Directors, (i) prior to the occurrence of the change in control, any outstanding awards on the date of such change in control that are not yet exercisable and vested on such date will become fully exercisable and vested, and (ii) prior to the occurrence of the change in control, all outstanding awards to the extent they are exercisable and vested, including accelerated awards will be terminated in exchange for a cash payment equal to the change in control price (as defined in the 2002 Stock Plan), reduced by the exercise price, if any, of such awards.

Transferability

Awards may not be sold, pledged, assigned, hypothecated, transferred or disposed of in any manner other than by will or by the laws of decent or distribution and may be exercised, during the lifetime of the Participant, only by the Participant.

Amendment and Termination

Our Board of Directors may amend, alter, suspend or terminate the 2002 Stock Plan at any time. Any amendment to the 2002 Stock Plan must be approved by our stockholders to the extent such approval is required by the terms of the 2002 Stock Plan, the rules and regulations of the Securities and Exchange Commission, or the rules and regulations of any exchange upon which our stock is listed, if any.

However, no amendment, alteration, suspension or termination of the 2002 Stock Plan may impair the rights of any Participant, unless mutually agreed in writing by the Participant and the Administrator.

Federal Income Tax Consequences

The following is a summary of the material anticipated United States federal income tax consequences of the 2002 Stock Plan to us and the Participants. The summary is based on current federal income tax law, which is subject to change, and does not address state, local, or foreign tax consequences or considerations.

Stock Options. The grant of a stock option that does not have a readily ascertainable value will not result in taxable income at the time of the grant for either us or the Participant. Upon exercising an incentive stock option, the Participant will have no taxable income (except that the alternative minimum tax may apply) and we will receive no deduction. Upon exercising a nonqualified stock option, the Participant will recognize ordinary income in the amount by which the fair market value of our common stock at the time of exercise exceeds the option exercise price, and we will be entitled to a deduction for the same amount. The Participant's income is subject to withholding tax as wages.

The tax treatment of the Participant upon a disposition of shares of our common stock acquired through the exercise of an option is dependent upon the length of time that the shares have been held and on whether such shares were acquired by exercising an incentive stock option or a nonqualified stock option. If an employee exercises an incentive stock option and holds the shares for two years from the date of grant and one year after exercise, then any gain or loss realized based on the exercise price of the option will be treated as long-term capital gain or loss. Shares obtained upon exercise of an incentive stock option that are sold without satisfying these holding periods will be treated as shares received from the exercise of a nonqualified stock option. Generally, upon the sale of shares obtained by exercising a nonqualified stock option, the Participant will treat the gain realized on the sale as a capital gain. Generally, there will be no tax consequence to us in connection with the disposition of shares of our common stock acquired under a stock option, except that we may be entitled to a deduction in the case of a disposition of shares acquired upon exercise of an incentive stock option before the applicable holding periods have been satisfied.

Stock Appreciation Rights. The grant of a SAR will not result in taxable income to the Participant at the time of the award. Upon exercising the SAR, the Participant will recognize ordinary income in the amount by which the fair market value of the common stock or the amount of cash, as the case may be, exceeds the SAR exercise price, if any. We will be entitled to a deduction for the same amount. The Participant's income is subject to withholding tax as wages. Upon a disposition of shares of common stock acquired through the exercise of the SAR, the Participant may recognize capital gain or loss, the character of which is dependent upon the length of time that the shares have been held. Generally, there will be no tax consequences to us in connection with the disposition of shares of common stock acquired under a SAR.

Stock Purchase Rights. The federal income tax consequences of awards of stock purchase rights will depend on the facts and circumstances of each award, and in particular, the nature of the restrictions imposed with respect to the common stock which is the subject of the award. In general, if the common stock is subject to a substantial risk of forfeiture, i.e., limited in terms of transferability, a taxable event occurs only when the risk of forfeiture ceases. At that time, the Participant will realize ordinary income to the extent of the excess of the fair market value of the common stock on the date the risk ceases over the amount that the Participant paid for the shares, if any, and we will be entitled to a deduction in the same amount. Prior to the lapse of restrictions on the restricted stock, any dividends on such shares will be paid currently and will be treated as ordinary compensation income to the Participant, subject to withholding. Subsequent to the determination and satisfaction of the ordinary income tax consequences, any further

gain or loss realized on the subsequent disposition of such stock will be a long- or short-term capital gain or loss depending upon the applicable holding period.

Alternatively, within thirty days after transfer of the restricted stock, a Participant may make an election under Section 83(b) of the Code, which would allow the Participant to include in income in the year that the restricted common stock is awarded an amount equal to the fair market value of the restricted stock on the date of such award determined as if the restricted common stock were not subject to restrictions. The employer is then entitled to a compensation-paid deduction in the same amount. The election is required to be written and delivered to the employer within that thirty-day period. The Participant is also required to confirm the election with the filing of the Participant's federal income tax return for the year in which the award is made. Failure to satisfy either of these requirements may invalidate the intended election. In the event of a valid Section 83(b) election, the Participant will not recognize income at the time that the restrictions actually lapse. In addition, any appreciation or depreciation in the value of the stock and any dividends paid on the stock after a valid Section 83(b) election are not deductible by the employer as compensation paid. For purposes of determining the period of time that the Participant holds the restricted stock, the holding period begins on the award date when a Participant makes a Section 83(b) election. Further, any dividends received after the Section 83(b) election is made will constitute ordinary dividend income to the Participant and will not be deductible by the employer. If the restricted stock subject to the Section 83(b) election is subsequently forfeited, however, the Participant is not entitled to a deduction or tax refund.

Long-Term Performance Awards. A Participant will realize ordinary compensation income upon receipt of a long-term performance award equaling the amount of cash or the current market value of the common stock received. Wage withholding rules will apply. We will be entitled to a deduction at the time of payment in an amount equal to such income. Upon subsequent disposition of any shares of common stock received, any gain or loss will be a long- or short-term gain or loss, depending upon the applicable holding period.

Equity Compensation Plan Information

The table below sets forth certain information regarding shares available as of December 31, 2009 for issuance under our equity compensation plans. As of March 31, 2010, the closing price of our common stock on the OTCBB was \$1.49 per share.

Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by stockholders	8,623,843	\$0.95	100,000
Equity compensation plans not approved by stockholders	0	\$ --	0
Total	8,623,843	\$0.95	100,000

PROPOSAL 3 – RATIFICATION OF SELECTION OF INDEPENDENT AUDITOR

General

Our Board of Directors has selected BDO Seidman as the independent auditor to perform the audit of our consolidated financial statements for 2010. BDO Seidman has audited our consolidated financial statements since 2002. BDO Seidman is a registered public accounting firm.

Our Board of Directors is asking the stockholders to ratify the selection of BDO Seidman as our independent auditor for 2010. Although not required by law or our bylaws, our Board of Directors is submitting the selection of BDO Seidman to the stockholders for ratification as a matter of good corporate practice. Even if the selection is ratified, our Board of Directors, in its discretion, may select a different registered public accounting firm at any time during the year if it determines that such a change would be in the best interests of us and our stockholders.

Representatives of BDO Seidman are expected to be present at the annual meeting. They will have an opportunity to make a statement if they desire and will be available to respond to appropriate questions from our stockholders.

Board of Directors' Recommendation

OUR BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE *FOR* THE RATIFICATION OF THE SELECTION OF BDO SEIDMAN, LLP AS OUR INDEPENDENT AUDITOR FOR 2010. Each proxy solicited on behalf of our Board of Directors will be voted *FOR* the ratification of the selection of BDO Seidman as our independent auditor for 2010 unless the stockholder instructs otherwise in the proxy. If the stockholders do not ratify the selection, the matter will be reconsidered by our Board of Directors.

Audit and Non-Audit Services

Our Board of Directors is directly responsible for the appointment, compensation, and oversight of our independent auditor. It is the policy of our Board of Directors to pre-approve all audit and non-audit services provided by our independent registered public accountants. Our Board of Directors has considered whether the provision by BDO Seidman of services of the varieties described below is compatible with maintaining the independence of BDO Seidman, LLP. In view of the fact that BDO Seidman provides no services to us other than audit services, our Board of Directors believes that such services do not jeopardize the independence of BDO Seidman.

The table below sets forth the aggregate fees we paid to BDO Seidman for audit and non-audit services provided to us in 2009 and 2008.

Fees	2009	2008
Audit Fees	\$124,000	\$118,000
Audit-Related Fees	-	-
Tax Fees:	-	-
All Other Fees	-	-
Total	\$124,000	\$118,000

In the above table, in accordance with the SEC's definitions and rules, "audit fees" are fees for professional services for the audit of a company's financial statements included in the annual report on Form 10-K, for the review of a company's financial statements included in the quarterly reports on Form 10-Q, and for services that are normally provided by the accountant in connection with statutory and regulatory filings or engagements; "audit-related fees" are fees for assurance and related services that are reasonably related to the performance of the audit or review of a company's financial statements; "tax fees" are fees for tax compliance, tax advice, and tax planning; and "all other fees" are fees for any services not included in the first three categories.

OTHER INFORMATION CONCERNING MANAGEMENT

Executive Officers

Drs. Dees, Scott, and Wachter serve as our Chief Executive Officer, President, and Executive Vice President – Pharmaceuticals, respectively. Information about their business experience is set forth above under the heading, “PROPOSAL 1 – ELECTION OF DIRECTORS – Director Nominees.”

In addition, Peter R. Culpepper, 50, serves as our Chief Financial Officer and Chief Operating Officer and was appointed in February 2004. Previously, Mr. Culpepper served as Chief Financial Officer for Felix Culpepper International, Inc. from 2001 to 2004; was a Registered Representative with AXA Advisors, LLC from 2002 to 2003; has served as Chief Accounting Officer and Corporate Controller for Neptec, Inc. from 2000 to 2001; has served in various Senior Director positions with Metromedia Affiliated Companies from 1998 to 2000; has served in various Senior Director and other financial positions with Paging Network, Inc. from 1993 to 1998; and has served in a variety of financial roles in public accounting and industry from 1982 to 1993. He earned a Masters in Business Administration in Finance from the University of Maryland – College Park in 1992. He earned an AAS in Accounting from the Northern Virginia Community College – Annandale, Virginia in 1985. He earned a BA in Philosophy from the College of William and Mary – Williamsburg, Virginia in 1982. He is a licensed Certified Public Accountant in both Tennessee and Maryland.

Code of Ethics

Our Board of Directors has adopted a code of ethics that applies to our principal executive officer and principal financial officer, or persons performing similar functions. The code of ethics contains written standards that are reasonably designed to deter wrongdoing and to promote: (1) honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships; (2) full, fair, accurate, timely, and understandable disclosure in reports and documents that we file with, or submit to, the SEC and in other public communications made by us; (3) compliance with applicable governmental laws, rules and regulations; (4) the prompt internal reporting of violations of the code to an appropriate person or persons identified in the code; and (5) accountability for adherence to the code. The code of ethics is available without charge upon request from our Secretary, Provectus Pharmaceuticals, Inc., 7327 Oak Ridge Highway, Knoxville, TN 37931.

OTHER MATTERS

As of the date hereof, our Board of Directors knows of no business that will be presented at the meeting other than the proposals described in this Proxy Statement. If any other proposal properly comes before the stockholders for a vote at the meeting, the proxy holders will vote the shares of our common stock represented by proxies that are submitted to us in accordance with their best judgment.

ADDITIONAL INFORMATION

Solicitation of Proxies

We will solicit proxies on behalf of our Board of Directors by mail, telephone, facsimile, or other electronic means or in person. We have not retained any third parties to assist in soliciting proxies. We will pay the proxy solicitation costs. We will supply copies of the proxy solicitation materials to brokerage firms, banks, and other nominees for the purpose of soliciting proxies from the beneficial owners of the shares of our common stock held of record by such nominees. We request that such brokerage firms, banks, and other nominees forward the proxy solicitation materials to the beneficial owners, and we will reimburse them for their reasonable expenses.

Mailing Address of Principal Executive Office

The mailing address of our principal executive office is Provectus Pharmaceuticals, Inc., 7327 Oak Ridge Highway, Knoxville, Tennessee 37931.

Stockholder Proposals for Including in Proxy Statement for 2011 Annual Meeting of Stockholders

To be considered for inclusion in our proxy statement for the 2011 Annual Meeting of Stockholders, a stockholder proposal must be received by us no later than the close of business on December 31, 2010. Stockholder proposals must be sent to Secretary, Provectus Pharmaceuticals, Inc., 7327 Oak Ridge Highway, Knoxville, Tennessee 37931. We will not be required to include in our proxy statement any stockholder proposal that does not meet all the requirements for such inclusion established by the SEC's proxy rules and Nevada corporate law.

Other Stockholder Proposals for Presentation at 2011 Annual Meeting of Stockholders

For any proposal that is not submitted for inclusion in our proxy statement for the 2011 Annual Meeting of Stockholders, but is instead sought to be presented directly at the meeting, the SEC's rules permit management to vote proxies in its discretion if: (i) we receive notice of the proposal before the close of business on March 16, 2011, and advise stockholders in the proxy statement about the nature of the matter and how management intends to vote on such matter; or (ii) we do not receive notice of the proposal prior to the close of business on March 16, 2011. Notices of intention to present proposals at the 2011 Annual Meeting of Stockholders should be sent to Secretary, Provectus Pharmaceuticals, Inc., 7327 Oak Ridge Highway, Knoxville, Tennessee 37931.

By Order of our Board of Directors

/s/Peter R. Culpepper

PETER R. CULPEPPER

Secretary

Knoxville, Tennessee
April 30, 2010

APPENDIX A

PROVECTUS PHARMACEUTICALS, INC.

AMENDED AND RESTATED 2002 STOCK PLAN

1. Purpose of the Plan

The purpose of the Provectus Pharmaceuticals, Inc. 2002 Stock Plan is to enable the Corporation to provide an incentive to Officers, Directors, Employees, and Consultants whose present and potential contributions are important to the continued success of the Corporation, to afford these individuals the opportunity to acquire a proprietary interest in the Corporation, and to enable the Corporation to enlist and retain in its employment the best available talent for the successful conduct of its business. It is intended that this purpose will be effected through the granting of (a) Options, (b) Stock Appreciation Rights, (c) Stock Purchase Rights, and (d) Long-Term Performance Awards.

2. Definitions

As used herein, the following definitions shall apply:

- (a) "Administrator" means the Board or such of its Committees as shall be administering the Plan, in accordance with Section 5 of the Plan.
 - (b) "Applicable Laws" means the legal requirements relating to the administration of stock option plans under applicable securities laws, Nevada corporate law and the Code.
 - (c) "Award Agreement" means a written agreement between the Corporation and a Participant that evidences the specific terms and conditions of an individual Option or Right, subject to the general terms and conditions of the Plan.
 - (d) "Board" means the Board of Directors of the Corporation.
 - (e) "Change in Control" means the occurrence of any of the following:
 - (i) When any "person," as such term is used in Sections 13(d) and 14(d) of the Exchange Act (other than the Corporation, a Subsidiary or a Corporation employee benefit plan, including any trustee of such plan acting as trustee) is or becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Corporation representing fifty percent (50%) or more of the combined voting power of the Corporation's then outstanding securities entitled to vote generally in the election of directors; or
 - (ii) The stockholders of the Corporation approve a merger or consolidation of the Corporation with any other corporation, other than a merger or consolidation which would result in the voting securities of the Corporation outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) at least fifty percent (50%) of the total voting power represented by the voting securities of the Corporation or such surviving entity outstanding immediately after such merger or consolidation, or the stockholders of the Corporation approve an agreement for the sale or disposition by the Corporation of all or substantially all the Corporation's assets; or
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- (iii) A change in the composition of the Board of Directors of the Corporation, as a result of which fewer than a majority of the directors are Incumbent Directors.
- (f) "Change in Control Price" means any one of the following, as determined by the Board:
 - (i) the highest Fair Market Value of a Share within the 60-day period immediately preceding the date of determination of the Change in Control Price by the Board (the "60-Day Period"); or
 - (ii) the highest price paid or offered per Share, as determined by the Board, in any bona fide transaction or bona fide offer related to the Change in Control of the Corporation, at any time within the 60-Day Period or such lower price as the Board, in its discretion, determines to be a reasonable estimate of the fair market value of a Share.
- (g) "Code" means the Internal Revenue Code of 1986, as amended.
- (h) "Committee" means a Committee appointed by the Board in accordance with Section 5 of the Plan.
- (i) "Common Stock" means the common shares, \$.001 par value, of the Corporation.
- (j) "Corporation" means Provectus Pharmaceuticals, Inc., a Nevada corporation.
- (k) "Consultant" means any person, including an advisor, engaged by the Corporation or a Parent or Subsidiary to render services and who is compensated for such services, and which services are in no way related to a "capital raising" transaction.
- (l) "Continuous Status as an Employee or Consultant" means that the employment or consulting relationship is not interrupted or terminated by the Corporation, any Parent or Subsidiary. Continuous Status as an Employee or Consultant shall not be considered interrupted in the case of: (i) any leave of absence approved by the Board, including sick leave, military leave, or any other personal leave; provided, however, that for purposes of Incentive Stock Options, any such leave may not exceed 90 days, unless reemployment upon the expiration of such leave is guaranteed by contract (including certain Corporation policies) or statute; or (ii) transfers between locations of the Corporation or between the Corporation, its Parent, its Subsidiaries or its successor.
- (m) "Director" means a member of the Board.
- (n) "Disability" means total and permanent disability as defined in Section 22(e)(3) of the Code.
- (o) "Employee" means any person, including Officers and Directors, employed by the Corporation or any Parent or Subsidiary of the Corporation. Neither service as a Director nor payment of a director's fee by the Corporation shall be sufficient to constitute "employment" by the Corporation.
- (p) "Exchange Act" means the Securities Exchange Act of 1934, as amended
- (q) "Fair Market Value" means, as of any date, the value of Common Stock determined as follows:

(i) the average on the applicable date of the high and low prices of a share of Common Stock on the principal national securities exchange on which shares of Common Stock then are trading, or, if shares were not traded on such date, then on the next preceding date on which a trade occurred; or

(ii) if shares of Common Stock are not traded on a national securities exchange but are listed on the Nasdaq Stock Market (“Nasdaq”), the last reported sale price on such date as reported by Nasdaq; or

(iii) if shares of Common Stock are not traded on a national securities exchange and are not listed on Nasdaq, the closing bid price (or average bid prices) last quoted on such date by an established quotation service for over-the-counter securities; or

(iv) if shares of Common Stock are not traded on such date, the fair market value of a share of Common Stock as established by the Board acting in good faith and taking into consideration all factors which it deems appropriate, including recent sale or offer prices for Common Stock in private arm’s-length transactions.

(r) “Incentive Stock Option” means an Option intended to qualify as an incentive stock option within the meaning of Section 422 of the Code and the regulations promulgated thereunder.

(s) “Incumbent Directors” means Directors who either (i) are Directors as of the date the Plan is approved by the stockholders of the Corporation, or (ii) are elected, or nominated for election, to the Board of Directors of the Corporation with the affirmative votes of at least a majority of the Incumbent Directors at the time of such election or nomination (but shall not include an individual whose election or nomination is in connection with an actual or threatened proxy contest relating to the election of directors to the Corporation).

(t) “Long-Term Performance Award” means an award under Section 9 of the Plan, evidenced by an Award Agreement, that permits the recipient to receive a cash or stock bonus (as determined by the Administrator) upon satisfaction of such Corporation, Subsidiary and/or individual performance factors or other criteria as the Administrator may deem appropriate and set out in the individual Award Agreement.

(u) “Nonqualified Stock Option” means any Option that is not an Incentive Stock Option.

(v) “Officer” means a person who is an officer of the Corporation within the meaning of Section 16 of the Exchange Act and the rules and regulations promulgated thereunder.

(w) “Option” means a stock option granted pursuant to the Plan.

(x) “Option Exchange Program” means a program whereby outstanding options are surrendered in exchange for options with a lower exercise price.

(y) “Optioned Stock” means the Common Stock subject to an Option or Right.

(z) “Parent” means a “parent corporation,” whether now or hereafter existing, as defined in Section 424(e) of the Code.

- (aa) "Participant" means an Officer, Director, Employee or Consultant who holds an outstanding Option or Right.
- (bb) "Plan" means the Provectus Pharmaceuticals, Inc. Amended and Restated 2002 Stock Plan, as amended from time to time.
- (cc) "Restricted Stock" means shares of Common Stock acquired pursuant to a grant of Stock Purchase Rights under Section 8 of the Plan and subject to an Award Agreement.
- (dd) "Right" means and includes SARs, Long-Term Performance awards and Stock Purchase Rights granted pursuant to the Plan.
- (ee) "Rule 16b-3" means Rule 16b-3 of the Exchange Act or any successor rule thereto, as in effect when discretion is being exercised with respect to the Plan.
- (ff) "SAR" means a stock appreciation right granted pursuant to Section 7.2 of the Plan.
- (gg) "Share" means a share of the Common Stock, as adjusted in accordance with Section 11 of the Plan.
- (hh) "Stock Purchase Right" means the right to purchase Common Stock pursuant to Section 8 of the Plan, as evidenced by an Award Agreement.
- (ii) "Subsidiary" means a "subsidiary corporation," whether now or hereafter existing, as defined in Section 424(f) of the Code.

3. Eligibility

Nonqualified Stock Options and Rights may be granted to Employees and Consultants, including Officers and Directors who are Employees or Consultants, and to Directors who are not Employees. Incentive Stock Options may be granted only to Employees. If otherwise eligible, an Employee, Consultant or Director who has been granted an Option or Right may be granted additional Options or Rights.

4. Stock Subject to the Plan

The total number of Shares reserved and available for issuance under the Plan is 15,000,000 Shares. If any Shares that have been optioned under an Option cease to be subject to such Option (other than through exercise of the Option), or if any Option or Right granted hereunder is forfeited, or any such award otherwise terminates prior to the issuance of Common Stock to the participant, the Shares that were subject to such Option or Right shall again be available for distribution in connection with future Option or right grants under the Plan. In addition, Shares that have been subject to SARs exercised for cash, whether granted in connection with or independently of options, shall again be available for distribution under the Plan. Shares that have actually been issued under the Plan, whether upon exercise of an Option or Right, shall not in any event be returned to the Plan and shall not become available for future distribution under the Plan, except that if Shares of Restricted Stock were repurchased by the Corporation at their original purchase price, and the original purchaser of such Shares did not receive any benefits of ownership of such Shares, such Shares shall become available for future grant under the Plan. For purposes of the preceding sentence, voting rights shall not be considered a benefit of Share ownership.

5. Administration

5.1. Composition of Administrator

(a) *Multiple Administrative Bodies.* If required or permitted by Rule 16b-3 and Applicable Laws, the Plan may (but need not) be administered by different administrative bodies with respect to (i) Directors who are employees, (ii) Officers who are not Directors and (iii) Employees who are neither Directors nor Officers.

(b) *Administration with respect to Directors and Officers.* With respect to grants of Options and Rights to eligible participants who are Officers or Directors of the Corporation, the Plan shall be administered by (i) the Board, if the Board may administer the Plan in compliance with Rule 16b-3 as it applies to a plan intended to qualify thereunder as a discretionary grant or award plan, or (ii) a Committee designated by the Board to administer the Plan, which Committee shall be constituted (A) in such a manner as to permit the Plan to comply with Rule 16b-3 as it applies to a plan intended to qualify thereunder as a discretionary grant or award plan and (B) in such a manner as to satisfy the Applicable Laws.

(c) *Administration with respect to Other Persons.* With respect to grants of Options to eligible participants who are neither Directors nor Officers of the Corporation, the Plan shall be administered by (i) the Board or (ii) a Committee designated by the Board, which Committee shall be constituted in such a manner as to satisfy the Applicable Laws.

(d) *General.* Once a Committee has been appointed pursuant to Sections 5.1(b) and/or 5.1(c), such Committee shall continue to serve in its designated capacity until otherwise directed by the Board. From time to time the Board may increase the size of any Committee and appoint additional members thereof, remove members (with or without cause) and appoint new members in substitution therefor, fill vacancies (however caused) and remove all members of a Committee and thereafter directly administer the Plan, all to the extent permitted by the Applicable Laws and, in the case of a Committee appointed under Section 5.1(c), to the extent permitted by Rule 16b-3 as it applies to a plan intended to qualify thereunder as a discretionary grant or award plan.

(e) *Powers of the Administrator.* Subject to the provisions of the Plan, and in the case of a Committee, subject to the specific duties delegated by the Board to such Committee, the Administrator shall have the authority, in its discretion:

- (i) to determine the Fair Market Value of the Common Stock, in accordance with Section 2(n) of the Plan;
- (ii) to select the Consultants and Employees to whom Options and Rights may be granted hereunder;
- (iii) to determine whether and to what extent Options and Rights or any combination thereof, are granted hereunder;
- (iv) to determine the number of shares of Common Stock to be covered by each Option and Right granted hereunder;
- (v) to approve forms of agreement for use under the Plan;
- (vi) to determine the terms and conditions of any award granted hereunder, which shall not be inconsistent with the terms of the Plan and shall include, but not be

limited to, the exercise price, the time or times when Options or Rights may be exercised (which may be based on performance criteria), any vesting acceleration or waiver of forfeiture restrictions, and any restriction or limitation regarding any Option or Right or the shares of Common Stock relating thereto, based in each case on such factors as the Administrator, in its sole discretion, shall determine;

- (vii) to construe and interpret the terms of the Plan;
- (viii) to prescribe, amend and rescind rules and regulations relating to the Plan;
- (ix) to determine whether and under what circumstances an Option or Right may be settled in cash instead of Common Stock or Common Stock instead of cash;
- (x) to reduce the exercise price of any Option or Right;
- (xi) to modify or amend each Option or Right (subject to Section 13 of the Plan);
- (xii) to authorize any person to execute on behalf of the Corporation any instrument required to effect the grant of an Option or Right previously granted by the Administrator;
- (xiii) to institute an Option Exchange Program;
- (xiv) to determine the terms and restrictions applicable to Options and Rights and any Restricted Stock; and
- (xv) to make all other determinations deemed necessary or advisable for administering the Plan.

(f) *Effect of Administrator's Decision.* The Administrator's decisions, determinations and interpretations shall be final and binding on all Participants and any other holders of Options or Rights.

6. Duration of the Plan

The Plan shall remain in effect until terminated by the Board under the terms of the Plan; provided, that in no event may Incentive Stock Options be granted under the Plan later than 10 years from the date the Plan was adopted by the Board.

7. Options and SARs

7.1. Options

The Administrator, in its discretion, may grant Options to eligible participants and shall determine whether such Options shall be Incentive Stock Options or Nonqualified Stock Options. Each Option shall be evidenced by an Award Agreement which shall expressly identify the Options as Incentive Stock Options or as Nonqualified Stock Options, and be in such form and contain such provisions as the Administrator shall from time to time deem appropriate.

Without limiting the foregoing, the Administrator may at any time authorize the Corporation, with the consent of the respective recipients, to issue new Options or Rights in exchange for the surrender

and cancellation of outstanding Options or Rights. Option agreements shall contain the following terms and conditions:

(a) *Exercise Price; Number of Shares.* The per Share exercise price for the Shares issuable pursuant to an Option shall be such price as is determined by the Administrator; provided, however, that in the case of an Incentive Stock Option, the price shall be no less than 100% of the Fair Market Value of the Common Stock on the date the Option is granted, subject to any additional conditions set out in Section 7.1(d) of the Plan. The Award Agreement shall specify the number of Shares to which it pertains.

(b) *Waiting Period and Exercise Dates.* At the time an Option is granted, the Administrator will determine the terms and conditions to be satisfied before Shares may be purchased, including the dates on which Shares subject to the Option may first be purchased. The Administrator may specify that an Option may not be exercised until the completion of the service period specified at the time of grant. (Any such period is referred to herein as the "waiting period.") At the time an Option is granted, the Administrator shall fix the period within which the Option may be exercised, which shall not be earlier than the end of the waiting period, if any, nor, in the case of an Incentive Stock Option, later than 10 years from the date of grant.

(c) *Form of Payment.* The consideration to be paid for the Shares to be issued upon exercise of an Option, including the method of payment, shall be determined by the Administrator (and, in the case of an Incentive Stock Option, shall be determined at the time of grant) and may consist entirely of:

- (i) cash;
- (ii) check;
- (iii) promissory note;
- (iv) other Shares which (A) in the case of Shares acquired upon exercise of an option, have been owned by the Participant for more than six months on the date of surrender, and (B) have a Fair Market Value on the date of surrender not greater than the aggregate exercise price of the Shares as to which said Option shall be exercised;
- (v) delivery of a properly executed exercise notice together with such other documentation as the Administrator and the broker, if applicable, shall require to effect an exercise of the Option and delivery to the Corporation of the sale or loan proceeds required to pay the exercise price;
- (vi) any combination of the foregoing methods of payment; or
- (vii) such other consideration and method of payment for the issuance of Shares to the extent permitted by Applicable Laws.

(d) *Special Incentive Stock Option Provisions.* In addition to the foregoing, Options granted under the Plan which are intended to be Incentive Stock Options under Section 422 of the Code shall be subject to the following terms and conditions:

- (i) *Dollar Limitation.* To the extent that the aggregate Fair Market Value of (A) the Shares with respect to which Options designated as Incentive Stock Options plus (B) the shares of stock of the Corporation, Parent and any Subsidiary with respect to

which other incentive stock options are exercisable for the first time by a Participant during any calendar year under all plans of the Corporation and any Parent and Subsidiary exceeds \$100,000, such Options shall be treated as Nonqualified Stock Options. For purposes of the preceding sentence, (1) Options shall be taken into account in the order in which they were granted, and (2) the Fair Market Value of the Shares shall be determined as of the time the Option or other incentive stock option is granted.

(ii) *10% Stockholder.* If any Participant to whom an Incentive Stock Option is to be granted pursuant to the provisions of the Plan is, on the date of grant, the owner of Common Stock (as determined under Section 424(d) of the Code) possessing more than 10% of the total combined voting power of all classes of stock of the Corporation or any Parent or Subsidiary of the Corporation, then the following special provisions shall be applicable to the Option granted to such individual:

(A) The per Share Option price of Shares subject to such Incentive Stock Option shall not be less than 110% of the Fair Market Value of Common Stock on the date of grant; and

(B) The Option shall not have a term in excess of 10 years from the date of grant. Except as modified by the preceding provisions of this Section 7.1(d) and except as otherwise limited by Section 422 of the Code, all of the provisions of the Plan shall be applicable to the Incentive Stock Options granted hereunder.

(e) *Other Provisions.* Each Option granted under the Plan may contain such other terms, provisions, and conditions not inconsistent with the Plan as may be determined by the Administrator,

(f) *Buyout Provisions.* The Administrator may at any time offer to buy out for a payment in cash or Shares, an Option previously granted, based on such terms and conditions as the Administrator shall establish and communicate to the Participant at the time that such offer is made.

7.2. *Stock Appreciation Rights*

(a) *In Connection with Options.* At the sole discretion of the Administrator, SARs may be granted in connection with all or any part of an Option, either concurrently with the grant of the Option or at any time thereafter during the term of the Option. The following provisions apply to SARs that are granted in connection with Options:

(i) The SAR shall entitle the Participant to exercise the SAR by surrendering to the Corporation unexercised a portion of the related Option. The Participant shall receive in Exchange from the Corporation an amount equal to the excess of (A) the Fair Market Value on the date of exercise of the SAR of the Common Stock covered by the surrendered portion of the related Option over (B) the exercise price of the Common Stock covered by the surrendered portion of the related Option. Notwithstanding the foregoing, the Administrator may place limits on the amount that may be paid upon exercise of an SAR; provided, however, that such limit shall not restrict the exercisability of the related Option.

- (ii) When an SAR is exercised, the related Option, to the extent surrendered, shall cease to be exercisable.
- (iii) An SAR shall be exercisable only when and to the extent that the related Option is exercisable and shall expire no later than the date on which the related Option expires.
- (iv) An SAR may only be exercised at a time when the Fair Market Value of the Common Stock covered by the related Option exceeds the exercise price of the Common Stock covered by the related Option.

(b) *Independent of Options.* At the sole discretion of the Administrator, SARs may be granted without related Options. The following provisions apply to SARs that are not granted in connection with Options:

(i) The SAR shall entitle the Participant, by exercising the SAR, to receive from the Corporation an amount equal to the excess of (A) the Fair Market Value of the Common Stock covered by the exercised portion of the SAR, as of the date of such exercise, over (B) the Fair Market Value of the Common Stock covered by the exercised portion of the SAR, as of the last market trading date prior to the date on which the SAR was granted; provided, however, that the Administrator may place limits on the aggregate amount that may be paid upon exercise of an SAR.

(ii) SARs shall be exercisable, in whole or in part, at such times as the Administrator shall specify in the Participant's SAR agreement.

(c) *Form of Payment.* The Corporation's obligation arising upon the exercise of an SAR may be paid in Common Stock or in cash, or in any combination of Common Stock and cash, as the Administrator, in its sole discretion, may determine. Shares issued upon the exercise of an SAR shall be valued at their Fair Market Value as of the date of exercise.

(d) *Performance-Based Compensation Limitations.* No Employee shall be granted, in any fiscal year of the Corporation, Options or SARs to receive more than 100,000 Shares of Common Stock, provided that the Corporation may make an additional one-time grant of up to 100,000 Shares to newly-hired Employees. The foregoing limitations shall adjust proportionately in connection with any change in the Corporation's recapitalization as described in Section 11.1.

7.3. Method of Exercise

(a) *Procedure for Exercise; Rights as a Stockholder.* Any Option or SAR granted hereunder shall be exercisable at such times and under such conditions as determined by the Administrator and as shall be permissible under the terms of the Plan.

An Option may not be exercised for a fraction of a Share.

An Option or SAR shall be deemed to be exercised when written notice of such exercise has been given to the Corporation in accordance with the terms of the Option or SAR by the person entitled to exercise the Option or SAR and full payment for the Shares with respect to which the Option is exercised has been received by the Corporation. Full payment may, as authorized by the Administrator (and, in the case of an Incentive Stock Option, determined at the time of grant) and permitted by the Award Agreement consist

of any consideration and method of payment allowable under Section 7.1(c) of the Plan. Until the issuance (as evidenced by the appropriate entry on the books of the Corporation or of a duly authorized transfer agent of the Corporation) of the stock certificate evidencing such Shares, no right to vote or receive dividends or any other rights as a stockholder shall exist with respect to the Optioned Stock, notwithstanding the exercise of the Option. No adjustment will be made for a dividend or other right for which the record date is prior to the date the stock certificate is issued, except as provided in Section 11 of the Plan.

Exercise of an Option in any manner shall result in a decrease in the number of Shares which thereafter shall be available, both for purposes of the Plan and for sale under the Option, by the number of Shares as to which the Option is exercised. Exercise of an SAR in any manner shall, to the extent the SAR is exercised, result in a decrease in the number of Shares which thereafter shall be available for purposes of the Plan, and the SAR shall cease to be exercisable to the extent it has been exercised.

(b) *Rule 16b-3.* Options and SARs granted to individuals subject to Section 16 of the Exchange Act (“Insiders”) must comply with the applicable provisions of Rule 16b-3 and shall contain such additional conditions or restrictions as may be required thereunder to qualify for the maximum exemption from Section 16 of the Exchange Act with respect to Plan transactions.

(c) *Termination of Employment or Consulting Relationship.* In the event a Participant’s Continuous Status as an Employee or Consultant terminates (other than upon the Participant’s death or Disability), the Participant may exercise his or her Option or SAR, but only within such period of time as is determined by the Administrator at the time of grant, not to exceed six months (three months in the case of an Incentive Stock Option) from the date of such termination, and only to the extent that the Participant was entitled to exercise it at the date of such termination (but in no event later than the expiration of the term of such Option or SAR as set forth in the Option or Award Agreement). To the extent that Participant was not entitled to exercise an Option or SAR at the date of such termination, and to the extent that the Participant does not exercise such Option or SAR (to the extent otherwise so entitled) within the time specified herein, the Option or SAR shall terminate.

(d) *Disability of Participant.* In the event a Participant’s Continuous Status as an Employee or Consultant terminates as a result of the Participant’s Disability, the Participant may exercise his or her Option or SAR, but only within 12 months from the date of such termination, and only to the extent that the Participant was entitled to exercise it at the date of such termination (but in no event later than the expiration of the term of such Option or SAR as set forth in the Option or Award Agreement). To the extent that Participant was not entitled to exercise an Option or SAR at the date of such termination, and to the extent that the Participant does not exercise such Option or SAR (to the extent otherwise so entitled) within the time specified herein, the Option or SAR shall terminate.

(e) *Death of Participant.* In the event of a Participant’s death, the Participant’s estate or a person who acquired the right to exercise the deceased Participant’s Option or SAR by bequest or inheritance may exercise the Option or SAR, but only within 12 months following the date of death, and only to the extent that the Participant was entitled to exercise it at the date of death (but in no event later than the expiration of the term of such Option or SAR as set forth in the Option or Award Agreement). To the extent that Participant was not entitled to exercise an Option or SAR at the date of death, and to the extent that the Participant’s estate or a person who acquired

the right to exercise such Option does not exercise such Option or SAR (to the extent otherwise so entitled) within the time specified herein, the Option or SAR shall terminate.

8. Stock Purchase Rights

8.1. Rights to Purchase

Stock Purchase Rights may be issued either alone, in addition to, or in tandem with other awards granted under the Plan and/or cash awards made outside of the Plan. After the Administrator determines that it will offer Stock Purchase Rights under the Plan, it shall advise the offeree in writing of the terms, conditions and restrictions related to the offer, including the number of Shares that the offeree shall be entitled to purchase, the price to be paid, and the time within which the offeree must accept such offer, which shall in no event exceed 30 days from the date upon which the Administrator made the determination to grant the Stock Purchase Right. The offer shall be accepted by execution of an Award Agreement in the form determined by the Administrator.

8.2. Repurchase Option

Unless the Administrator determines otherwise, the Award Agreement shall grant the Corporation a repurchase option exercisable upon the voluntary or involuntary termination of the purchaser's employment with the Corporation for any reason (including death or Disability). The purchase price for Shares repurchased pursuant to the Restricted Stock purchase agreement shall be the original price paid by the purchaser and may be paid by cancellation of any indebtedness of the purchaser to the Corporation. The repurchase option shall lapse at such rate as the Administrator may determine.

8.3. Other Provisions

The Award Agreement shall contain such other terms, provisions and conditions not inconsistent with the Plan as may be determined by the Administrator in its sole discretion. In addition, the provisions of Award Agreements need not be the same with respect to each purchaser.

8.4. Rule 16b-3

Stock Purchase Rights granted to Insiders, and Shares purchased by Insiders in connection with Stock Purchase Rights, shall be subject to any restrictions applicable thereto in compliance with Rule 16b-3. An Insider may only purchase Shares pursuant to the grant of a Stock Purchase Right, and may only sell Shares purchased pursuant to the grant of a Stock Purchase Right, during such time or times as are permitted by Rule 16b-3.

8.5. Rights as a Stockholder

Once the Stock Purchase Right is exercised, the purchaser shall have the rights equivalent to those of a stockholder, and shall be a stockholder when his or her purchase is entered upon the records of the duly authorized transfer agent of the Corporation. No adjustment will be made for a dividend or other right for which the record date is prior to the date the Stock Purchase Right is exercised, except as provided in Section 11 of the Plan.

8.6. Withholding Taxes

In accordance with any applicable administrative guidelines it establishes, the Committee may allow a purchaser to pay the amount of taxes required by law to be withheld as a result of a purchase of Shares or a lapse of restrictions in connection with Shares purchased pursuant to a Stock Purchase Right,

by withholding from any payment of Common Stock due as a result of such purchase or lapse of restrictions, or by permitting the purchaser to deliver to the Corporation, Shares having a Fair Market Value, as determined by the Committee, equal to the amount of such required withholding taxes.

9. Long-Term Performance Awards

9.1. Administration

Long-Term Performance Awards are cash or stock bonus awards that may be granted either alone or in addition to other awards granted under the Plan. Such awards shall be granted for no cash consideration. The Administrator shall determine the nature, length and starting date of any performance period (the "Performance Period") for each Long-Term Performance Award, and shall determine the performance or employment factors, if any, to be used in the determination of Long-Term Performance Awards and the extent to which such Long-Term Performance Awards are valued or have been earned. Long-Term Performance Awards may vary from participant to participant and between groups of participants and shall be based upon the achievement of Corporation, Subsidiary, Parent and/or individual performance factors or upon such other criteria as the Administrator may deem appropriate. Performance Periods may overlap and participants may participate simultaneously with respect to Long-Term Performance Awards that are subject to different Performance Periods and different performance factors and criteria. Long-Term Performance Awards shall be confirmed by, and be subject to the terms of, an Award Agreement. The terms of such awards need not be the same with respect to each participant.

At the beginning of each Performance Period, the Administrator may determine for each Long-Term Performance Award subject to such Performance Period the range of dollar values or number of shares of Common Stock to be awarded to the participant at the end of the Performance Period if and to the extent that the relevant measures of performance for such Long-Term Performance Award are met. Such dollar values or number of shares of Common Stock may be fixed or may vary in accordance with such performance or other criteria as may be determined by the Administrator.

9.2. Adjustment of Awards

The Administrator may adjust the performance factors applicable to the Long-Term Performance Awards to take into account changes in legal, accounting and tax rules and to make such adjustments as the Administrator deems necessary or appropriate to reflect the inclusion or exclusion of the impact of extraordinary or unusual items, events or circumstances in order to avoid windfalls or hardships.

10. Non-Transferability of Options

Options and Rights may not be sold, pledged, assigned, hypothecated, transferred or disposed of in any manner other than by will or by the laws of descent or distribution and may be exercised, during the lifetime of the Participant, only by the Participant.

11. Adjustments Upon Changes in Capitalization, Dissolution, Merger, Asset Sale or Change of Control

11.1. Changes in Capitalization

Subject to any required action by the stockholders of the Corporation, the number of shares of Common Stock covered by each outstanding Option and Right, and the number of shares of Common Stock which have been authorized for issuance under the Plan but as to which no Options or Rights have yet been granted or which have been returned to the Plan upon cancellation or expiration of an Option or Right, as well as the price per share of Common Stock covered by each such outstanding Option or Right,

shall be proportionately adjusted for any increase or decrease in the number of issued shares of Common Stock resulting from a stock split, reverse stock split, stock dividend, combination or reclassification of the Common Stock, or any other increase or decrease in the number of issued shares of Common Stock effected without receipt of consideration by the Corporation; provided, however, that conversion of any convertible securities of the Corporation shall not be deemed to have been "effected without receipt of consideration." Such adjustment shall be made by the Board, whose determination in that respect shall be final, binding and conclusive. Except as expressly provided herein, no issuance by the Corporation of shares of stock of any class, or securities convertible into shares of stock of any class, shall affect, and no adjustment by reason thereof shall be made with respect to, the number or price of shares of Common Stock subject to an Option or Right.

11.2. Dissolution or Liquidation

In the event of the proposed dissolution or liquidation of the Corporation, to the extent that an Option or Right has not been previously exercised, it will terminate immediately prior to the consummation of such proposed action. The Board may, in the exercise of its sole discretion in such instances, declare that any Option or Right shall terminate as of a date fixed by the Board and give each Participant the right to exercise his or her Option or Right as to all or any part of the Optioned Stock, including Shares as to which the Option or Right would not otherwise be exercisable.

11.3. Merger or Asset Sale

Subject to the provisions of Section 11.4, in the event of a merger of the Corporation with or into another corporation, or the sale of substantially all of the assets of the Corporation, each outstanding Option and Right shall be assumed or an equivalent Option or Right substituted by the successor corporation or a Parent or Subsidiary of the successor corporation. In the event that the successor corporation does not agree to assume the Option or to substitute an equivalent option, the Administrator shall, in lieu of such assumption or substitution, provide for the Participant to have the right to exercise the Option or Right as to all or a portion of the Optioned Stock, including Shares as to which it would not otherwise be exercisable. If the Administrator makes an Option or Right exercisable in lieu of assumption or substitution in the event of a merger or sale of assets, the Administrator shall notify the Participant that the Option or Right shall be exercisable for a period of 15 days from the date of such notice, and the Option or Right will terminate upon the expiration of such period. For the purposes of this paragraph, the Option or Right shall be considered assumed if, immediately following the merger or sale of assets, the Option or Right confers the right to purchase, for each Share of Optioned Stock subject to the Option or Right immediately prior to the merger or sale of assets, the consideration (whether stock, cash, or other securities or property) received in the merger or sale of assets by holders of Common Stock for each Share held on the effective date of the transaction (and if holders were offered a choice of consideration, the type of consideration chosen by the holders of a majority of the outstanding Shares); provided, however, that if such consideration received in the merger or sale of assets was not solely common stock of the successor corporation or its Parent, the Administrator may, with the consent of the successor corporation and the participant, provide for the consideration to be received upon the exercise of the Option or Right, for each Share of Optioned Stock subject to the Option or Right, to be solely common stock of the successor corporation or its Parent equal in Fair Market Value to the per share consideration received by holders of Common Stock in the merger or sale of assets.

11.4. Change in Control

In the event of a "Change in Control" of the Corporation, then the following acceleration and valuation provisions shall apply:

(a) Except as otherwise determined by the Board, in its discretion, prior to the occurrence of a Change in Control, any Options and Rights outstanding on the date such Change in Control is determined to have occurred that are not yet exercisable and vested on such date shall become fully exercisable and vested;

(b) Except as otherwise determined by the Board, in its discretion, prior to the occurrence of a Change in Control, all outstanding Options and Rights, to the extent they are exercisable and vested (including Options and Rights that shall become exercisable and vested pursuant to subparagraph (i) above), shall be terminated in exchange for a cash payment equal to the Change in Control Price, (reduced by the exercise price, if any, applicable to such Options or Rights). These cash proceeds shall be paid to the Participant or, in the event of death of a Participant prior to payment, to the estate of the Participant or to a person who acquired the right to exercise the Option or Right by bequest or inheritance.

12. Date of Grant

The date of grant of an Option or Right shall be, for all purposes, the date on which the Administrator makes the determination granting such Option or Right, or such other later date as is determined by the Administrator. Notice of the determination shall be provided to each Participant within a reasonable time after the date of such grant.

13. Amendment and Termination of the Plan

13.1. Amendment and Termination

The Board may amend, alter, suspend or terminate the Plan at any time.

13.2. Effect of Amendment or Termination

No amendment, alteration, suspension or termination of the Plan shall impair the rights of any Participant, unless mutually agreed otherwise between the Participant and the Administrator, which agreement must be in writing and signed by the Participant and the Corporation.

14. Conditions Upon Issuance of Shares

14.1. Legal Compliance

Shares shall not be issued pursuant to the exercise of an Option or Right unless the exercise of such Option or Right and the issuance and delivery of such Shares shall comply with all relevant provisions of law, including, without limitation, the Securities Act of 1933, as amended, the Exchange Act, the rules and regulations promulgated thereunder, Applicable Laws, and the requirements of any stock exchange or quotation system upon which the Shares may then be listed or quoted, and shall be further subject to the approval of counsel for the Corporation with respect to such compliance.

14.2. Investment Representations

As a condition to the exercise of an Option or Right, the Corporation may require the person exercising such Option or Right to represent and warrant at the time of any such exercise that the Shares are being purchased only for investment and without any present intention to sell or distribute such Shares if, in the opinion of counsel for the Corporation, such a representation is required.

15. Liability of Corporation

15.1. Inability to Obtain Authority

The inability of the Corporation to obtain authority from any regulatory body having jurisdiction, which authority is deemed by the Corporation's counsel to be necessary to the lawful issuance and sale of any Shares hereunder, shall relieve the Corporation of any liability in respect of the failure to issue or sell such Shares as to which such requisite authority shall not have been obtained.

15.2. Grants Exceeding Allotted Shares

If the Optioned Stock covered by an Option or Right exceeds, as of the date of grant, the number of Shares which may be issued under the Plan without additional stockholder approval, such Option or Right shall be void with respect to such excess Optioned Stock, unless stockholder approval of an amendment sufficiently increasing the number of Shares subject to the Plan is timely obtained in accordance with Section 17(a) of the Plan.

16. Reservation of Shares

The Corporation, during the term of this Plan, will at all times reserve and keep available such number of Shares as shall be sufficient to satisfy the requirements of the Plan.

17. Stockholder Approval

(a) The Corporation shall obtain stockholder approval of any Plan amendment to the extent necessary and desirable to comply with Rule 16b-3 or with Section 422 of the Code (or any successor rule or statute or other applicable law, rule or regulation, including the requirements of any exchange or quotation system on which the Common Stock is listed or quoted). Such stockholder approval, if required, shall be obtained in such a manner and to such a degree as is required by the applicable law, rule or regulation.

(b) Continuance of the Plan shall be subject to approval by the stockholders of the Corporation within twelve (12) months before or after the date the Plan is adopted. Such stockholder approval shall be obtained in the manner and to the degree required under applicable federal and state law.

18. Effect on Plan

The Plan amends and restates in its entirety the Provectus Pharmaceuticals, Inc. 2002 Stock Plan (the "Prior Plan"), approved by the Board of Directors of the Corporation on April 22, 2002. Any Options or Rights granted under the Prior Plan shall remain outstanding and hereafter shall be governed by the terms of the Plan.

**United States
Securities And Exchange Commission
Washington, DC 20549**

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2009;

OR

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

For the transition period from _____ to _____

Commission file number: 0-9410

Provectus Pharmaceuticals, Inc.

(Exact Name of Registrant as Specified in its Charter)

Nevada
(State or Other Jurisdiction of Incorporation or Organization)

90-0031917
(I.R.S. Employer Identification Number)

7327 Oak Ridge Highway, Suite A, Knoxville, Tennessee
(Address of Principal Executive Offices)

37931
(Zip Code)

866-594-5999
(Issuer's Telephone Number, Including Area Code)

Securities registered under Section 12(b) of the Exchange Act: **None**
(Title of Class)

Securities registered under Section 12(g) of the Exchange Act:
Common shares, par value \$0.01 per share
(Title of Class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

Indicate by check mark whether the registrant: (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act 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 (Section 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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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 Accelerate filer Non-accelerated filer Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).
Yes No

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant as of June 30, 2009, was \$38.2 million (computed on the basis of \$1.03 per share). The number of shares outstanding of the issuer's stock, \$0.001 par value per share, as of March 18, 2010 was 70,215,391.

Documents incorporated by reference in Part III hereof:
Proxy Statement for 2010 Annual Meeting of Stockholders.

Provectus Pharmaceuticals, Inc.
Annual Report on Form 10-K

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PART I

Item 1. Description of Business.

History

Provectus Pharmaceuticals, Inc. is currently a development-stage pharmaceutical Company, formerly known as "Provectus Pharmaceutical, Inc." and "SPM Group, Inc.," was incorporated under Colorado law on May 1, 1978. SPM Group ceased operations in 1991, and became a development-stage company effective January 1, 1992, with the new corporate purpose of seeking out acquisitions of properties, businesses, or merger candidates, without limitation as to the nature of the business operations or geographic location of the acquisition candidate.

On April 1, 2002, SPM Group changed its name to "Provectus Pharmaceutical, Inc." and reincorporated in Nevada in preparation for a transaction with Provectus Pharmaceuticals, Inc., a privately-held Tennessee corporation, which we refer to as "PPI." On April 23, 2002, an Agreement and Plan of Reorganization between Provectus Pharmaceutical and PPI was approved by the written consent of a majority of the outstanding shares of Provectus Pharmaceutical. As a result, holders of 6,680,000 shares of common stock of Provectus Pharmaceutical exchanged their shares for all of the issued and outstanding shares of PPI. As part of the acquisition, Provectus Pharmaceutical changed its name to "Provectus Pharmaceuticals, Inc." and PPI became a wholly-owned subsidiary of Provectus. For accounting purposes, we treated this transaction as a recapitalization of PPI.

On November 19, 2002, we acquired Valley Pharmaceuticals, Inc., a privately-held Tennessee corporation formerly known as Photogen, Inc., by merging our subsidiary PPI with and into Valley and naming the surviving corporation "Xantech Pharmaceuticals, Inc." Valley had minimal operations and had no revenues prior to the transaction with us. By acquiring Valley, we acquired our most important intellectual property, including issued U.S. patents and patentable inventions, with which we intend to develop:

- prescription drugs, medical and other devices (including laser devices) and over-the-counter pharmaceutical products in the fields of dermatology and oncology; and
- technologies for the preparation of human and animal vaccines, diagnosis of infectious diseases and enhanced production of genetically engineered drugs.

Prior to the acquisition of Valley we were considered to be, and continue to be, in the development stage and have not generated any revenues from the assets we acquired.

On December 5, 2002, we acquired the assets of Pure-ific L.L.C., a Utah limited liability company, and created a wholly-owned subsidiary, Pure-ific Corporation, to operate that business. We acquired the product formulations for Pure-ific personal sanitizing sprays, along with the "Pure-ific" trademarks.

Overview

Provectus, and its seven wholly-owned subsidiaries:

- Xantech Pharmaceuticals, Inc.;
- Pure-ific Corporation;
- Provectus Biotech, Inc.;
- Provectus Devicetech, Inc.;
- Provectus Imaging, Inc.;
- IP Tech, Inc.; and
- Provectus Pharmatech, Inc.,

which we refer to as our subsidiaries, develop, license, market and plan to sell products in three sectors of the healthcare industry:

- Over-the-counter products, which we refer to in this report as “OTC products;”
- Prescription drugs; and
- Medical device systems.

Provectus has designated all of its subsidiaries as non-core except for Provectus Pharmatech, Inc., which owns the patented technologies for its prescription drug product candidates for the treatment of cancer and serious skin diseases. The non-core subsidiaries own patented technologies for a range of other products that are intended to be further developed and licensed. The potential further development and licensure would likely be facilitated via the Company's selling a majority stake of the underlying assets of each non-core subsidiary. This transaction would likely be accomplished through a non-core spin-out process which would enable each non-core subsidiary to become a separate publicly held company. Each new public entity could then raise funds without diluting the ownership of the then current shareholders of the Company.

We manage Provectus and our subsidiaries on an integrated basis and when we refer to “we” or “us” or “the Company” in this Prospectus, we refer to all eight corporations considered as a single unit. Our principal executive offices are located at 7327 Oak Ridge Highway, Suite A, Knoxville, Tennessee 37931, telephone (866) 594-5999.

Through discovery and use of state-of-the-art scientific and medical technologies, the founders of our pharmaceutical business have developed a portfolio of patented, patentable, and proprietary technologies that support multiple products in the prescription drug, medical device and OTC products categories. These patented technologies are for:

- treatment of cancer and serious skin diseases,
- novel therapeutic medical devices,
- enhancing contrast in medical imaging,
- improving signal processing during biomedical imaging, and
- enhancing production of biotechnology products.

Our prescription drug products encompass the areas of dermatology and oncology and involve several types of small molecule-based drugs. Our medical device systems include therapeutic and cosmetic lasers, while our OTC products address markets primarily involving skincare applications. Because our prescription drug candidates and medical device systems are in the early stages of development, they are not yet on the market and there is no assurance that they will advance to the point of commercialization.

Our first commercially available products are directed into the OTC market, as these products pose minimal or no regulatory compliance barriers to market introduction. For example, the active pharmaceutical ingredient (API) in our ethical products is already approved for other medical uses by the FDA and has a long history of safety for use in humans. This use of known APIs for novel uses and in novel formulations minimizes potential adverse concerns from the FDA, since considerable safety data on the API is available (either in the public domain or via licenses or other agreements with third parties holding such information). In similar fashion, our OTC products are based on established APIs and, when possible, utilize formulations (such as aerosol or cream formulations) that have an established precedent (for more information on compliance issues, see “Federal Regulation of Therapeutic Products,” below). In this fashion, we believe that we can diminish the risk of regulatory bars to the introduction of safe, consumer-friendly products and minimize the time required to begin generating revenues from product sales. At the same time, we continue to develop higher-margin prescription pharmaceuticals and medical devices, which have longer development and regulatory approval cycles.

Over-the-Counter Pharmaceuticals

Our OTC products are designed to be safer and more specific than competing products. Our technologies offer practical solutions for a number of intractable maladies, using ingredients that have limited or no side effects compared with existing products. To develop our OTC products, we typically use compounds with potent antibacterial and antifungal activity as building blocks and combine these building blocks with anti-inflammatory and moisture-absorbing agents. Products with these properties can be used for treatment of a large number of skin afflictions, including:

- hand irritation associated with use of disposable gloves,
- eczema, and
- mild to moderate acne.

Where appropriate, we have filed or will file patent applications and will seek other intellectual property protection to protect our unique formulations for relevant applications.

GloveAid

Personnel in many occupations and industries now use disposable gloves daily in the performance of their jobs, including:

- Airport security personnel;
- Food handling and preparation personnel;
- Health care workers such as hospital and blood bank personnel; and
- Laboratory researchers;
- Police, fire and emergency response personnel;
- Postal and package delivery handlers and sorters; and
- Sanitation workers.

Accompanying the increased use of disposable gloves is a mounting incidence of chronic skin irritation. To address this market, we have developed *GloveAid*, a hand cream with both antiperspirant and antibacterial properties, to increase the comfort of users' hands during and after the wearing of disposable gloves. During 2003, we ran a pilot scale run at the manufacturer of *GloveAid*. The Company now intends to license this product to a third party with experience in the institutional sales market. The Company has been discussing this strategy with interested groups. Additionally, the Company also intends to sell a majority stake in the underlying assets via a non-core spin-out transaction.

Pure-ific

Our *Pure-ific* line of products includes two quick-drying sprays, *Pure-ific* and *Pure-ific Kids*, that immediately kill up to 99.9% of germs on skin and prevent regrowth for six hours. We have determined the effectiveness of *Pure-ific* based on our internal testing and testing performed by Paratus Laboratories H.B., an independent research lab. *Pure-ific* products help prevent the spread of germs and thus complement our other OTC products designed to treat irritated skin or skin conditions such as acne, eczema, dandruff and fungal infections. Our *Pure-ific* sprays have been designed with convenience in mind and are targeted towards mothers, travelers, and anyone concerned about the spread of sickness-causing germs. During 2003 and 2004, we identified and engaged sales and brokerage forces for *Pure-ific*. We emphasized getting sales in independent pharmacies and mass (chain stores) markets. The supply chain for *Pure-ific* was established with the ability to support large-scale sales and a starting inventory was manufactured and stored in a contract warehouse/fulfillment center. In addition, a website for *Pure-ific* was developed with the ability for supporting online sales of the antibacterial hand spray. During 2005 and 2006, most of our sales were generated from customers accessing our website for *Pure-ific* and making purchases online. We discontinued our proof-of-concept program in November 2006 and have, therefore, ceased selling our OTC products. The Company now intends to license the *Pure-ific* product. The Company has been discussing this strategy with interested groups. Additionally, the Company also intends to sell a majority stake in the underlying assets via a non-core spin-out transaction.

Acne

A number of dermatological conditions, including acne and other blemishes result from a superficial infection which triggers an overwhelming immune response. We anticipate developing OTC products similar to the GloveAid line for the treatment of mild to moderate cases of acne and other blemishes. Wherever possible, we intend to formulate these products to minimize or avoid significant regulatory bars that might adversely impact the time to market.

Prescription Drugs

We are developing a number of prescription drugs which we expect will provide minimally invasive treatment of chronic severe skin afflictions such as psoriasis, eczema, and acne; and several life-threatening cancers such as those of the liver, breast and prostate. We believe that our products will be safer and more specific than currently existing products. Use of topical or other direct delivery formulations allows these potent products to be conveniently and effectively delivered only to diseased tissues, thereby enhancing both safety and effectiveness. The ease of use and superior performance of these products may eventually lead to extension into OTC applications currently serviced by less safe, more expensive alternatives. All of these products are in either the pre-clinical or clinical trial stage.

Dermatology

Our most advanced prescription drug candidate for treatment of topical diseases on the skin is PH-10, a topical gel. Rose Bengal, the active ingredient in PH-10, is "photoactive" in that it reacts to light of certain wavelengths thereby increasing its therapeutic effects. PH-10 also concentrates in diseased or damaged tissue but quickly dissipates from healthy tissue. By developing a "photodynamic" treatment regimen (one which combines a photoactive substance with activation by a source emitting a particular wavelength of light) around these two properties of PH-10, we can deliver a higher therapeutic effect at lower dosages of active ingredient, thus minimizing potential side effects including damage to nearby healthy tissues. PH-10 is especially responsive to green light, which is strongly absorbed by the skin and thus only penetrates the body to a depth of about three to five millimeters. For this reason, we have developed PH-10, combined with green-light activation, for topical use in surface applications where serious damage could result if medicinal effects were to occur in deeper tissues.

Psoriasis and Atopic Dermatitis. Psoriasis is a common chronic disorder of the skin characterized by dry scaling patches, called "plaques," for which current treatments are few and those that are available have potentially serious side effects. There is no known cure for the disease at this time. According to the National Institutes of Health, as many as 7.5 million Americans, or approximately 2.2 percent of the U.S. population, have psoriasis. The National Psoriasis Foundation reports that approximately 125 million people worldwide, 2 to 3 percent of the total population, have psoriasis. It also reports that total direct and indirect health care costs of psoriasis for patients exceed \$11 billion annually. Additionally, the National Eczema Association estimates that atopic dermatitis affects more than 30 million Americans.

According to the National Psoriasis Foundation, the majority of psoriasis sufferers, those with mild to moderate cases, are treated with topical steroids that can have unpleasant side effects. None of the other treatments for moderate cases of psoriasis have proven completely effective. The 25-30% of psoriasis patients who suffer from more severe cases generally are treated with more intensive drug therapies or PUVA, a light-based therapy that combines the drug Psoralen with exposure to ultraviolet A light. While PUVA is one of the more effective treatments, it increases a patient's risk of skin cancer.

We believe that PH-10 activated with green light offers a superior treatment for psoriasis and atopic dermatitis, otherwise known as eczema, because it selectively treats diseased tissue with negligible potential for side effects in healthy tissue; moreover, the therapy has shown promise in comprehensive Phase 1 clinical trials. The objective of a Phase 1 clinical trial is to determine if there are safety concerns with the therapy. In these studies, involving more than 50 test subjects, PH-10 was applied topically to psoriatic plaques and then illuminated with green light. In our first study, a single-dose treatment yielded an average reduction in plaque thickness of 59% after 30 days, with further response noted at the final follow-up examination 90 days later. Further, no pain, significant side effects, or evidence of "rebound" (increased severity of a psoriatic plaque after the initial reduction in thickness) were observed in any treated areas. This degree of positive therapeutic response is comparable to that achieved with potent steroids and other anti-inflammatory agents, but without the serious side effects associated with such agents.

We have continued the required FDA reporting to support the active "Investigational New Drug" application for PH-10's Phase 2 clinical trials on psoriasis and atopic dermatitis. We were originally allowed by the FDA to study the use of our drug PH-10 for psoriasis in clinical trials and we have also now been allowed to study the use of our drug PH-10 for atopic dermatitis in a Phase 2 clinical trial. The required reporting includes the publication of results regarding the multiple treatment scenario of the active ingredient in PH-10. The objective of our initial and recently completed Phase 2 studies is to assess the potential for remission of the disease using a regimen of treatments that we are seeking to optimize. Our recent two studies were designed to further clarify the optimal amount of treatments on a daily basis.

Actinic Keratosis. According to Schwartz and Stoll (Fitzpatrick's Dermatology in General Medicine, 1999), actinic keratosis, or "AK" (also called solar keratosis or senile keratosis), is the most common pre-cancerous skin lesion among fair-skinned people and is estimated to occur in over 50% of elderly fair-skinned persons living in sunny climates. These experts note that nearly half of the approximately five million cases of skin cancer in the U.S. may have begun as AK. The standard treatments for AK (primarily comprising excision, cryotherapy, and ablation with topical 5-fluorouracil) are often painful and frequently yield unacceptable cosmetic outcomes due to scarring. Building on our experience with psoriasis, we are assessing the use of PH-10 with green-light activation as a possible improvement in treatment of early and more advanced stages of AK. We completed an initial Phase 1 clinical trial of the therapy for this indication in 2001. This study, involving 24 subjects, examined the safety profile of a single treatment using topical PH-10 with green light photoactivation and no significant safety concerns were identified. We have decided to prioritize further clinical development of PH-10 for treatment of psoriasis and eczema rather than AK at this time since the market is much larger for psoriasis and eczema.

Severe Acne. According to Berson et al. (Cutis. 72 (2003) 5-13), acne vulgaris affects approximately 17 million individuals in the U.S., causing pain, disfigurement, and social isolation. Moderate to severe forms of the disease have proven responsive to several photodynamic regimens, and we anticipate that PH-10 can be used as an advanced treatment for this disease. Pre-clinical studies show that the active ingredient in PH-10 readily kills bacteria associated with acne. This finding, coupled with our clinical experience in psoriasis and actinic keratosis, suggests that therapy with PH-10 will exhibit no significant side effects and will afford improved performance relative to other therapeutic alternatives. If correct, this would be a major advance over currently available products for severe acne.

As noted above, we are researching multiple uses for PH-10 with green-light activation. Multiple-indication use by a common pool of physicians - dermatologists, in this case - should reduce market resistance to this new therapy.

Oncology

Oncology is another major market where our planned products may afford competitive advantage compared to currently available options. We are developing PV-10, a sterile injectible form of Rose Bengal, for direct injection into tumors. Because PV-10 is retained in diseased or damaged tissue but quickly dissipates from healthy tissue, we believe we can develop therapies that confine treatment to cancerous tissue and reduce collateral impact on healthy tissue. During 2003 and 2004, we worked toward completion of the extensive scientific and medical materials necessary for filing an "Investigational New Drug" (IND) application for PV-10 in anticipation of beginning Phase 1 clinical trials for various solid tumors. This IND was filed and allowed by the FDA in 2004 setting the stage for two Phase 1 clinical trials; namely, treating metastatic melanoma and recurrent breast carcinoma. We started both of these Phase 1 clinical trials in 2005 and completed the initial Phase 1 objectives for both in 2006. We completed the expanded Phase 1 objectives for the metastatic melanoma study in 2007, and then commenced a Phase 2 study which was significantly completed in 2008 and was fully enrolled in May 2009. The follow-up for the study will be completed in May 2010. During the first quarter of 2010 we plan to meet with the FDA to discuss the steps needed to both achieve registration of PV-10 for our lead indication (metastatic melanoma) and receive Fast Track status.

Liver Cancer. The current standard of care for liver cancer is ablative therapy (which seeks to reduce a tumor by poisoning, freezing, heating, or irradiating it) using either a localized injection of ethanol (alcohol), cryosurgery, radiofrequency ablation, or ionizing radiation such as X-rays. Where effective, these therapies have many side effects and selecting therapies with fewer side effects tends to reduce overall effectiveness. Combined, ablative therapies have a five-year survival rate of 33% - meaning that only 33% of those liver cancer patients whose cancers are treated using these therapies survive for five years after their initial diagnoses. In pre-clinical studies we have found that direct injection of PV-10 into liver tumors quickly ablates treated tumors, and can trigger an anti-tumor immune response leading to eradication of residual tumor tissue and distant tumors. Because of the natural regenerative properties of the liver and the highly localized nature of the treatment, this approach appears to produce no significant side effects. Based on these encouraging preclinical results, we assessed strategies for initiation of clinical trials of PV-10 for treatment of liver cancer. We commenced a Phase 1 liver cancer trial in October 2009 and expect to complete it in 2010.

Breast Cancer. Breast cancer afflicts over 200,000 U.S. citizens annually, leading to over 40,000 deaths per year. Surgical resection, chemotherapy, radiation therapy, and immunotherapy comprise the standard treatments for the majority of cases, resulting in serious side effects that in many cases are permanent. Moreover, current treatments are relatively ineffective against metastases, which in many cases are the eventual cause of patient mortality. Pre-clinical studies using human breast tumors implanted in mice have shown that direct injection of PV-10 into these tumors ablates the tumors, and, as in the case of liver tumors, may elicit an anti-tumor immune response that eradicates distant metastases. Since fine-needle biopsy is a routine procedure for diagnosis of breast cancer, and since the needle used to conduct the biopsy also could be used to direct an injection of PV-10 into the tumor, localized destruction of suspected tumors through direct injection of PV-10 clearly has the potential of becoming a primary treatment. We are evaluating options for expanding clinical studies of direct injection of PV-10 into breast tumors and have completed the expanded Phase 1 clinical studies of our indication for PV-10 in recurrent breast carcinoma in 2008.

Prostate Cancer. Cancer of the prostate afflicts approximately 190,000 U.S. men annually, leading to about 30,000 deaths a year. As with breast cancer, surgical resection, chemotherapy, radiation therapy, and immunotherapy comprise the standard treatments for the majority of cases, and can result in serious, permanent side effects. We believe that direct injection of PV-10 into prostate tumors may selectively ablate such tumors, and, as in the case of liver and breast tumors, may also elicit an anti-tumor immune response capable of eradicating distant metastases. Since trans-urethral ultrasound, guided fine-needle biopsy and immunotherapy, along with brachytherapy implantation, are becoming routine procedures for diagnosis and treatment of these cancers, we believe that localized destruction of suspected tumors through direct injection of PV-10 can become a primary treatment. We are evaluating options for initiating clinical studies of direct injection of PV-10 into prostate tumors, and expect to formulate final plans based on results from clinical studies of our indications for PV-10 in the treatment of liver and breast cancer, as well as metastatic melanoma.

Metastatic Melanoma. According to the American Cancer Society, in 2008 there were approximately 62,000 new cases of melanoma in the U.S., leading to more than 8,000 deaths. Further, the World Health Organization has projected that 48,000 patients globally died from melanoma in 2008. The incidence of melanoma in Australia is up to five times that of the U.S. There have been no significant advances in the treatment of melanoma for approximately 30 years. We are continuing Phase 2 clinical studies in both Australia and the U.S. of direct injection of PV-10 into melanoma lesions which was significantly completed in 2008 and was fully enrolled in May 2009. This Phase 2 study was commenced after we completed the expanded Phase 1 clinical studies of our indication for PV-10 in Stage 3 and Stage 4 metastatic melanoma.

Based upon requests from physicians, we initiated two expanded access programs (“compassionate use”) for PV-10 in Australia and the U.S. These are active at five of our Phase 2 study centers. A total of 20 melanoma patients, 8 of whom have crossed over from the Phase 2 study to receive further treatment, have commenced treatment with PV-10 under the program as of December 2009. A majority of these patients are in long-term follow-up for up to two years.

Medical Devices

We have medical device technologies to address two major markets:

- cosmetic treatments, such as reduction of wrinkles and elimination of spider veins and other cosmetic blemishes; and
- therapeutic uses, including photoactivation of PH-10 other prescription drugs and non-surgical destruction of certain skin cancers.

We expect to further develop medical devices through partnerships with, or selling our assets to, third-party device manufacturers or, if appropriate opportunities arise, through acquisition of one or more device manufacturers.

Photoactivation. Our clinical tests of PH-10 for dermatology have, up to the present, utilized a number of commercially available lasers for activation of the drug. This approach has several advantages, including the leveraging of an extensive base of installed devices present throughout the pool of potential physician-adopters for PH-10. Access to such a base could play an integral role in early market capture. However, since the use of such lasers, which were designed for occasional use in other types of dermatological treatment, is potentially too cumbersome and costly for routine treatment of the large population of patients with psoriasis, we have begun investigating potential use of other types of photoactivation hardware, such as light booths. The use of such booths is consistent with current care standards in the dermatology field, and may provide a cost-effective means for addressing the needs of patients and physicians alike. We anticipate that such photoactivation hardware would be developed, manufactured, and supported in conjunction with one or more third-party device manufacturer.

Melanoma. A high priority in our medical devices field is the development of a laser-based product for treatment of melanoma. We have conducted extensive research on ocular melanoma at the Massachusetts Eye and Ear Infirmary (a teaching affiliate of Harvard Medical School) using a new laser treatment that may offer significant advantage over current treatment options. A single quick non-invasive treatment of ocular melanoma tumors in a rabbit model resulted in elimination of over 90% of tumors, and may afford significant advantage over invasive alternatives, such as surgical excision, enucleation, or radiotherapy implantation. Ocular melanoma is rare, with approximately 2,000 new cases annually in the U.S. However, we believe that our extremely successful results could be extrapolated to treatment of primary melanomas of the skin, which have an incidence of over 60,000 new cases annually in the U.S. and a 6% five-year survival rate after metastasis of the tumor. We have performed similar laser treatments on large (averaging approximately 3 millimeters thick) cutaneous melanoma tumors implanted in mice, and have been able to eradicate over 90% of these pigmented skin tumors with a single treatment. Moreover, we have shown that this treatment stimulates an anti-tumor immune response that may lead to improved outcome at both the treatment site and at sites of distant metastasis. From these results, we believe that a device for laser treatment of primary melanomas of the skin and eye is nearly ready for human studies. We anticipate partnering with, or selling our assets to, a medical device manufacturer to bring it to market in reliance on a 510(k) notification. For more information about the 510(k) notification process, see "Federal Regulation of Therapeutic Products" below.

Research and Development

We continue to actively develop projects that are product-directed and are attempting to conserve available capital and achieve full capitalization of our company through equity and convertible debt offerings, generation of product revenues, and other means. All ongoing research and development activities are directed toward maximizing shareholder value and advancing our corporate objectives in conjunction with our OTC product licensure, our current product development and maintaining our intellectual property portfolio.

Research and development costs totaling \$4,909,414 for 2009 included payroll of \$2,860,116, consulting and contract labor of \$1,367,422, lab supplies and pharmaceutical preparations of \$281,833, legal of \$209,709, insurance of \$125,295, rent and utilities of \$55,685, and depreciation expense of \$9,354. Research and development costs totaling \$4,425,616 for 2008 included payroll of \$2,561,845, consulting and contract labor of \$1,256,032, lab supplies and pharmaceutical preparations of \$116,762, legal of \$297,363, insurance of \$108,905, rent and utilities of \$75,453, and depreciation expense of \$9,256.

Production

We have determined that the most efficient use of our capital in further developing our OTC products is to license the products. The Company has been discussing this strategy with interested groups. Additionally, the Company also intends to sell a majority stake in the underlying assets via a non-core spin-out transaction.

Sales

Our first commercially available products are directed into the OTC market, as these products pose minimal or no regulatory compliance barriers to market introduction. In this fashion, we believe that we can diminish the risk of regulatory bars to the introduction of products and minimize the time required to begin generating revenues from product sales. At the same time, we continue to develop higher-margin prescription pharmaceuticals and medical devices, which have longer development and regulatory approval cycles.

We have commenced limited sales of Pure-ific, our antibacterial hand spray. We sold small amounts of this product during 2004, 2005 and 2006. We discontinued our proof-of-concept program in November 2006 and have, therefore, ceased selling our OTC products. We will continue to seek additional markets for our products through existing distributorships that market and distribute medical products, ethical pharmaceuticals, and OTC products for the professional and consumer marketplaces through licensure, partnership and asset sale arrangements, and through potential merger and acquisition candidates.

In addition to developing and selling products ourselves on a limited basis, we are negotiating actively with a number of potential licensees for several of our intellectual properties, including patents and related technologies. To date, we have not yet entered into any licensing agreements; however, we anticipate consummating one or more such licenses in the future.

Intellectual Property

Patents

We hold a number of U.S. patents covering the technologies we have developed and are continuing to develop for the production of prescription drugs, medical devices and OTC pharmaceuticals. All patents material to an understanding of the Company are included and a cross reference to a discussion that explains the patent technologies and products is identified for each patent in the following table:

U.S. Patent No	Title and Cross Reference	Issue Date	Expiration Date
5,829,448	Method for improved selectivity in activation of molecular agents; see discussion under Medical Devices in Description of Business	November 3, 1998	October 30, 2016
5,832,931	Method for improved selectivity in photo-activation and detection of diagnostic agents; see discussion under Medical Devices in Description of Business	November 10, 1998	October 30, 2016
5,998,597	Method for improved selectivity in activation of molecular agents; see discussion under Medical Devices in Description of Business	December 7, 1999	October 30, 2016
6,042,603	Method for improved selectivity in photo-activation of molecular agents; see discussion under Medical Devices in Description of Business	March 28, 2000	October 30, 2016
6,331,286	Methods for high energy phototherapeutics; see discussion under Oncology in Description of Business	December 18, 2001	December 21, 2018
6,451,597	Method for enhanced protein stabilization and for production of cell lines useful production of such stabilized proteins; see discussion under Material Transfer Agreement in Description of Business	September 17, 2002	April 6, 2020
6,468,777	Method for enhanced protein stabilization and for production of cell lines useful production of such stabilized proteins; see discussion under Material Transfer Agreement in Description of Business	October 22, 2002	April 6, 2020
6,493,570	Method for improved imaging and photodynamic therapy; see discussion under Oncology in Description of Business	December 10, 2002	December 10, 2019
6,495,360	Method for enhanced protein stabilization for production of cell lines useful production of such stabilized proteins; see discussion under Material Transfer Agreement in Description of Business	December 17, 2002	April 6, 2020

6,519,076	Methods and apparatus for optical imaging; see discussion under Medical Devices in Description of Business	February 11, 2003	October 30, 2016
6,525,862	Methods and apparatus for optical imaging; see discussion under Medical Devices in Description of Business	February 25, 2003	October 30, 2016
6,541,223	Method for enhanced protein stabilization and for production of cell lines useful production of such stabilized proteins; see discussion under Material Transfer Agreement in Description of Business	April 1, 2003	April 6, 2020
6,986,740	Ultrasound contrast using halogenated xanthenes; see discussion under Oncology in Description of Business	January 17, 2006	September 9, 2023
6,991,776	Improved intracorporeal medicaments for high energy phototherapeutic treatment of disease; see discussion under Oncology in Description of Business	January 31, 2006	May 5, 2023
7,036,516	Treatment of pigmented tissues using optical energy; see discussion under Over-the-Counter Pharmaceuticals in Description of Business	May 2, 2006	January 28, 2020
7,201,914	Combination antiperspirant and antimicrobial compositions; see discussion under Material Transfer Agreement in Description of Business	April 10, 2007	May 15, 2024
7,338,652	Diagnostic Agents for Positron Emission Imaging; see discussion under Oncology in Description of Business	March 4, 2008	September 25, 2025
7,346,387	Improved Selectivity in Photo-Activation and Detection of Molecular Diagnostic Agents; see discussion under Medical Devices in Description of Business	March 18, 2008	October 30, 2016
7,353,829	Improved Methods and Apparatus For Multi-Photon Photo-Activation of Therapeutic Agents; see discussion under Medical Devices in Description of Business	April 8, 2008	April 23, 2020
7,384,623	A Radiosensitizer Agent comprising Tetrabromoerythrosin; see discussion under Oncology in Description of Business	June 10, 2008	August 25, 2019
7,390,668	Intracorporeal photodynamic medicaments for photodynamic treatment containing a halogenated xanthene or derivative; see discussion under Dermatology in Description of Business	June 24, 2008	March 6, 2021
7,402,299	Intracorporeal photodynamic medicaments for photodynamic treatment containing a halogenated xanthene or derivative; see discussion under Dermatology in Description of Business	July 22, 2008	October 2, 2025
7,427,389	Diagnostic Agents for Positron Emission Imaging; see discussion under Oncology in Description of Business	September 23, 2008	July 7, 2026
7,648,695	Improved Medicaments for chemotherapeutic treatment of disease; see discussion under Oncology in Description of Business	January 19, 2010	July 6, 2021

We continue to pursue patent applications on numerous other developments we believe to be patentable. We consider our issued patents, our pending patent applications and any patentable inventions which we may develop to be extremely valuable assets of our business.

Trademarks

We own the following trademarks used in this document: GloveAid(TM) and Pure-ific(TM) (including Pure-ific(TM) and Pure-ific(TM) Kids). We also own the registered trademark PulseView®. Trademark rights are perpetual provided that we continue to keep the mark in use. We consider these marks, and the associated name recognition, to be valuable to our business.

Material Transfer Agreement

We have entered into a "Material Transfer Agreement" dated as of July 31, 2003 with Schering-Plough Animal Health Corporation, which we refer to as "SPAH", the animal-health subsidiary of Schering-Plough Corporation, a major international pharmaceutical company which is still in effect. Under the Material Transfer Agreement, we will provide SPAH with access to some of our patented technologies to permit SPAH to evaluate those technologies for use in animal-health applications. If SPAH determines that it can commercialize our technologies, then the Material Transfer Agreement obligates us and SPAH to enter into a license agreement providing for us to license those technologies to SPAH in exchange for progress payments upon the achievement of goals. The Material Transfer Agreement covers four U.S. patents that cover biological material manufacturing technologies (i.e., biotech related). The Material Transfer Agreement continues indefinitely, unless SPAH terminates it by giving us notice or determines that it does not wish to secure from us a license for our technologies. The Material Transfer Agreement can also be terminated by either of us in the event the other party breaches the agreement and does not cure the breach within 30 days of notice from the other party. We cannot assure you that SPAH will determine that it can commercialize our technologies or that the goals required for us to obtain progress payments from SPAH will be achieved.

The Company has received no "progress payments" in relation to its Material Transfer Agreement with SPAH. Progress payments could potentially total \$50,000 for the first cell line for which SPAH uses our technology and \$25,000 for each use of the same technology thereafter. We do not know how many cell lines SPAH may have and we currently have no indication from SPAH that it intends to use any of our technologies in the foreseeable future.

Competition

In general, the pharmaceutical industry is intensely competitive, characterized by rapid advances in products and technology. A number of companies have developed and continue to develop products that address the areas we have targeted. Some of these companies are major pharmaceutical companies that are international in scope and very large in size, while others are niche players that may be less familiar but have been successful in one or more areas we are targeting. Existing or future pharmaceutical, device, or other competitors may develop products that accomplish similar functions to our technologies in ways that are less expensive, receive faster regulatory approval, or receive greater market acceptance than our products. Many of our competitors have been in existence for considerably longer than we have, have greater capital resources, broader internal structure for research, development, manufacturing and marketing, and are in many ways further along in their respective product cycles.

At present, our most direct competitors are smaller companies that are exploiting niches similar to ours. In the field of photodynamic therapy, one competitor, QLT, Inc., has received FDA approval for use of its agent Photofrin® for treatment of several niche cancer indications, and has a second product, Visudyne®, approved for treatment of certain forms of macular degeneration. Another competitor in this field, Dusa Pharmaceuticals, Inc. received FDA approval of its photodynamic product Levulan® Kerastik® for treatment of actinic keratosis. We believe that QLT and Dusa, among other competitors, have established a working commercial model in dermatology and oncology, and that we can benefit from this model by offering products that, when compared to our competitors' products, afford superior safety and performance, greatly reduced side effects, improved ease of use, and lower cost compared to those of our competitors.

While it is possible that eventually we may compete directly with major pharmaceutical companies, we believe it is more likely that we will enter into joint development, marketing, or other licensure arrangements with such competitors. Eventually, we believe that we will be acquired.

We also have a number of market areas in common with traditional skincare cosmetics companies, but in contrast to these companies, our products are based on unique, proprietary formulations and approaches. For example, we are unaware of any products in our targeted OTC skincare markets that are similar to our Pure-ific products. Further, proprietary protection of our products may help limit or prevent market erosion until our patents expire.

All of the prescription drugs and medical devices we currently contemplate developing will require approval by the FDA prior to sales within the United States and by comparable foreign agencies prior to sales outside the United States. The FDA and comparable regulatory agencies impose substantial requirements on the manufacturing and marketing of pharmaceutical products and medical devices. These agencies and other entities extensively regulate, among other things, research and development activities and the testing, manufacturing, quality control, safety, effectiveness, labeling, storage, record keeping, approval, advertising and promotion of our proposed products. While we attempt to minimize and avoid significant regulatory bars when formulating our products, some degree of regulation from these regulatory agencies is unavoidable. Some of the things we do to attempt to minimize and avoid significant regulatory bars include the following:

- Using chemicals and combinations already allowed by the FDA;
- Carefully making product performance claims to avoid the need for regulatory approval;
- Using drugs that have been previously approved by the FDA and that have a long history of safe use;
- Using chemical compounds with known safety profiles; and
- In many cases, developing OTC products which face less regulation than prescription pharmaceutical products.

The regulatory process required by the FDA, through which our drug or device products must pass successfully before they may be marketed in the U.S., generally involves the following:

- Preclinical laboratory and animal testing;
- Submission of an application that must become effective before clinical trials may begin;
- Adequate and well-controlled human clinical trials to establish the safety and efficacy of the product for its intended indication; and
- FDA approval of the application to market a given product for a given indication.

For pharmaceutical products, preclinical tests include laboratory evaluation of the product, its chemistry, formulation and stability, as well as animal studies to assess the potential safety and efficacy of the product. Where appropriate (for example, for human disease indications for which there exist inadequate animal models), we will attempt to obtain preliminary data concerning safety and efficacy of proposed products using carefully designed human pilot studies. We will require sponsored work to be conducted in compliance with pertinent local and international regulatory requirements, including those providing for Institutional Review Board approval, national governing agency approval and patient informed consent, using protocols consistent with ethical principles stated in the Declaration of Helsinki and other internationally recognized standards. We expect any pilot studies to be conducted outside the United States; but if any are conducted in the United States, they will comply with applicable FDA regulations. Data obtained through pilot studies will allow us to make more informed decisions concerning possible expansion into traditional FDA-regulated clinical trials.

If the FDA is satisfied with the results and data from preclinical tests, it will authorize human clinical trials. Human clinical trials typically are conducted in three sequential phases which may overlap. Each of the three phases involves testing and study of specific aspects of the effects of the pharmaceutical on human subjects, including testing for safety, dosage tolerance, side effects, absorption, metabolism, distribution, excretion and clinical efficacy.

Phase 1 clinical trials include the initial introduction of an investigational new drug into humans. These studies are closely monitored and may be conducted in patients, but are usually conducted in healthy volunteer subjects. These studies are designed to determine the metabolic and pharmacologic actions of the drug in humans, the side effects associated with increasing doses, and, if possible, to gain early evidence on effectiveness. While the FDA can cause us to end clinical trials at any phase due to safety concerns, Phase 1 clinical trials are primarily concerned with safety issues. We also attempt to obtain sufficient information about the drug's pharmacokinetics and pharmacological effects during Phase 1 clinical trial to permit the design of well-controlled, scientifically valid, Phase 2 studies.

Phase 1 studies also evaluate drug metabolism, structure-activity relationships, and the mechanism of action in humans. These studies also determine which investigational drugs are used as research tools to explore biological phenomena or disease processes. The total number of subjects included in Phase 1 studies varies with the drug, but is generally in the range of twenty to eighty.

Phase 2 clinical trials include the early controlled clinical studies conducted to obtain some preliminary data on the effectiveness of the drug for a particular indication or indications in patients with the disease or condition. This phase of testing also helps determine the common short-term side effects and risks associated with the drug. Phase 2 studies are typically well-controlled, closely monitored, and conducted in a relatively small number of patients, usually involving several hundred people.

Phase 3 studies are expanded controlled and uncontrolled trials. They are performed after preliminary evidence suggesting effectiveness of the drug has been obtained in Phase 2, and are intended to gather the additional information about effectiveness and safety that is needed to evaluate the overall benefit-risk relationship of the drug. Phase 3 studies also provide an adequate basis for extrapolating the results to the general population and transmitting that information in the physician labeling. Phase 3 studies usually include several hundred to several thousand people.

Applicable medical devices can be cleared for commercial distribution through a notification to the FDA under Section 510(k) of the applicable statute. The 510(k) notification must demonstrate to the FDA that the device is as safe and effective and substantially equivalent to a legally marketed or classified device that is currently in interstate commerce. Such devices may not require detailed testing. Certain high-risk devices that sustain human life, are of substantial importance in preventing impairment of human health, or that present a potential unreasonable risk of illness or injury, are subject to a more comprehensive FDA approval process initiated by filing a premarket approval, also known as a "PMA," application (for devices) or accelerated approval (for drugs).

We have established a core clinical development team and have been working with outside FDA consultants to assist us in developing product-specific development and approval strategies, preparing the required submittals, guiding us through the regulatory process, and providing input to the design and site selection of human clinical studies. Historically, obtaining FDA approval for photodynamic therapies has been a challenge. Wherever possible, we intend to utilize lasers or other activating systems that have been previously approved by the FDA to mitigate the risk that our therapies will not be approved by the FDA. The FDA has considerable experience with lasers by virtue of having reviewed and acted upon many 510(k) and premarket approval filings submitted to it for various photodynamic and non-photodynamic therapy laser applications, including a large number of cosmetic laser treatment systems used by dermatologists.

The testing and approval process requires substantial time, effort, and financial resources, and we may not obtain FDA approval on a timely basis, if at all. Success in preclinical or early-stage clinical trials does not assure success in later-stage clinical trials. The FDA or the research institution sponsoring the trials may suspend clinical trials or may not permit trials to advance from one phase to another at any time on various grounds, including a finding that the subjects or patients are being exposed to an unacceptable health risk. Once issued, the FDA may withdraw a product approval if we do not comply with pertinent regulatory requirements and standards or if problems occur after the product reaches the market. If the FDA grants approval of a product, the approval may impose limitations, including limits on the indicated uses for which we may market a product. In addition, the FDA may require additional testing and surveillance programs to monitor the safety and/or effectiveness of approved products that have been commercialized, and the agency has the power to prevent or limit further marketing of a product based on the results of these post-marketing programs. Further, later discovery of previously unknown problems with a product may result in restrictions on the product, including its withdrawal from the market.

Marketing our products abroad will require similar regulatory approvals by equivalent national authorities and is subject to similar risks. To expedite development, we may pursue some or all of our initial clinical testing and approval activities outside the United States, and in particular in those nations where our products may have substantial medical and commercial relevance. In some such cases, any resulting products may be brought to the U.S. after substantial offshore experience is gained. Accordingly, we intend to pursue any such development in a manner consistent with U.S. standards so that the resultant development data is maximally applicable for potential FDA approval.

OTC products are subject to regulation by the FDA and similar regulatory agencies but the regulations relating to these products are much less stringent than those relating to prescription drugs and medical devices. The types of OTC products developed and sold by us only require that we follow cosmetic rules relating to labeling and the claims that we make about our product. The process for obtaining approval of prescription drugs with the FDA does not apply to the OTC products which we sell. The FDA can, however, require us to stop selling our product if we fail to comply with the rules applicable to our OTC products.

Employees

We currently employ four persons, all of whom are full-time employees. We currently engage four consultants.

Personnel

Our executive officers and directors are:

H. Craig Dees, Ph.D., 58, has served as our Chief Executive Officer and as a member of our board of directors since we acquired PPI, a privately held Tennessee corporation on April 23, 2002. Before joining us, from 1997 to 2002 he served as senior member of the management team of Photogen Technologies, Inc., including serving as a member of the board of directors of Photogen from 1997 to 2000. Prior to joining Photogen, Dr. Dees served as a Group Leader at the Oak Ridge National Laboratory and as a senior member of the management teams of LipoGen Inc., a medical diagnostic company which used genetic engineering technologies to manufacture and distribute diagnostic assay kits for auto-immune diseases, and TechAmerica Group Inc., now a part of Boehringer Ingelheim Vetmedica, Inc., the U.S. animal health subsidiary of Boehringer Ingelheim GmbH, an international chemical and pharmaceutical company headquartered in Germany. He earned a Ph.D. in Molecular Virology from the University of Wisconsin–Madison in 1984.

Timothy C. Scott, Ph.D., 52, has served as our President and as a member of our board of directors since we acquired PPI on April 23, 2002. Prior to joining us, Dr. Scott was a senior member of the Photogen management team from 1997 to 2002, including serving as Photogen's Chief Operating Officer from 1999 to 2002, as a director of Photogen from 1997 to 2000, and as interim CEO for a period in 2000. Before joining Photogen, he served as senior management of Genase LLC, a developer of enzymes for fabric treatment and held senior research and management positions at Oak Ridge National Laboratory. Dr. Scott earned a Ph.D. in Chemical Engineering from the University of Wisconsin–Madison in 1985.

Eric A. Wachter, Ph.D., 47, has served as our Executive Vice President – Pharmaceuticals and as a member of our board of directors since we acquired PPI on April 23, 2002. Prior to joining us, from 1997 to 2002 he was a senior member of the management team of Photogen, including serving as Secretary and a director of Photogen since 1997 and as Vice President and Secretary and a director of Photogen since 1999. Prior to joining Photogen, Dr. Wachter served as a senior research staff member with Oak Ridge National Laboratory. He earned a Ph.D. in Chemistry from the University of Wisconsin–Madison in 1988.

Peter R. Culpepper, 50, was appointed to serve as our Chief Financial Officer in February 2004 and is also our Chief Operating Officer. Previously, Mr. Culpepper served as Chief Financial Officer for Felix Culpepper International, Inc. from 2001 to 2004; was a Registered Representative with AXA Advisors, LLC from 2002 to 2003; has served as Chief Accounting Officer and Corporate Controller for Neptec, Inc. from 2000 to 2001; has served in various Senior Director positions with Metromedia Affiliated Companies from 1998 to 2000; has served in various Senior Director and other financial positions with Paging Network, Inc. from 1993 to 1998; and has served in a variety of financial roles in public accounting and industry from 1982 to 1993. He earned a Masters in Business Administration in Finance from the University of Maryland–College Park in 1992. He earned an AAS in Accounting from the Northern Virginia Community College–Annandale, Virginia in 1985. He earned a B.A. in Philosophy from the College of William and Mary–Williamsburg, Virginia in 1982. He is a licensed Certified Public Accountant in both Tennessee and Maryland.

Stuart Fuchs, 63, has served as a member of our board of directors since January 23, 2003. He is a co-founder and has served as a managing principal of Gryffindor Capital Partners, LLC, a Chicago-based venture capital firm, since January 2000. Before joining Gryffindor, he was a founding stockholder of several biotech companies, including Angiogen LLC (since 1998), which develops combinations of drugs to stimulate in vivo production of factors that inhibit the growth of blood vessels in tumors, and Nace Pharma LLC (since 1996), which develops drugs that employ novel drug delivery technologies. Through Nace Resources Inc., a Delaware corporation providing strategic and financial advice to companies in the technology sector, Mr. Fuchs has formed or participated in groups of investors on behalf of several companies, including Abiant Inc., Celsion Corp. and Photogen. Before founding Nace Resources Inc., he served for 19 years as an investment banker with Goldman, Sachs & Co., where he co-managed the firm's public finance activities for the Midwest region. Before joining Goldman, Sachs & Co., Mr. Fuchs was a lawyer in private practice with Barrett Smith Schapiro & Simon in New York. Mr. Fuchs holds an A.B. degree from Harvard College and a J.D. from Harvard Law School and is a member of the Association of the Bar of the City of New York.

Kelly M. McMasters M.D., Ph.D., 49, has served as a member of our board of directors since June 9, 2008. Additionally, Dr. McMasters serves as chairman of our scientific advisory board. Dr. McMasters received his undergraduate training at Colgate University prior to completing the MD/PhD program at the University of Medicine and Dentistry of New Jersey, Robert Wood Johnson Medical School and Rutgers University. He then completed the residency program in General Surgery at the University of Louisville, and a fellowship in Surgical Oncology at M.D. Anderson Cancer Center in Houston. He is currently the Sam and Lolita Weakley Professor of Surgical Oncology at the University of Louisville in Kentucky, a position he has held since 1996. Since 2005, he has chaired the Department of Surgery at the University of Louisville and also has been Chief of Surgery at University of Louisville Hospital. Since 2000, he has also been Director of the Multidisciplinary Melanoma Clinic of the James Graham Brown Cancer Center at the University of Louisville. His is an active member of the surgery staff at the University of Louisville Hospital, Norton Hospital and Jewish Hospital in Louisville. He is on the editorial boards of the Annals of Surgical Oncology, Cancer Therapy and the Journal of Clinical Oncology as well as an ad hoc reviewer for 9 other publications. He holds several honors, chief among them is "Physician of the Year" awarded by the Kentucky Chapter of the American Cancer Society. He is the author and principal investigator (PI) of the Sunbelt Melanoma Trial, a multi-institutional study involving 3500 patients from 79 institutions across North America and one of the largest prospective melanoma studies ever performed. He has been a PI, Co-PI or local PI in over thirty clinical trials ranging from Phase 1 to Phase 3. For the past 12 years he has also directed a basic and translational science laboratory studying adenovirus-mediated cancer gene therapy funded by the American Cancer Society and the National Institutes of Health (NIH).

Item 1A. Risk Factors.

Our business is subject to various risks, including those described below. You should carefully consider these risk factors, together with all of the other information included in this prospectus. Any of these risks could materially adversely affect our business, operating results, and financial condition:

Our technologies are in early stages of development.

We generated minimal initial revenues from sales and operations in 2006 and 2005, and we do not expect to generate revenues to enable us to be profitable for several calendar quarters unless we sell and/or license our technologies. We discontinued our proof-of-concept program in November 2006 and have, therefore, ceased selling our OTC products. To complete our current planned studies in clinical development, we expect to spend approximately \$123,000 in 2010. We estimate that our existing capital resources will be sufficient to fund our current operations. We may need to raise additional funds in 2012 in order to fully implement our integrated business plan, including potential commercialization of PV-10 to treat metastatic melanoma and execution of any potential next phases in clinical development of our pharmaceutical products unless we plan to license and/or co-develop the further development of our drug product candidates with industry partners.

Ultimately, we must achieve profitable operations if we are to be a viable entity, unless we are acquired by another company. We intend to proceed as rapidly as possible with the asset sale and licensure of OTC products that can be sold with a minimum of regulatory compliance and with the development of revenue sources through licensing of our existing intellectual property portfolio. We cannot assure you that we will be able to raise sufficient capital to sustain operations in 2012 and beyond before we can commence revenue generation or that we will be able to achieve or maintain a level of profitability sufficient to meet our operating expenses.

We may need additional capital to conduct our operations and commercialize and/or further develop our products in 2012 and beyond, and our ability to obtain the necessary funding is uncertain.

We estimate that our existing capital resources will be sufficient to fund our current and planned operations until 2012; however, we may need additional capital in 2012 and beyond if we commercialize PV-10 to treat metastatic melanoma. We have based this estimate on assumptions that may prove to be wrong, and we cannot assure that estimates and assumptions will remain unchanged. For example, we are currently assuming that we will continue to operate without any significant staff or other resources expansion. We intend to acquire additional funding through public or private equity financings or other financing sources that may be available. Additional financing may not be available on acceptable terms, or at all. As discussed in more detail below, additional equity financing could result in significant dilution to stockholders. Further, in the event that additional funds are obtained through licensing or other arrangements, these arrangements may require us to relinquish rights to some of our technologies, product candidates or products that we would otherwise seek to develop and commercialize ourselves. If sufficient capital is not available, we may be required to delay, reduce the scope of, or eliminate one or more of our programs, any of which could have a material adverse effect on our business and may impair the value of our patents and other intangible assets.

Existing stockholders may face dilution from our financing efforts.

We may raise additional capital from external sources to execute our business plan in 2012 and beyond. We plan to issue debt securities, capital stock, or a combination of these securities, if necessary. We may not be able to sell these securities, particularly under current market conditions. Even if we are successful in finding buyers for our securities, the buyers could demand high interest rates or require us to agree to onerous operating covenants, which could in turn harm our ability to operate our business by reducing our cash flow and restricting our operating activities. If we were to sell our capital stock, we might be forced to sell shares at a depressed market price, which could result in substantial dilution to our existing shareholders. In addition, any shares of capital stock we may issue may have rights, privileges, and preferences superior to those of our common shareholders. We may also raise additional capital at any time if we believe appropriate to take advantage of market conditions and/or to pursue strategic investors.

The prescription drug and medical device products in our internal pipeline are at an early stage of development, and they may fail in subsequent development or commercialization.

We are continuing to pursue clinical development of our most advanced pharmaceutical drug products, PH-10 and PV-10, for use as treatments for specific conditions. These products and other pharmaceutical drug and medical device products that we are currently developing will require significant additional research, formulation and manufacture development, and pre-clinical and extensive clinical testing prior to regulatory licensure and commercialization. Pre-clinical and clinical studies of our pharmaceutical drug and medical device products under development may not demonstrate the safety and efficacy necessary to obtain regulatory approvals. Pharmaceutical and biotechnology companies have suffered significant setbacks in advanced clinical trials, even after experiencing promising results in earlier trials. Pharmaceutical drug and medical device products that appear to be promising at early stages of development may not reach the market or be marketed successfully for a number of reasons, including the following:

- a product may be found to be ineffective or have harmful side effects during subsequent pre-clinical testing or clinical trials,
- a product may fail to receive necessary regulatory clearance,
- a product may be too difficult to manufacture on a large scale,
- a product may be too expensive to manufacture or market,
- a product may not achieve broad market acceptance,
- others may hold proprietary rights that will prevent a product from being marketed, or
- others may market equivalent or superior products.

We do not expect any pharmaceutical drug products that we are developing to be commercially available for several years, if at all. Our research and product development efforts may not be successfully completed and may not result in any successfully commercialized products. Further, after commercial introduction of a new product, discovery of problems through adverse event reporting could result in restrictions on the product, including withdrawal from the market and, in certain cases, civil or criminal penalties.

Our OTC products are at an early stage of introduction, and we cannot be sure that they will be sold through a combination of asset sale and licensure in the marketplace.

We have previously focused on marketing Pure-ific, one of our OTC products, on a limited basis to establish proof of concept, which we believe we have accomplished. We have recognized minimal revenue from this product, as the sales of this product have not been material. We discontinued our proof-of-concept program in November 2006 and have, therefore, ceased selling our OTC products. In order for this product, and our other OTC products, to become commercially successful, the Company now intends to license the products. The Company has been discussing this strategy with interested groups. Additionally, the Company also intends to sell a majority stake in the underlying assets via a non-core spin-out transaction.

Competition in the prescription drug, medical device and OTC pharmaceuticals markets is intense, and we may be unable to succeed if our competitors have more funding or better marketing.

The pharmaceutical and biotechnology industries are intensely competitive. Other pharmaceutical and biotechnology companies and research organizations currently engage in or have in the past engaged in research efforts related to treatment of dermatological conditions or cancers of the skin, liver and breast, which could lead to the development of products or therapies that could compete directly with the prescription drug, medical device and OTC products that we are seeking to develop and market.

Many companies are also developing alternative therapies to treat cancer and dermatological conditions and, in this regard, are our competitors. Many of the pharmaceutical companies developing and marketing these competing products have significantly greater financial resources and expertise than we do in:

- research and development,

- manufacturing,
- preclinical and clinical testing,
- obtaining regulatory approvals, and
- marketing.

Smaller companies may also prove to be significant competitors, particularly through collaborative arrangements with large and established companies. Academic institutions, government agencies, and other public and private research organizations may also conduct research, seek patent protection, and establish collaborative arrangements for research, clinical development, and marketing of products similar to ours. These companies and institutions compete with us in recruiting and retaining qualified scientific and management personnel as well as in acquiring technologies complementary to our programs.

In addition to the above factors, we expect to face competition in the following areas:

- product efficacy and safety;
- the timing and scope of regulatory consents;
- availability of resources;
- reimbursement coverage;
- price; and
- patent position, including potentially dominant patent positions of others.

As a result of the foregoing, our competitors may develop more effective or more affordable products or achieve earlier product commercialization than we do.

Product Competition. Additionally, since our formerly marketed products are generally established and commonly sold, they were subject to competition from products with similar qualities when we marketed them.

Our OTC product Pure-ific, when we sold it in the proof-of-concept stage, competed in the market with other hand sanitizing products, including in particular, the following hand sanitizers:

- Purell (owned by Johnson & Johnson),
- Avagard D (manufactured by 3M), and
- a large number of generic and private-label equivalents to these market leaders.

Our OTC product GloveAid represents a new product category that has no direct competitors; however, other types of products, such as AloeTouch® disposable gloves (manufactured by Medline Industries) target the same market niche.

Since our prescription products PV-10 and PH-10 have not yet been approved by the United States Food and Drug Administration, which we refer to as the "FDA," or introduced to the marketplace, we cannot estimate what competition these products might face when they are finally introduced, if at all. We cannot assure you that these products will not face significant competition for other prescription drugs and generic equivalents.

If we are unable to secure or enforce patent rights, trademarks, trade secrets or other intellectual property our business could be harmed.

We may not be successful in securing or maintaining proprietary patent protection for our products and technologies we develop or license. In addition, our competitors may develop products similar to ours using methods and technologies that are beyond the scope of our intellectual property protection, which could reduce our anticipated sales. While some of our products have proprietary patent protection, a challenge to these patents can be subject to expensive litigation. Litigation concerning patents, other forms of intellectual property, and proprietary technology is becoming more widespread and can be protracted and expensive and can distract management and other personnel from performing their duties.

We also rely upon trade secrets, unpatented proprietary know-how, and continuing technological innovation to develop a competitive position. We cannot assure you that others will not independently develop substantially equivalent proprietary technology and techniques or otherwise gain access to our trade secrets and technology, or that we can adequately protect our trade secrets and technology.

If we are unable to secure or enforce patent rights, trademarks, trade secrets, or other intellectual property, our business, financial condition, results of operations and cash flows could be materially adversely affected. If we infringe on the intellectual property of others, our business could be harmed.

We could be sued for infringing patents or other intellectual property that purportedly cover products and/or methods of using such products held by persons other than us. Litigation arising from an alleged infringement could result in removal from the market, or a substantial delay in, or prevention of, the introduction of our products, any of which could have a material adverse effect on our business, financial condition, results of operations, and cash flows.

If we do not update and enhance our technologies, they will become obsolete.

The pharmaceutical market is characterized by rapid technological change, and our future success will depend on our ability to conduct successful research in our fields of expertise, to discover new technologies as a result of that research, to develop products based on our technologies, and to commercialize those products. While we believe that our current technology is adequate for our present needs, if we fail to stay at the forefront of technological development, we will be unable to compete effectively. Our competitors are using substantial resources to develop new pharmaceutical technologies and to commercialize products based on those technologies. Accordingly, our technologies may be rendered obsolete by advances in existing technologies or the development of different technologies by one or more of our current or future competitors.

If we lose any of our key personnel, we may be unable to successfully execute our business plan.

Our business is presently managed by four key employees:

- H. Craig Dees, Ph.D., our Chief Executive Officer;
- Timothy C. Scott, Ph.D., our President;
- Eric A. Wachter, Ph.D. our Executive Vice President - Pharmaceuticals; and
- Peter R. Culpepper, CPA, our Chief Financial Officer and Chief Operating Officer.

In addition to their responsibilities for management of our overall business strategy, Drs. Dees, Scott and Wachter are our chief researchers in the fields in which we are developing and planning to develop prescription drugs, medical devices and OTC products. The loss of any of these key employees could have a material adverse effect on our operations, and our ability to execute our business plan might be negatively impacted. Any of these key employees may leave their employment with us if they choose to do so, and we cannot assure you that we would be able to hire similarly qualified employees if any of our key employees should choose to leave.

Because we have only four employees in total, our management may be unable to successfully manage our business.

In order to successfully execute our business plan, our management must succeed in all of the following critical areas:

- Researching diseases and possible therapies in the areas of dermatology and skin care, oncology, and biotechnology;
- Developing prescription drug, medical device, and OTC products based on our research;
- Marketing and selling developed products;
- Obtaining additional capital to finance research, development, production, and marketing of our products; and
- Managing our business as it grows.

As discussed above, we currently have only four employees, all of whom are full-time employees. The greatest burden of succeeding in the above areas, therefore, falls on Drs. Dees, Scott, Wachter, and Mr. Culpepper. Focusing on any one of these areas may divert their attention from our other areas of concern and could affect our ability to manage other aspects of our business. We cannot assure you that our management will be able to succeed in all of these areas or, even if we do so succeed, that our business will be successful as a result. We anticipate adding an additional regulatory affairs officer on a consulting basis within several months. While we have not historically had difficulty in attracting employees, our small size and limited operating history may make it difficult for us to attract and retain employees in the future, which could further divert management's attention from the operation of our business.

Our common stock price can be volatile because of several factors, including a limited public float, which has increased significantly from 2005 to 2009.

During the year ended December 31, 2009, the sale price of our common stock fluctuated from \$0.84 to \$1.28 per share. We believe that our common stock is subject to wide price fluctuations because of several factors, including:

- absence of meaningful earnings and ongoing need for external financing;
- a relatively thin trading market for our common stock, which causes trades of small blocks of stock to have a significant impact on our stock price;
- general volatility of the stock market and the market prices of other publicly-traded companies; and
- investor sentiment regarding equity markets generally, including public perception of corporate ethics and governance and the accuracy and transparency of financial reporting.

Financings that may be available to us under current market conditions frequently involve sales at prices below the prices at which our common stock trades on the OTC Bulletin Board, as well as the issuance of warrants or convertible debt that require exercise or conversion prices that are calculated in the future at a discount to the then market price of our common stock. The current economic downturn has made the financings available to development-stage companies like us more dilutive in nature than they would otherwise be.

Any agreement to sell, or convert debt or equity securities into, common stock at a future date and at a price based on the then current market price will provide an incentive to the investor or third parties to sell the common stock short to decrease the price and increase the number of shares they may receive in a future purchase, whether directly from us or in the market.

Financings that may be available to us frequently involve high selling costs.

Because of our limited operating history, low market capitalization, thin trading volume and other factors, we have historically had to pay high costs to obtain financing and expect to continue to be required to pay high costs for any future financings in which we may participate. For example, our past sales of shares and our sale of the debentures have involved the payment of finder's fees or placement agent's fees. These types of fees are typically higher for small companies like us. Payment of fees of this type reduces the amount of cash that we receive from a financing transaction and makes it more difficult for us to obtain the amount of financing that we need to maintain and expand our operations.

It is our general policy to retain any earnings for use in our operation.

We have never declared or paid cash dividends on our common stock. We currently intend to retain all of our future earnings, if any, for use in our business and therefore do not anticipate paying any cash dividends on our common stock in the foreseeable future.

Our stock price is below \$5.00 per share and is treated as a "penny stock", which places restrictions on broker-dealers recommending the stock for purchase.

Our common stock is defined as "penny stock" under the Exchange Act and its rules. The SEC has adopted regulations that define "penny stock" to include common stock that has a market price of less than \$5.00 per share, subject to certain exceptions. These rules include the following requirements:

- broker-dealers must deliver, prior to the transaction a disclosure schedule prepared by the SEC relating to the penny stock market;
- broker-dealers must disclose the commissions payable to the broker-dealer and its registered representative;
- broker-dealers must disclose current quotations for the securities;
- if a broker-dealer is the sole market-maker, the broker-dealer must disclose this fact and the broker-dealers presumed control over the market; and
- a broker-dealer must furnish its customers with monthly statements disclosing recent price information for all penny stocks held in the customer's account and information on the limited market in penny stocks.

Additional sales practice requirements are imposed on broker-dealers who sell penny stocks to persons other than established customers and accredited investors. For these types of transactions, the broker-dealer must make a special suitability determination for the purchaser and must have received the purchaser's written consent to the transaction prior to sale. If our common stock remains subject to these penny stock rules these disclosure requirements may have the effect of reducing the level of trading activity in the secondary market for our common stock. As a result, fewer broker-dealers may be willing to make a market in our stock, which could affect a shareholder's ability to sell their shares.

Future sales by our stockholders may adversely affect our stock price and our ability to raise funds in new stock offerings.

Sales of our common stock in the public market following any prospective offering could lower the market price of our common stock. Sales may also make it more difficult for us to sell equity securities or equity-related securities in the future at a time and price that our management deems acceptable. The current economic downturn has made the financings available to development-stage companies like us more dilutive in nature than they would otherwise be.

Item 2. Properties.

We currently lease approximately 6,000 square feet of space outside of Knoxville, Tennessee for our corporate office and operations. Our monthly rental charge for these offices is approximately \$4,500 per month, and the lease is renewed on an annual basis. We believe that these offices generally are adequate for our needs currently and in the immediate future.

Item 3. Legal Proceedings.

From time to time, we are party to litigation or other legal proceedings that we consider to be a part of the ordinary course of our business. At present, we are not involved in any legal proceedings nor are we party to any pending claims that we believe could reasonably be expected to have a material adverse effect on our business, financial condition, or results of operations.

Part II

Item 4. Market for Common Equity and Related Stockholder Matters.

Market Information and Holders

Quotations for our common stock are reported on the OTC Bulletin Board under the symbol "PVCT." The following table sets forth the range of high and low bid information for the periods indicated since January 1, 2008:

	High	Low
2008		
First Quarter (January 1 to March 31)	1.59	1.00
Second Quarter (April 1 to June 30)	1.30	0.90
Third Quarter (July 1 to September 30)	1.64	0.74
Fourth Quarter (October 1 to December 31)	1.56	0.82
2009		
First Quarter (January 1 to March 31)	1.03	0.86
Second Quarter (April 1 to June 30)	1.28	0.93
Third Quarter (July 1 to September 30)	1.11	0.88
Fourth Quarter (October 1 to December 31)	1.07	0.84

The closing price for our common stock on March 18, 2010 was \$1.31. High and low quotation information was obtained from data provided by Yahoo! Inc. Quotations reflect inter-dealer prices, without retail mark-up, mark-down or commission, and may not reflect actual transactions.

As of March 18, 2010, we had 1,853 shareholders of record of our common stock in physical certificate form.

Dividend Policy

We have never declared or paid any cash dividends on our capital stock. We currently plan to retain future earnings, if any, to finance the growth and development of our business and do not anticipate paying any cash dividends in the foreseeable future. We may incur indebtedness in the future which may prohibit or effectively restrict the payment of dividends, although we have no current plans to do so. Any future determination to pay cash dividends will be at the discretion of our board of directors.

Recent Sales of Unregistered Securities

In May and June 2009 the Company completed a private placement transaction with accredited investors pursuant to which the Company sold a total of 1,750,000 shares of common stock at a purchase price of \$0.90 per share, for an aggregate purchase price of \$1,575,000. In connection with the sale of common stock, the Company also issued warrants to the investors to purchase up to 875,000 shares of common stock at an exercise price of \$1.00 per share. The Company paid \$227,250 and issued 175,000 shares of common stock at a fair market value of \$197,750 to Maxim Group, LLC as a placement agent for this transaction. The cash costs have been off-set against the proceeds received, which are for general corporate purposes.

During the three months ended June 30, 2009, the Company completed a private placement transaction with accredited investors pursuant to which the Company sold a total of 2,868,994 shares of common stock at a purchase price of \$0.75 per share, for an aggregate purchase price of \$2,151,749. 186,667 of the 2,868,994 common shares sold were committed to be issued but not outstanding at June 30, 2009 and which were issued in July 2009. In connection with the sale of common stock, the Company also issued warrants to the investors to purchase up to 1,434,510 shares of common stock at an exercise price of \$1.50 per share. The Company paid \$255,323, has accrued \$24,404 to be paid as of June 30, 2009, which was paid in July 2009, and was committed to issue 286,900 shares of common stock at June 30, 2009 at a fair market value of \$295,507 to Network 1 Financial Securities, Inc. as placement agent for this transaction, which were issued in August 2009. The cash costs have been off-set against the proceeds received, which are for general corporate purposes.

In July 2009 the Company completed a private placement transaction with accredited investors pursuant to which the Company sold a total of 1,040,570 shares of common stock at a purchase price of \$0.75 per share, for an aggregate purchase price of \$780,427. In connection with the sale of common stock, the Company also issued warrants to the investors to purchase up to 520,120 shares of common stock at an exercise price of \$1.50 per share. The Company paid \$101,485 and issued 100,016 shares of common stock in August 2009 at a fair market value of \$95,015 to Network 1 Financial Securities, Inc. as placement agent for this transaction. The cash costs have been off-set against the proceeds received, which are for general corporate purposes.

In July and September 2009 the Company completed a private placement transaction with a total of two accredited investors pursuant to which the Company sold a total of 309,000 shares of common stock at a purchase price of \$0.75 per share, for an aggregate purchase price of \$231,750. The proceeds received are for general corporate purposes.

In September 2009 the Company completed a private placement transaction with accredited investors pursuant to which the Company sold a total of 1,696,733 shares of common stock at a purchase price of \$0.75 per share, for an aggregate purchase price of \$1,272,550. In connection with the sale of common stock, the Company also issued warrants to the investors to purchase up to 848,366 shares of common stock at an exercise price of \$1.00 per share. The Company paid \$180,432 and was committed to issue 169,673 shares of common stock at a fair market value of \$169,673 to Maxim Group, LLC as a placement agent for this transaction which were issued in November 2009. The cash costs have been off-set against the proceeds received, which are for general corporate purposes.

During the three months ended December 31, 2009, the Company completed a private placement transaction with accredited investors pursuant to which the Company sold a total of 1,486,367 shares of common stock at a purchase price of \$0.75 per share, for an aggregate purchase price of \$1,114,775. 266,600 of the 1,486,367 common shares sold are committed to be issued but not outstanding at December 31, 2009 and which were issued in January 2010. In connection with the sale of common stock, the Company also issued warrants to the investors to purchase up to 743,185 shares of common stock at an exercise price of \$0.95 per share. The Company paid \$118,926, has accrued \$25,994 to be paid as of December 31, 2009, which was paid in January 2010, and is committed to issue 148,637 shares of common stock at December 31, 2009 at a fair market value of \$132,287 to Network 1 Financial Securities, Inc. as placement agent for this transaction. The cash costs have been off-set against the proceeds received, which are for general corporate purposes.

In December 2009 the Company completed a private placement transaction with an accredited investor pursuant to which the Company sold a total of 500,000 shares of common stock at a purchase price of \$0.75 per share, for an aggregate purchase price of \$375,000. In connection with the sale of common stock, the Company also issued warrants to the investors to purchase up to 250,000 shares of common stock at an exercise price of \$1.00 per share. The Company paid \$48,750 and is committed to issue 50,000 shares of common stock at a fair market value of \$45,000 to Maxim Group, LLC as a placement agent for this transaction at December 31, 2009, which were issued in January 2010. The cash costs have been off-set against the proceeds received, which are for general corporate purposes.

Item 6. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion is intended to assist in the understanding and assessment of significant changes and trends related to our results of operations and our financial condition together with our consolidated subsidiaries. This discussion and analysis should be read in conjunction with the consolidated financial statements and notes thereto included elsewhere in this prospectus. Historical results and percentage relationships set forth in the statement of operations, including trends which might appear, are not necessarily indicative of future operations.

Critical Accounting Policies

Long-Lived Assets

We review the carrying values of our long-lived assets for possible impairment whenever an event or change in circumstances indicates that the carrying amount of the assets may not be recoverable. Any long-lived assets held for disposal are reported at the lower of their carrying amounts or fair value less cost to sell. Management has determined there to be no impairment.

Patent Costs

Internal patent costs are expensed in the period incurred. Patents purchased are capitalized and amortized over their remaining lives, which range from 7-12 years. Annual amortization of the patents is expected to be approximately \$671,000 for the next five years.

Stock-Based Compensation

The compensation cost relating to share-based payment transactions is measured based on the fair value of the equity or liability instruments issued and is expensed on a straight-line basis. For purposes of estimating the fair value of each stock option, on the date of grant, we utilized the Black-Scholes option-pricing model. The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options, which have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions including the expected volatility factor of the market price of the company's common stock (as determined by reviewing its historical public market closing prices). Because our employee stock options have characteristics significantly different from those of traded options and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of its employee stock options.

Warrants to non-employees are generally vested and nonforfeitable upon the date of the grant. Accordingly fair value is determined on the grant date.

Research and Development

Research and development costs are charged to expense when incurred. An allocation of payroll expenses to research and development is made based on a percentage estimate of time spent. The research and development costs include the following: consulting - IT, depreciation, lab equipment repair, lab supplies and pharmaceutical preparations, insurance, legal - patents, office supplies, payroll expenses, rental - building, repairs, software, taxes and fees, and utilities.

Contractual Obligations - Leases

We lease office and laboratory space in Knoxville, Tennessee, on an annual basis, renewable for one year at our option. We are committed to pay a total of \$27,000 in lease payments through June 2010, which is the remainder of our current lease term at December 31, 2009.

Capital Structure

Our ability to continue as a going concern is reasonably assured due to our financing completed during 2009 and thus far in 2010, and warrants exercised in 2009 and thus far in 2010. Given our current rate of expenditures, we do not need to raise additional capital unless we commercialize PV-10 on our own to treat metastatic melanoma. Additionally, our existing funds are sufficient to meet minimal necessary expenses until 2012.

We have implemented our integrated business plan, including execution of the current and next phases in clinical development of our pharmaceutical products and continued execution of research programs for new research initiatives.

We intend to proceed as rapidly as possible with a licensure of our dermatology drug product candidate (PH-10) on the basis of our Phase 2 atopic dermatitis and psoriasis results, which are in process of being completed. We intend to also proceed as rapidly as possible with a majority stake asset sale and subsequent licensure of our OTC products that can be sold with a minimum of regulatory compliance and with the further development of revenue sources through a majority stake asset sale and subsequent licensing of our existing medical device, imaging, and biotech intellectual property portfolio. Although we believe that there is a reasonable basis for our expectation that we will become profitable due to both the licensure of PH-10 and the asset sale of a majority stake via a spin-out transaction of the wholly-owned subsidiaries that contain the non-core assets and subsequent licensure of our non-core products, we cannot assure you that we will be able to achieve, or maintain, a level of profitability sufficient to meet our operating expenses.

Our current plans include continuing to operate with our four employees during the immediate future, but we have added two additional consultants to the two we already had, and anticipate adding two more consultants in the next 12 months. Our current plans also include minimal purchases of new property, plant and equipment, and increased research and development for additional clinical trials.

Plan of Operation

With the reorganization of Provectus and PPI and the acquisition and integration into the Company of Valley and Pure-ific, we believe we have obtained a unique combination of core intellectual properties and OTC and other non-core products. This combination represents the foundation for an operating company that we believe will provide both profitability and long-term growth. In 2009 and thus far in 2010, we continued to carefully control expenditures in preparation for both the licensure of PH-10 and the asset sale and licensure or spin out of our OTC products, medical device, imaging, and biotech technologies, and we will issue equity only when it makes sense and primarily for purposes of attracting strategic investors. In the longer term, we expect to continue the process of developing, testing and obtaining the approval of the U. S. Food and Drug Administration (FDA) for prescription drugs in particular.

We have continued to make significant progress with the major research and development projects, most of which have been nearly completed. The Phase 2 trial in metastatic melanoma has been significantly completed which has cost approximately \$3,018,000 through December 31, 2009 and is not expected to incur additional cost. Additionally, we planned \$675,000 of expenditures in 2007 and 2008 to substantially advance our work with other oncology indications which included the third group of our expanded Phase 1 breast carcinoma clinical trial. The third group of our expanded Phase 1 breast carcinoma clinical trial was completed in September 2008. Our Phase 2 psoriasis trial commenced in November 2007 and was completed in December 2009. The study was expected to cost approximately \$1,725,000, of which approximately \$1,678,000 has been expended which closes out the study. Our Phase 2 atopic dermatitis trial commenced in May 2008 and was completed in October 2009. The cost is included in the psoriasis trial budget and actual figures. Our Phase 1 liver cancer trial commenced in October 2009 and is expected to cost approximately \$629,000, of which approximately \$506,000 has been expended thus far.

We anticipate expending \$123,000 during the remainder of 2010 for direct clinical trial expense which includes the remaining expenditures for all projects currently planned unless we determine a Phase 3 trial in metastatic melanoma is appropriate. If a Phase 3 trial is not necessary per guidance from the FDA, we will determine if any additional clinical trial expense is beneficial to further developing our core technologies while we seek to license both PH-10 and potentially PV-10 depending on the timing for the optimal deal structure for our stockholders. The table below summarizes our projects, the actual costs expended to date and costs expected for 2010.

Projects	Planned Project Cost	Expenditures through December 31, 2009	Expected 2010
Melanoma	\$ 3,018,000	\$ 3,018,000	\$ -0-
Breast/Other	\$ 675,000	\$ 675,000	\$ -0-
Psoriasis/AD	\$ 1,678,000	\$ 1,678,000	\$ -0-
Liver	\$ 629,000	\$ 506,000	\$ 123,000

Comparison of the Years Ended December 31, 2009 and 2008

Revenues

OTC Product Revenue was \$-0- in both 2009 and 2008. We discontinued our proof-of-concept program in November 2006 and have, therefore, ceased selling our OTC products. There was no medical device revenue in 2009 or 2008 as we have not emphasized sales of medical devices. We have designated the OTC and medical device products as non-core and are considering the sale of the underlying assets in conjunction with the planned spin-out of the respective wholly-owned subsidiaries.

Research and development

Research and development costs totaling \$4,909,414 for 2009 included payroll of \$2,860,116, consulting and contract labor of \$1,367,422, lab supplies and pharmaceutical preparations of \$281,833, legal of \$209,709, insurance of \$125,295, rent and utilities of \$55,685, and depreciation expense of \$9,354. Research and development costs totaling \$4,425,616 for 2008 included payroll of \$2,561,845, consulting and contract labor of \$1,256,032, lab supplies and pharmaceutical preparations of \$116,762, legal of \$297,363, insurance of \$108,905, rent and utilities of \$75,453, and depreciation expense of \$9,256.

The approximately \$300,000 increase in payroll is primarily the result of higher bonuses offset partially by the lower impact of stock-based compensation expense for stock options in 2009 versus 2008. The approximately \$111,000 increase in consulting and contract labor is the result of the greater consulting costs incurred in 2009 to significantly advance Phase 2 clinical trial programs for both atopic dermatitis and psoriasis versus 2008. The approximately \$165,000 increase in lab supplies and pharmaceutical preparations is primarily the result of materials necessary to provide for the any additional clinical trials and/or FDA regulatory requirements that were purchased to a greater extent in 2009 versus 2008.

General and administrative

General and administrative expenses increased by \$1,498,748 in 2009 to \$6,745,597 from \$5,246,849 in 2008. Expenses in 2009 were generally similar in nature to expenses in 2008 except consulting and conference expense, primarily for investor relations, was approximately \$1.2 million higher in 2009 than in 2008. Payroll increased approximately \$380,000 in 2009 due to higher bonuses offset partially by the lower impact of stock-based compensation expense for stock options in 2009 versus 2008.

Investment income

Investment income decreased by \$70,197 in 2009 to \$3,817 from \$74,014 in 2008. The decrease resulted primarily due to significantly lower interest rates on cash and cash equivalents as well as lower balances in 2009 versus 2008.

Cash Flow

Our cash and cash equivalents were \$3,237,178 at December 31, 2009, compared with \$2,796,020 at December 31, 2008. The increase of approximately \$440,000 was due primarily to cash provided of \$9,043,141 from sales of equity securities and the exercises of warrants and stock options during the year ended December 31, 2009 which was greater than cash used in operating activities. Our expenditure rate in 2009 was consistent with 2008 due to our clinical trial projects and our investor relations efforts to communicate the progress of the Company.

At our current cash expenditure rate, our cash and cash equivalents will be sufficient to meet our current and planned needs in 2010 and until 2012 without additional cash inflows from the exercise of existing warrants or sales of equity securities. We have enough cash on hand to fund operations until 2012 with the cash on hand at December 31, 2009 as well as through financing completed thus far in 2010.

We are seeking to improve our cash flow through both the licensure of PH-10 on the basis of our Phase 2 atopic dermatitis and psoriasis results, and the majority stake asset sale and licensure of our OTC products as well as other non-core assets. However, we cannot assure you that we will be successful in either licensing PH-10 or selling a majority stake of the OTC and other non-core assets via a spin-out transaction and licensing our existing non-core products. Moreover, even if we are successful in improving our current cash flow position, we nonetheless plan to seek additional funds to meet our long-term requirements in 2012 and beyond. We anticipate that these funds will otherwise come from the proceeds of private placements, the exercise of existing warrants outstanding, or public offerings of debt or equity securities.

Capital Resources

As noted above, our present cash flow is currently sufficient to meet our short-term operating needs. Excess cash will be used to finance any additional phases in clinical development of our pharmaceutical products that we determine to undertake ourselves versus with a partner. We anticipate that any required funds for our operating and development needs in 2012 and beyond will come from the proceeds of private placements, the exercise of existing warrants outstanding, or public offerings of debt or equity securities. While we believe that we have a reasonable basis for our expectation that we will be able to raise additional funds, we cannot assure you that we will be able to complete additional financing in a timely manner. In addition, any such financing may result in significant dilution to shareholders.

Recent Accounting Pronouncements

In April 2008, the FASB issued modifications to ASC 350 (“ASC 350”) “*Intangibles – Goodwill and Other*”. The modifications to ASC 350 amended the factors an entity should consider in developing renewal or extension assumptions used in determining the useful life of recognized intangible assets. This new guidance applies prospectively to intangible assets that are acquired individually or with a group of other assets in business combinations and asset acquisitions. On January 1, 2009, the Company adopted the modifications to ASC 350. The adoption of this standard did not have a material impact on the Company’s financial condition, results of operations or cash flows.

In May 2009, the FASB issued ASC 855 (“ASC 855”), “*Subsequent Events*”. ASC 855 establishes general standards for accounting for and disclosure of events that occur after the balance sheet date but before financial statements are available to be issued (“subsequent events”). More specifically, ASC 855 sets forth the period after the balance sheet date during which management of a reporting entity should evaluate events or transactions that may occur for potential recognition in the financial statements, identifies the circumstances under which an entity should recognize events or transactions occurring after the balance sheet date in its financial statements and the disclosures that should be made about events or transactions that occur after the balance sheet date. ASC 855 provides largely the same guidance on subsequent events, which previously existed only in auditing literature. The Company has performed an evaluation of subsequent events through the day the financial statements were issued.

In June 2009, the FASB issued ASC 105 (“ASC 105”) “*Generally Accepted Accounting Principles*”. ASC 105 states that the FASB Accounting Standards Codification (“Codification”) will become the single source of authoritative U.S. generally accepted accounting principles (“GAAP”) recognized by the FASB. The Codification and all of its contents, which changes the referencing of financial standards, will carry the same level of authority. In other words, the GAAP hierarchy will be modified to include only two levels of GAAP, authoritative and nonauthoritative. ASC 105 is effective for financial statements issued for interim and annual periods ending after September 15, 2009, and was adopted July 1, 2009. Therefore, all references to GAAP use the new Codification numbering system prescribed by the FASB. As the Codification is not intended to change or alter existing GAAP, it did not have an impact on the Company’s financial condition, results of operations and cash flows.

In August 2009, the FASB issued Accounting Standards Update (ASU) No. 2009-05 (“ASU 2009-05”), “*Measuring Liabilities at Fair Value*”, which provides clarification for the fair value measurement of liabilities in circumstances in which a quoted price in an active market for an identical liability is not available. ASU 2009-05 is effective for the first interim period ending after December 15, 2009, and was adopted on October 1, 2009. This standard did not have a material impact on the Company’s financial condition, results of operations or cash flows.

September 2009, the FASB issued ASU No. 2009-12 (“ASU 2009-12”), “*Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*”, which provides guidance on measuring the fair value of certain alternative investments. ASU 2009-12 amends ASC 820 to offer investors a practical expedient for measuring the fair value of investments in certain entities that calculate net asset value per share. ASU 2009-12 is effective for interim and annual periods ending after December 15, 2009. This standard did not have a material impact on the Company’s financial condition, results of operations or cash flows.

In October 2009, the FASB issued ASU No. 2009-13 (“ASU 2009-13”), “*Multiple-Deliverable Revenue Arrangements*”, which amends ASC 605, “*Revenue Recognition*”. ASU 2009-13 provides guidance related to the determination of when the individual deliverables included in a multiple-element arrangement may be treated as separate units of accounting and modifies the manner in which the transaction consideration is allocated across the individual deliverables. Also, the standard expands the disclosure requirements for revenue arrangements with multiple deliverables. ASU 2009-13 is effective for fiscal years beginning on or after June 15, 2010. This standard is not expected to have a material impact on the Company’s financial condition, results of operations or cash flows since it is not effective.

Item 7. Financial Statements.

Our consolidated financial statements, together with the report thereon of BDO Seidman LLP, independent accountants, are set forth on the pages of this Annual Report on Form 10-K indicated below.

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Report of Independent Registered Public Accounting Firm	31
Consolidated Balance Sheets as of December 31, 2009 and December 31, 2008	32
Consolidated Statements of Operations for the years December 31, 2009 and 2008, and cumulative amounts from January 17, 2002 (Inception) through December 31, 2009	33
Consolidated Statements of Shareholders' Equity for years ended December 31, 2009 and 2008, and cumulative amounts from January 17, 2002 (Inception) through December 31, 2009	34
Consolidated Statements of Cash Flows for the years ended December 31, 2009 and 2008, cumulative amounts from January 17, 2002 (Inception) through December 31, 2009	36
Notes to Consolidated Financial Statements	38

Forward-Looking Statements

This Annual Report on Form 10-K contains forward-looking statements regarding, among other things, our anticipated financial and operating results. Forward-looking statements reflect our management's current assumptions, beliefs, and expectations. Words such as "anticipate," "believe," "estimate," "expect," "intend," "plan," and similar expressions are intended to identify forward-looking statements. While we believe that the expectations reflected in our forward-looking statements are reasonable, we can give no assurance that such expectations will prove correct. Forward-looking statements are subject to risks and uncertainties that could cause our actual results to differ materially from the future results, performance, or achievements expressed in or implied by any forward-looking statement we make. Some of the relevant risks and uncertainties that could cause our actual performance to differ materially from the forward-looking statements contained in this report are discussed below under the heading "Risk Factors" and elsewhere in this Annual Report on Form 10-K. We caution investors that these discussions of important risks and uncertainties are not exclusive, and our business may be subject to other risks and uncertainties which are not detailed there.

Investors are cautioned not to place undue reliance on our forward-looking statements. We make forward-looking statements as of the date on which this Annual Report on Form 10-K is filed with the SEC, and we assume no obligation to update the forward-looking statements after the date hereof whether as a result of new information or events, changed circumstances, or otherwise, except as required by law.

Item 8. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

N/A.

Item 8A (T). Controls and Procedures

Evaluation of Disclosure Controls and Procedures. We have carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer of the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Exchange Act Rule 13a-14. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures are effective.

Management's Report on Internal Control Over Financial Reporting. Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is defined in Rule 13a-15(f) and 15d-15(f) promulgated under the Exchange Act as a process designated by, or under the supervision of, our principal executive and principal financial officers and effected by our board of directors, management and other personnel, 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 and includes those policies and procedures that:

- Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and disposition of our assets;
- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and
- Provide reasonable assurance regarding prevention or timely detention of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Our management assessed the effectiveness of our internal control over financial reporting as of December 31, 2009. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control – Integrated Framework.

Based on our assessment, management believes that, as of December 31, 2009, our internal control over financial reporting is effective based on those criteria.

This annual report does not include an attestation report of our registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by our registered public accounting firm pursuant to temporary rules of the Securities and Exchange Commission that permit us to provide only management's report in this annual report.

Changes in Internal Control Over Financial Reporting. There was no change in our internal control over financial reporting that occurred during the period covered by this report that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Item 8B. Other Information.

None.

Part III

Item 9. Directors, Executive Officers and Corporate Governance.

Except as set forth below, the information called for by this item with respect to our executive officers as of March 31, 2010 is furnished in Part I of this report under the heading "Personnel-- Executive Officers." The information called for by this item, to the extent it relates to our directors or to certain filing obligations of our directors and executive officers under the federal securities laws, is incorporated herein by reference to the Proxy Statement for our Annual Meeting of Stockholders to be held on June 17, 2010, which will be filed with the SEC pursuant to Regulation 14A under the Exchange Act.

Audit Committee Financial Expert

We do not currently have an "audit committee financial expert," as defined under the rules of the SEC. Because the board of directors consists of only five members and our operations remain amenable to oversight by a limited number of directors, the board has not delegated any of its functions to committees. The entire board of directors acts as our audit committee as permitted under Section 3(a)(58)(B) of the Exchange Act. We believe that all of the members of our board are qualified to serve as the committee and have the experience and knowledge to perform the duties required of the committee. We do not have any independent directors who would qualify as an audit committee financial expert, as defined. We believe that it has been, and may continue to be, impractical to recruit such a director unless and until we are significantly larger.

Code of Ethics

We have adopted a formal Code of Ethics. The Company's four employees adhere to high standards of ethics and have signed a formal policy.

Item 10. Executive Compensation.

The information called for by this item is incorporated herein by reference to the Proxy Statement for our Annual Meeting of Stockholders to be held on June 17, 2010, which will be filed with the SEC pursuant to Regulation 14A under the Exchange Act.

Item 11. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

The information called for by this item is incorporated herein by reference to the Proxy Statement for our Annual Meeting of Stockholders to be held on June 17, 2010, which will be filed with the SEC pursuant to Regulation 14A under the Exchange Act.

Item 12. Certain Relationships and Related Transactions.

The information called for by this item is incorporated herein by reference to the Proxy Statement for our Annual Meeting of Stockholders to be held on June 17, 2010, which will be filed with the SEC pursuant to Regulation 14A under the Exchange Act.

Item 13. Principal Accountant Fees and Services.

The information called for by this item is incorporated herein by reference to the Proxy Statement for our Annual Meeting of Stockholders to be held on June 17, 2010, which will be filed with the SEC pursuant to Regulation 14A under the Exchange Act.

Item 14. Exhibits

Exhibits required by Item 601 of Regulation S-K are incorporated herein by reference and are listed on the attached Exhibit Index, which begins on page X-1 of this Annual Report on Form 10-K.

Signatures

In accordance with Section 13 or 15(d) of the Exchange Act, the Registrant caused this annual report on Form 10-K for the year ended December 31, 2009 to be signed on its behalf by the undersigned, thereunto duly authorized.

Provectus Pharmaceuticals, Inc.

By: /s/ H. Craig Dees
H. Craig Dees, Ph.D. Chief Executive Officer

Date: March 31, 2010

In accordance with the requirements of the Securities Exchange Act, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the date indicated:

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ H. Craig Dees</u> H. Craig Dees, Ph.D.	Chief Executive Officer (principal executive officer) and Chairman of the Board	March 31, 2010
<u>/s/ Peter R. Culpepper</u> Peter R. Culpepper, CPA	Chief Financial Officer (principal financial officer and principal accounting officer) and Chief Operating Officer	March 31, 2010
<u>/s/ Timothy C. Scott</u> Timothy C. Scott, Ph.D.	President and Director	March 31, 2010
<u>/s/ Eric A. Wachter, Ph.D</u> Eric A. Wachter, Ph.D.	Executive Vice President - Pharmaceuticals and Director	March 31, 2010
<u>/s/ Stuart Fuchs</u> Stuart Fuchs	Director	March 31, 2010
<u>/s/ Kelly M. McMasters, M.D., Ph.D</u> Kelly M. McMasters, M.D., Ph.D.	Director	March 31, 2010

Report of Independent Registered Public Accounting Firm

Board of Directors
Provectus Pharmaceuticals, Inc.
Knoxville, Tennessee

We have audited the accompanying consolidated balance sheets of Provectus Pharmaceuticals, Inc., a development stage company, as of December 31, 2009 and 2008 and the related consolidated statements of operations, stockholders' equity, and cash flows for the period from January 17, 2002 (date of inception) to December 31, 2009 and for each of the two years in the period ended December 31, 2009. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Provectus Pharmaceuticals, Inc. at December 31, 2009 and 2008, and the results of its operations and its cash flows for the period from January 17, 2002 (date of inception) to December 31, 2009 and for each of the two years in the period ended December 31, 2009, in conformity with accounting principles generally accepted in the United States of America.

/s/BDO Seidman, LLP
Chicago, Illinois
March 31, 2010

PROVECTUS PHARMACEUTICALS, INC.
(A Development-Stage Company)

CONSOLIDATED BALANCE SHEETS

	December 31, 2009	December 31, 2008
Assets		
Current Assets		
Cash and cash equivalents	\$ 3,237,178	\$ 2,796,020
Prepaid expenses and other current assets	--	50,691
Total Current Assets	3,237,178	2,846,711
Equipment and Furnishings, less accumulated depreciation of \$400,587 and \$391,233	30,175	33,690
Patents, net of amortization of \$4,776,137 and \$4,105,017, respectively	6,939,308	7,610,428
Other assets	27,000	27,000
	<u>\$ 10,233,661</u>	<u>\$ 10,517,829</u>
Liabilities and Stockholders' Equity		
Current Liabilities		
Accounts payable – trade	\$ 220,251	\$ 267,093
Accrued compensation and payroll taxes	149,836	79,955
Accrued consulting expense	42,260	66,250
Pension liability	345,000	--
Other accrued expenses	69,804	48,995
Total Current Liabilities	827,151	462,293
Stockholders' Equity		
Preferred stock; par value \$.001 per share; 25,000,000 shares authorized; no shares issued and outstanding		
Common stock; par value \$.001 per share; 100,000,000 shares authorized; 67,410,226 and 53,017,076 shares issued and outstanding, respectively	67,410	53,017
Paid-in capital	77,137,021	65,478,126
Deficit accumulated during the development stage	(67,797,921)	(55,475,607)
Total Stockholders' Equity	9,406,510	10,055,536
	<u>\$ 10,233,661</u>	<u>\$ 10,517,829</u>

See accompanying notes to consolidated financial statements.

PROVECTUS PHARMACEUTICALS, INC.
(A Development-Stage Company)
CONSOLIDATED STATEMENTS OF OPERATIONS

	Year Ended December 31, 2009	Year Ended December 31, 2008	Cumulative Amounts from January 17, 2002 (Inception) Through December 31, 2009
Revenues			
OTC product revenue	\$ --	\$ --	\$ 25,648
Medical device revenue	--	--	14,109
Total revenues	--	--	39,757
Cost of sales			
	--	--	15,216
Gross profit	--	--	24,541
Operating expenses			
Research and development	4,909,414	4,425,616	20,868,195
General and administrative	6,745,597	5,246,849	33,958,475
Amortization	671,120	671,120	4,776,137
Total operating loss	(12,326,131)	(10,343,585)	(59,578,266)
Gain on sale of fixed assets	--	--	55,075
Loss on extinguishment of debt	--	--	(825,867)
Investment income	3,817	74,014	649,141
Net interest expense	--	--	(8,098,004)
Net loss	\$ (12,322,314)	(10,269,571)	(67,797,921)
Basic and diluted loss per common share	\$ (0.21)	(0.20)	
Weighted average number of common shares outstanding – basic and diluted	59,796,632	51,320,138	

See accompanying notes to consolidated financial statements.

PROVECTUS PHARMACEUTICALS, INC.
(A Development-Stage Company)

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

	Number of Shares	Par Value	Common Stock Paid in capital	Accumulated Deficit	Total
Balance, at January 17 2002	--	\$ --	\$ --	\$ --	\$ --
Issuance to founding shareholders	6,000,000	6,000	(6,000)	--	--
Sale of stock	50,000	50	24,950	--	25,000
Issuance of stock to employees	510,000	510	931,490	--	932,000
Issuance of stock for services	120,000	120	359,880	--	360,000
Net loss for the period from January 17, 2002 (inception) to April 23, 2002 (date of reverse merger)	--	--	--	(1,316,198)	(1,316,198)
Balance, at April 23, 2002	6,680,000	\$ 6,680	\$ 1,310,320	\$ (1,316,198)	802
Shares issued in reverse merger	265,763	266	(3,911)	--	(3,645)
Issuance of stock for services	1,900,000	1,900	5,142,100	--	5,144,000
Purchase and retirement of stock	(400,000)	(400)	(47,600)	--	(48,000)
Stock issued for acquisition of Valley Pharmaceuticals	500,007	500	12,225,820	--	12,226,320
Exercise of warrants	452,919	453	--	--	453
Warrants issued in connection with convertible debt	--	--	126,587	--	126,587
Stock and warrants issued for acquisition of Pure-ific	25,000	25	26,975	--	27,000
Net loss for the period from April 23, 2002 (date of reverse merger) to December 31, 2002	--	--	--	(5,749,937)	(5,749,937)
Balance, at December 31, 2002	9,423,689	\$ 9,424	\$ 18,780,291	\$ (7,066,135)	11,723,580
Issuance of stock for services	764,000	764	239,036	--	239,800
Issuance of warrants for services	--	--	145,479	--	145,479
Stock to be issued for services	--	--	281,500	--	281,500
Employee compensation from stock options	--	--	34,659	--	34,659
Issuance of stock pursuant to Regulation S	679,820	680	379,667	--	380,347
Beneficial conversion related to convertible Debt	--	--	601,000	--	601,000
Net loss for the year ended December 31, 2003	--	--	--	(3,155,313)	(3,155,313)
Balance, at December 31, 2003	10,867,509	\$ 10,868	\$ 20,461,632	\$ (10,221,448)	(10,251,052)
Issuance of stock for services	733,872	734	449,190	--	449,923
Issuance of warrants for services	--	--	495,480	--	495,480
Exercise of warrants	132,608	133	4,867	--	5,000
Employee compensation from stock options	--	--	15,612	--	15,612
Issuance of stock pursuant to Regulation S	2,469,723	2,469	790,668	--	793,137
Issuance of stock pursuant to Regulation D	1,930,164	1,930	1,286,930	--	1,288,861
Beneficial conversion related to convertible Debt	--	--	360,256	--	360,256
Issuance of convertible debt with warrants	--	--	105,250	--	105,250
Repurchase of beneficial conversion feature	--	--	(258,345)	--	(258,345)
Net loss for the year ended December 31, 2004	--	--	--	(4,344,525)	(4,344,525)

See accompanying notes to consolidated financial statements.

Balance, at December 31, 2004	\$ 16,133,876	\$ 16,134	\$ 23,711,540	\$ (14,565,973)	\$ 9,161,701
Issuance of stock for services	226,733	227	152,058	--	152,285
Issuance of stock for interest payable	263,721	264	195,767	--	196,031
Issuance of warrants for services	--	--	1,534,405	--	1,534,405
Issuance of warrants for contractual obligations	--	--	985,010	--	985,010
Exercise of warrants and stock options	1,571,849	1,572	1,438,223	--	1,439,795
Employee compensation from stock options	--	--	15,752	--	15,752
Issuance of stock pursuant to Regulation D	6,221,257	6,221	6,506,955	--	6,513,176
Debt conversion to common stock	3,405,541	3,405	3,045,957	--	3,049,362
Issuance of warrants with convertible debt	--	--	1,574,900	--	1,574,900
Beneficial conversion related to convertible debt	--	--	1,633,176	--	1,633,176
Beneficial conversion related to interest expense	--	--	39,529	--	
Repurchase of beneficial conversion feature	--	--	(144,128)	--	(144,128)
Net loss for the year ended 2005	--	--	--	(11,763,853)	(11,763,853)
Balance, at December 31, 2005	\$ 27,822,977	\$ 27,823	\$ 40,689,144	\$ (26,329,826)	\$ 14,387,141
Issuance of stock for services	719,246	719	676,024	--	676,743
Issuance of stock for interest payable	194,327	195	183,401	--	183,596
Issuance of warrants for services	--	--	370,023	--	370,023
Exercise of warrants and stock options	1,245,809	1,246	1,188,570	--	1,189,816
Employee compensation from stock options	--	--	1,862,456	--	1,862,456
Issuance of stock pursuant to Regulation D	10,092,495	10,092	4,120,329	--	4,130,421
Debt conversion to common stock	2,377,512	2,377	1,573,959	--	1,576,336
Beneficial conversion related to interest expense	--	--	16,447	--	16,447
Net loss for the year ended 2006	--	--	--	(8,870,579)	(8,870,579)
Balance, at December 31, 2006	\$ 42,452,366	\$ 42,452	\$ 50,680,353	\$ (35,200,405)	\$ 15,522,400
Issuance of stock for services	150,000	150	298,800	--	298,950
Issuance of stock for interest payable	1,141	1	1,257	--	1,258
Issuance of warrants for services	--	--	472,635	--	472,635
Exercise of warrants and stock options	3,928,957	3,929	3,981,712	--	3,985,641
Employee compensation from stock options	--	--	2,340,619	--	2,340,619
Issuance of stock pursuant to Regulation D	2,376,817	2,377	1,845,761	--	1,848,138
Debt conversion to common stock	490,000	490	367,010	--	367,500
Net loss for the year ended 2007	--	--	--	(10,005,631)	(10,005,631)
Balance, at December 31, 2007	\$ 49,399,281	\$ 49,399	\$ 59,988,147	\$ (45,206,036)	\$ 14,831,510
Issuance of stock for services	350,000	350	389,650	--	390,000
Issuance of warrants for services	--	--	517,820	--	517,820
Exercise of warrants and stock options	3,267,795	3,268	2,636,443	--	2,639,711
Employee compensation from stock options	--	--	1,946,066	--	1,946,066
Net loss for the year ended 2008	--	--	--	(10,269,571)	(10,269,571)
Balance, at December 31, 2008	\$ 53,017,076	\$ 53,017	\$ 65,478,126	\$ (55,475,607)	\$ 10,055,536
Issuance of stock for services	796,012	796	694,204	--	695,000
Issuance of warrants for services	--	--	1,064,210	--	1,064,210
Exercise of warrants and stock options	3,480,485	3,480	2,520,973	--	2,524,453
Employee compensation from stock options	--	--	870,937	--	870,937
Issuance of stock pursuant to Regulation D	10,116,653	10,117	6,508,571	--	6,518,688
Net loss for the year ended 2009	--	--	--	(12,322,314)	(12,322,314)
Balance, at December 31, 2009	\$ 67,410,226	\$ 67,410	\$ 77,137,021	\$ (67,797,921)	\$ 9,406,510

See accompanying notes to consolidated financial statements.

PROVECTUS PHARMACEUTICALS, INC.
(A Development-Stage Company)
CONSOLIDATED STATEMENTS OF CASH FLOW

	Year Ended December 31, 2009	Year Ended December 31, 2008	Cumulative Amounts from January 17, 2002 (Inception) through December 31, 2009
Cash Flows From Operating Activities			
Net loss	\$ (12,322,314)	\$ (10,269,571)	\$ (67,797,921)
Adjustments to reconcile net loss to net cash used in operating activities			
Depreciation	9,354	9,256	423,588
Amortization of patents	671,120	671,120	4,776,137
Amortization of original issue discount	--	--	3,845,721
Amortization of commitment fee	--	--	310,866
Amortization of prepaid consultant expense	--	--	1,295,226
Amortization of deferred loan costs	--	--	2,261,584
Accretion of United States Treasury Bills	--	(16,451)	(373,295)
Loss on extinguishment of debt	--	--	825,867
Loss on exercise of warrants	--	--	236,146
Beneficial conversion of convertible interest	--	--	55,976
Convertible interest	--	--	389,950
Compensation through issuance of stock options	870,937	1,946,066	7,086,101
Compensation through issuance of stock	--	--	932,000
Issuance of stock for services	695,000	390,000	7,407,648
Issuance of warrants for services	1,064,210	517,820	2,597,834
Issuance of warrants for contractual obligations	--	--	985,010
Gain on sale of equipment	--	--	(55,075)
(Increase) decrease in assets			
Prepaid expenses and other current assets	50,691	48,769	--
Increase (decrease) in liabilities			
Accounts payable	(46,842)	(188,099)	216,606
Accrued expenses	411,700	(229,278)	756,530
Net cash used in operating activities	(8,596,144)	(7,120,368)	(33,823,501)
Cash Flows From Investing Activities			
Proceeds from sale of fixed assets	--	--	180,075
Capital expenditures	(5,839)	--	(67,888)
Proceeds from investments	--	8,000,000	37,010,481
Purchases of investments	--	(3,985,869)	(36,637,186)
Net cash (used in) provided by investing activities	(5,839)	4,014,131	485,482
Cash Flows From Financing Activities			
Net proceeds from loans from stockholder	--	--	174,000
Proceeds from convertible debt	--	--	6,706,795
Net proceeds from sales of common stock	6,518,688	--	21,497,769
Proceeds from exercises of warrants and stock options	2,524,453	2,639,711	11,548,723
Cash paid to retire convertible debt	--	--	(2,385,959)
Cash paid for deferred loan costs	--	--	(747,612)
Premium paid on extinguishments of debt	--	--	(170,519)
Purchase and retirement of common stock	--	--	(48,000)
Net cash provided by financing activities	9,043,141	2,639,711	36,575,197

	Year Ended December 31, 2009	Year Ended December 31, 2008	Cumulative Amounts from January 17, 2002 (Inception) through December 31, 2009
Net change in cash and cash equivalents	\$ 441,158	\$ (466,526)	\$ 3,237,178
Cash and cash equivalents, at beginning of period	\$ 2,796,020	\$ 3,262,546	\$ --
Cash and cash equivalents, at end of period	\$ 3,237,178	\$ 2,796,020	\$ 3,237,178

See accompanying notes to consolidated financial statements.

PROVECTUS PHARMACEUTICALS, INC.
(A Development-Stage Company)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Organization and Significant Accounting Policies

Nature of Operations

Provectus Pharmaceuticals, Inc. (together with its subsidiaries, the "Company") is a development-stage biopharmaceutical company that is focusing on developing minimally invasive products for the treatment of psoriasis and other topical diseases, and certain forms of cancer including recurrent breast carcinoma, metastatic melanoma, and liver cancer. The Company intends to license and sell a majority stake of its laser device and biotech technology assets via a spin-out transaction. Through a previous acquisition, the Company also intends to license and sell a majority stake of the underlying assets of its over-the-counter pharmaceuticals via a spin-out transaction. To date the Company has no material revenues.

Principles of Consolidation

Intercompany balances and transactions have been eliminated in consolidation.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make 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. Actual results could differ from those estimates.

Cash and cash equivalents

The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Deferred Loan Costs and Debt Discounts

Costs related to the issuance of the convertible debt, including lender fees, legal fees, due diligence costs, escrow agent fees and commissions, are recorded as deferred loan costs and amortized over the term of the loan using the effective interest method. Additionally, the Company recorded debt discounts related to warrants and beneficial conversion features issued in connection with the debt. Debt discounts are amortized over the term of the loan using the effective interest method. All deferred loan costs and debt discounts were amortized as of December 31, 2007.

Equipment and Furnishings

Equipment and furnishings acquired through the acquisition of Valley Pharmaceuticals, Inc. (Note 2) have been stated at carry-over basis because the majority shareholders of Provectus also owned all of the shares of Valley. Other equipment and furnishings are stated at cost. Depreciation of equipment is provided for using the straight-line method over the estimated useful lives of the assets. Computers and laboratory equipment are being depreciated over five years, furniture and fixtures are being depreciated over seven years.

Long-Lived Assets

The Company reviews the carrying values of its long-lived assets for possible impairment whenever an event or change in circumstances indicates that the carrying amount of the assets may not be recoverable. Any long-lived assets held for disposal are reported at the lower of their carrying amounts or fair value less cost to sell. Management has determined there to be no impairment.

Patent Costs

Internal patent costs are expensed in the period incurred. Patents purchased are capitalized and amortized over the remaining life of the patent.

Patents at December 31, 2009 were acquired as a result of the merger with Valley Pharmaceuticals, Inc. ("Valley") (Note 2). The majority shareholders of Provectus also owned all of the shares of Valley and therefore the assets acquired from Valley were recorded at their carry-over basis. The patents are being amortized over the remaining lives of the patents, which range from 7-12 years. Annual amortization of the patents is expected to be approximately \$671,000 for the next five years.

Revenue Recognition

Prior to 2007, the Company recognized revenue when product was shipped. When advance payments were received, these payments were recorded as deferred revenue and recognized when the product was shipped. The Company has not had revenue in 2009 or 2008.

Research and Development

Research and development costs are charged to expense when incurred. An allocation of payroll expenses to research and development is made based on a percentage estimate of time spent. The research and development costs include the following: consulting - IT, depreciation, lab equipment repair, lab supplies and pharmaceutical preparations, insurance, legal - patents, office supplies, payroll expenses, rental - building, repairs, software, taxes and fees, and utilities.

Income Taxes

The Company accounts for income taxes under the liability method in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 740 "Income Taxes". Under this method, deferred income tax assets and liabilities are determined based on differences between financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. A valuation allowance is established if it is more likely than not that all, or some portion, of deferred income tax assets will not be realized. The Company has recorded a full valuation allowance to reduce its net deferred income tax assets to zero. In the event the Company were to determine that it would be able to realize some or all its deferred income tax assets in the future, an adjustment to the deferred income tax asset would increase income in the period such determination was made.

The Company recognizes the effect of income tax positions only if those positions are more likely than not of being sustained upon an examination. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs. The Company recognizes any corresponding interest and penalties associated with its income tax position in income tax expense. There were no income tax interest or penalties in 2009 or 2008. Tax years going back to 2006 remain open for examination.

Basic and Diluted Loss Per Common Share

Basic and diluted loss per common share is computed based on the weighted average number of common shares outstanding. Loss per share excludes the impact of outstanding options and warrants as they are antidilutive. Potential common shares excluded from the calculation for the years ended December 31, 2009 and 2008 are 22,147,554 and 21,025,172 from warrants, and 8,623,843 and 8,848,427 from options. Included as of December 31, 2009 were 465,237 shares committed to be issued. Subsequent to December 31, 2009, the Company issued 9,979,992 shares of preferred stock, 997,999 shares of common stock and 4,989,996 warrants to purchase common stock.

Financial Instruments

The carrying amounts reported in the consolidated balance sheets for cash and cash equivalents, accounts payable and accrued expenses approximate fair value because of the short-term nature of these amounts.

Stock-Based Compensation

The compensation cost relating to share-based payment transactions is measured based on the fair value of the equity or liability instruments issued and is expensed on a straight-line basis. For purposes of estimating the fair value of each stock option on the date of grant, the Company utilized the Black-Scholes option-pricing model. The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options, which have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions including the expected volatility factor of the market price of the Company's common stock (as determined by reviewing its historical public market closing prices). Because the Company's employee stock options have characteristics significantly different from those of traded options and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of its employee stock options.

Warrants to non-employees are generally vested and nonforfeitable upon the date of the grant. Accordingly fair value is determined on the grant date.

Subsequent Events

Management assesses subsequent events through the issue date of the financial statements.

Recent Accounting Pronouncements

In April 2008, the FASB issued modifications to ASC 350 ("ASC 350") "*Intangibles – Goodwill and Other*". The modifications to ASC 350 amended the factors an entity should consider in developing renewal or extension assumptions used in determining the useful life of recognized intangible assets. This new guidance applies prospectively to intangible assets that are acquired individually or with a group of other assets in business combinations and asset acquisitions. On January 1, 2009, the Company adopted the modifications to ASC 350. The adoption of this standard did not have a material impact on the Company's financial condition, results of operations or cash flows.

In May 2009, the FASB issued ASC 855 ("ASC 855"), "*Subsequent Events*". ASC 855 establishes general standards for accounting for and disclosure of events that occur after the balance sheet date but before financial statements are available to be issued ("subsequent events"). More specifically, ASC 855 sets forth the period after the balance sheet date during which management of a reporting entity should evaluate events or transactions that may occur for potential recognition in the financial statements, identifies the circumstances under which an entity should recognize events or transactions occurring after the balance sheet date in its financial statements and the disclosures that should be made about events or transactions that occur after the balance sheet date. ASC 855 provides largely the same guidance on subsequent events, which previously existed only in auditing literature. The Company has performed an evaluation of subsequent events through the day the financial statements were issued.

In June 2009, the FASB issued ASC 105 ("ASC 105") "*Generally Accepted Accounting Principles*". ASC 105 states that the FASB Accounting Standards Codification ("Codification") will become the single source of authoritative U.S. generally accepted accounting principles ("GAAP") recognized by the FASB. The Codification and all of its contents, which changes the referencing of financial standards, will carry the same level of authority. In other words, the GAAP hierarchy will be modified to include only two levels of GAAP, authoritative and nonauthoritative. ASC 105 is effective for financial statements issued for interim and annual periods ending after September 15, 2009, and was adopted July 1, 2009. Therefore, all references to GAAP use the new Codification numbering system prescribed by the FASB. As the Codification is not intended to change or alter existing GAAP, it did not have an impact on the Company's financial condition, results of operations and cash flows.

In August 2009, the FASB issued Accounting Standards Update (ASU) No. 2009-05 ("ASU 2009-05"), "*Measuring Liabilities at Fair Value*", which provides clarification for the fair value measurement of liabilities in circumstances in which a quoted price in an active market for an identical liability is not available. ASU 2009-05 is effective for the first interim period ending after December 15, 2009, and was adopted on October 1, 2009. This standard did not have a material impact on the Company's financial condition, results of operations or cash flows.

September 2009, the FASB issued ASU No. 2009-12 ("ASU 2009-12"), "*Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*", which provides guidance on measuring the fair value of certain alternative investments. ASU 2009-12 amends ASC 820 to offer investors a practical expedient for measuring the fair value of investments in certain entities that calculate net asset value per share. ASU 2009-12 is effective for interim and annual periods ending after December 15, 2009. This standard did not have a material impact on the Company's financial condition, results of operations or cash flows.

In October 2009, the FASB issued ASU No. 2009-13 ("ASU 2009-13"), "Multiple-Deliverable Revenue Arrangements", which amends ASC 605, "Revenue Recognition". ASU 2009-13 provides guidance related to the determination of when the individual deliverables included in a multiple-element arrangement may be treated as separate units of accounting and modifies the manner in which the transaction consideration is allocated across the individual deliverables. Also, the standard expands the disclosure requirements for revenue arrangements with multiple deliverables. ASU 2009-13 is effective for fiscal years beginning on or after June 15, 2010. This standard is not expected to have a material impact on the Company's financial condition, results of operations or cash flows.

2. Recapitalization and Merger

On April 23, 2002, Provectus Pharmaceutical, Inc., a Nevada corporation and a Merger "blank check" public company, acquired Provectus Pharmaceuticals, Inc., a privately-held Tennessee corporation ("PPI"), by issuing 6,680,000 shares of common stock of Provectus Pharmaceutical to the stockholders of PPI in exchange for all of the issued and outstanding shares of PPI, as a result of which Provectus Pharmaceutical changed its name to Provectus Pharmaceuticals, Inc. (the "Company") and PPI became a wholly-owned subsidiary of the Company. Prior to the transaction, PPI had no significant operations and had not generated any revenues.

For financial reporting purposes, the transaction has been reflected in the accompanying financial statements as a recapitalization of PPI and the financial statements reflect the historical financial information of PPI which was incorporated on January 17, 2002. Therefore, for accounting purposes, the shares recorded as issued in the reverse merger are the 265,763 shares owned by Provectus Pharmaceuticals, Inc. shareholders prior to the reverse merger.

The issuance of 6,680,000 shares of common stock of Provectus Pharmaceutical, Inc. to the stockholders of PPI in exchange for all of the issued and outstanding shares of PPI was done in anticipation of PPI acquiring Valley Pharmaceuticals, Inc, which owned the intellectual property to be used in the Company's operations.

On November 19, 2002, the Company acquired Valley Pharmaceuticals, Inc. ("Valley") a privately-held Tennessee corporation by merging PPI with and into Valley and naming the surviving company Xantech Pharmaceuticals, Inc. Valley had no significant operations and had not generated any revenues. Valley was formed to hold certain intangible assets which were transferred from an entity which was majority owned by the shareholders of Valley. Those shareholders gave up their shares of the other company in exchange for the intangible assets in a non-pro-rata split-off. The intangible assets were valued based on the market price of the stock given up in the split-off. The shareholders of Valley also owned the majority of the shares of the Company at the time of the transaction. The Company issued 500,007 shares of stock in exchange for the net assets of Valley which were valued at \$12,226,320 and included patents of \$11,715,445 and equipment and furnishings of \$510,875.

3. Commitments

Leases

The Company leases office and laboratory space in Knoxville, Tennessee, on an annual basis, renewable for one year at the option of the Company. The Company is committed to pay a total of \$27,000 in lease payments over six months. The current lease term ends June 30, 2010. Rent expense was approximately \$54,000 in 2009 and \$52,800 in 2008.

Employee Agreements

On July 1, 2009, the Company entered into executive employment agreements with each of H. Craig Dees, Ph.D., Timothy C. Scott, Ph.D., Eric A. Wachter, Ph.D., and Peter R. Culpepper, CPA, to serve as our Chief Executive Officer, President, Executive Vice President and Chief Financial Officer, respectively. Each agreement provides that such executive will be employed for a one-year term with automatic one-year renewals unless previously terminated pursuant to the terms of the agreement or either party gives notice that the term will not be extended. The Company is committed to pay a total of \$1,000,000 over six months, which is the remainder of the current employment agreements at December 31, 2009. Executives are also entitled to participate in any incentive compensation plan or bonus plan adopted by the Company without diminution of any compensation or payment under the agreement. Executives are further entitled to reimbursement for all reasonable out-of-pocket expenses incurred during his performance of services under the agreement.

Each agreement generally provides that if the executive's employment is terminated prior to a change in control (as defined in the agreement) (1) due to expiration or non-extension of the term by the Company; or (2) by the Company for any reason other than for cause (as defined in the agreement), then such executive shall be entitled to receive payments under the agreement as if the agreement was still in effect through the end of the period in effect as of the date of such termination. If the executive's employment (1) is terminated by the Company at any time for cause, (2) is terminated by executive prior to, and not coincident with, a change in control or (3) is terminated by executive's death, disability or retirement prior to a change in control, the executive (or his estate, as the case may be) shall be entitled to receive payments under the agreement through the last date of the month of such termination, a pro-rata portion of any incentive or bonus payment earned prior to such termination, any benefits to which he is entitled under the terms and conditions of the pertinent plans in effect at termination and any reasonable expenses incurred during the performance of services under the agreement.

In the event that coincident with or following a change in control, the executive's employment is terminated or the agreement is not extended (1) by action of the executive including his death, disability or retirement or (2) by action of the Company not for cause, the executive (or his estate, as the case may be) shall be entitled to receive payments under the agreement through the last day of the month of such termination, a pro-rata portion of any incentive or bonus payment earned prior to such termination, any benefits to which he is entitled under the terms and conditions of the pertinent plans in effect at termination and any reasonable expenses incurred during the performance of services under the agreement. In addition, the Company shall pay to the executive (or his estate, as the case may be), within 30 days following the date of termination or on the effective date of the change in control (whichever occurs later), a lump sum payment in cash in an amount equal to 2.90 times the base salary paid in the preceding calendar year, or scheduled to be paid to such executive during the year of such termination, whichever is greater, plus an additional amount sufficient to pay United States income taxes on the lump-sum amount paid.

4. Equity Transactions

(a) During 2002, the Company issued 2,020,000 shares of common stock in exchange for consulting services. These services were valued based on the fair market value of the stock exchanged which resulted in consulting costs charged to operations of \$5,504,000.

During 2002, the Company issued 510,000 shares of common stock to employees in exchange for services rendered. These services were valued based on the fair market value of the stock exchanged which resulted in compensation costs charged to operations of \$932,000.

In 2003, the Company issued 764,000 shares to consultants in exchange for services rendered, consisting of 29,000 shares issued in January valued at \$11,600, 35,000 shares issued in March valued at \$11,200, and 700,000 shares issued in October valued at \$217,000. The value for these shares was based on the market value of the shares issued. As all of these amounts represented payments for services to be provided in the future and the shares were fully vested and non-forfeitable, a prepaid consulting expense was recorded in 2003 which was fully amortized as of December 31, 2004.

In November and December 2003, the Company committed to issue 341,606 shares of common stock to consultants in exchange for services rendered. The total value for these shares was \$281,500 which was based on the market value of the shares issued. The shares were issued in January 2004. As these amounts represented payments for services to be provided in the future and the shares were fully vested and non-forfeitable, a prepaid consulting expense was recorded in 2003 which was fully amortized as of December 31, 2004.

In January 2004, the Company issued 10,000 shares to a consultant in exchange for services rendered. Consulting costs charged to operations were \$11,500. In March 2004, the Company committed to issue 36,764 shares to consultants in exchange for services. These shares were recorded as a prepaid consulting expense and were fully amortized at December 31, 2004. Consulting costs charged to operations were \$62,500. These 36,764 shares, along with 75,000 shares committed in 2003 were issued in August 2004. The 75,000 shares committed to be in 2003 were the result of a cashless exercise of 200,000 warrants in 2003, which were not issued as of December 31, 2003. In August 2004, the Company also issued 15,000 shares to a consultant in exchange for services rendered. Consulting costs charged to operations were \$25,200. In September 2004, the Company issued 16,666 shares to a consultant in exchange for services rendered. Consulting costs charged to operations were \$11,666. In October 2004, the Company issued 16,666 shares to a consultant in exchange for services rendered. Consulting costs charged to operations were \$13,666. In November 2004, the Company issued 16,666 shares to a consultant in exchange for services rendered. Consulting costs charged to operations were \$11,000. In December 2004, the Company issued 7,500 shares to a consultant in exchange for services rendered. Consulting costs charged to operations were \$3,525.

In January 2005, the Company issued 7,500 shares to consultants in exchange for services rendered. Consulting costs charged to operations were \$4,950. In February 2005, the Company issued 7,500 shares to consultants in exchange for services. Consulting costs charged to operations were \$7,574. In April 2005, the Company issued 190,733 shares to consultants in exchange for services. Consulting costs charged to operations were \$127,791. In May 2005, the Company issued 21,000 shares to consultants in exchange for services. Consulting costs charged to operations were \$11,970.

In December 2005, the Company committed to issue 689,246 shares to consultants in exchange for services rendered. 655,663 of these shares were issued in February 2006 and 33,583 shares were issued in May 2006. The total value for these shares was \$650,643 which was based on the market value of the shares issued and was recorded as an accrued liability at December 31, 2005. In February 2006, the Company issued 30,000 shares to consultants in exchange for services. Consulting costs charged to operations were \$26,100.

In May 2007, the Company issued 50,000 shares to consultants in exchange for services. Consulting costs charged to operations were \$84,000. In August 2007, the Company issued 50,000 shares to consultants in exchange for services. Consulting costs charged to operations were \$104,950. In November 2007, the Company issued 50,000 shares to consultants in exchange for services. Consulting costs charged to operations were \$110,000. As of December 31, 2007, the Company is also committed to issue 16,667 shares to consultants in exchange for services. At December 31, 2007, these shares have a value of \$28,667 and have been included in accrued consulting expense.

During the three months ended March 31, 2008, the Company issued 100,000 shares of common stock to consultants in exchange for services. Consulting costs charged to operations were \$122,500. During the three months ended June 30, 2008, the Company issued 12,500 shares of common stock to consultants in exchange for services. Consulting costs charged to operations were \$13,000. During the three months ended September 30, 2008, the Company issued 62,500 shares of common stock to consultants in exchange for services. Consulting costs charged to operations were \$70,250. During the three months ended December 31, 2008, the Company issued 175,000 shares of common stock to consultants in exchange for services. Consulting costs charged to operations were \$184,250.

During the three months ended March 31, 2009, the Company issued 75,000 shares of common stock to consultants in exchange for services. Consulting costs charged to operations were \$70,250. During the three months ended June 30, 2009, the Company issued 275,000 shares of common stock to consultants in exchange for services. Consulting costs charged to operations were \$317,500. During the three months ended September 30, 2009, the Company issued 145,000 shares of common stock to consultants in exchange for services. Consulting costs charged to operations were \$145,750. During the three months ended December 31, 2009, the Company issued 175,000 shares of common stock to consultants in exchange for services. Consulting costs charged to operations were \$161,500.

(b) In February 2002, the Company sold 50,000 shares of common stock to a related party in exchange for proceeds of \$25,000.

(c) In October 2002, the Company purchased 400,000 outstanding shares of stock from one shareholder for \$48,000. These shares were then retired.

(d) On December 5, 2002, the Company purchased the assets of Pure-ific L.L.C, a Utah limited liability company, and created a wholly-owned subsidiary called Pure-ific Corporation, to operate the Pure-ific business which consists of product formulations for Pure-ific personal sanitizing sprays, along with the Pure-ific trademarks. The assets of Pure-ific were acquired through the issuance of 25,000 shares of the Company's stock with a fair market value of \$0.50 and the issuance of various warrants. These warrants included warrants to purchase 10,000 shares of the Company's stock at an exercise price of \$0.50 issuable on the first, second and third anniversary dates of the acquisition. Accordingly, the fair market value of these warrants of \$14,500, determined using the Black-Scholes option pricing model, was recorded as additional purchase price for the acquisition of the Pure-ific assets. In 2004, 20,000 warrants were issued for the first and second anniversary dates. 10,000 of these warrants were exercised in 2004. In 2005, 10,000 warrants were issued for the third anniversary date. In January 2006, 10,000 warrants were exercised in a cashless exercise resulting in 4,505 shares issued. In 2007, the remaining 10,000 warrants were forfeited. In addition, warrants to purchase 80,000 shares of stock at an exercise price of \$0.50 will be issued upon the achievement of certain sales targets of the Pure-ific product. At December 31, 2009 and 2008, none of these targets have been met and accordingly, no costs have been recorded.

(c) In January 2003, the Company issued 25,000 warrants to a consultant for services rendered. In February 2003, the Company issued 360,000 warrants to a consultant, 180,000 of which were fully-vested and non-forfeitable at the issuance and 180,000 of which were cancelled in August 2003 due to the termination of the consulting contract. In September 2003, the Company issued 200,000 warrants to two consultants in exchange for services rendered. In November 2003, the Company issued 100,000 warrants to one consultant in exchange for services rendered. As the fair market value of these services was not readily determinable, these services were valued based on the fair market value, determined using the Black-Scholes option-pricing model. Fair market value for the warrants issued in 2003 ranged from \$0.20 to \$0.24 and totaled \$145,479. As these amounts represented payments for services to be provided in the future and the warrants were fully vested and non-forfeitable, a prepaid consulting expense was recorded in 2003 which was fully amortized as of December 31, 2004.

In May 2004, the Company issued 20,000 warrants to consultants in exchange for services rendered. Consulting costs charged to operations were \$18,800. In August 2004, the Company issued 350,000 warrants to consultants in exchange for services valued at \$329,000. In December 2004, the Company issued 10,000 warrants to consultants in exchange for services valued at \$3,680. Fair market value for the warrants issued in 2004 ranged from \$0.37 to \$1.22.

In January 2005, the Company issued 16,000 warrants to consultants in exchange for services rendered. Consulting costs charged to operations were \$6,944. In February 2005, the Company issued 13,000 warrants to consultants in exchange for services rendered. Consulting costs charged to operations were \$13,130. In March 2005, the Company issued 100,000 warrants to consultants in exchange for services rendered. Consulting costs charged to operations were \$195,900. In May 2005, the Company issued 25,000 warrants to consultants in exchange for services rendered. Consulting costs charged to operations were \$9,250. In December 2005, the Company issued 33,583 warrants to consultants in exchange for services. Consulting costs charged to operations were \$24,571. The fair market value for the warrants issued in 2005 ranged from \$0.37 to \$1.01.

In May 2006, 350,000 warrants were exercised for \$334,000 resulting in 350,000 shares issued. During April, May and June, the Company issued 60,000 warrants to consultants in exchange for services. Consulting costs charged to operations were \$58,400. In August and September 2006, 732,534 warrants were exercised for \$693,357 resulting in 732,534 shares issued. During the three months ended September 30, 2006, the Company issued 335,000 warrants to consultants in exchange for services. At December 31, 2006, \$155,814 of these costs have been charged to operations with the remaining \$84,019 recorded as prepaid consulting expense as it represents payments for future services and the warrants are fully vested and non-forfeitable. As of December 31, 2007, the prepaid expense has been fully recognized. In November 2006, 100,000 warrants were forfeited. During the three months ended December 31, 2006, the Company issued 85,000 warrants to consultants in exchange for services. Consulting costs charged to operations were \$71,790. The fair market value for the warrants issued in 2006 ranged from \$0.67 to \$1.11.

During the three months ended March 31, 2007, the Company issued 85,000 warrants to consultants in exchange for services. Consulting costs charged to operations were \$75,933. During the three months ended June 30, 2007, the Company issued 85,000 warrants to consultants in exchange for services. Consulting costs charged to operations were \$98,185. In April and May 2007, 260,000 warrants were exercised for \$196,900 resulting in 260,000 shares being issued. In May 2007, 10,000 warrants were forfeited. During the three months ended September 30, 2007, the Company issued 135,000 warrants to consultants in exchange for services. Consulting costs charged to operations were \$250,342. During the three months ended September 30, 2007, 2,305,756 warrants were exercised for \$2,219,657 resulting in 2,305,756 shares being issued. 350,000 of the warrants exercised had an exercise price of \$1.00 that was reduced to \$0.90. Additional consulting costs of \$35,000 were charged to operations as a result of the reduction of the exercise price of the 350,000 warrants. During the three months ended December 31, 2007, 1,502,537 warrants were exercised for \$1,327,072 resulting in 1,051,656 shares being issued and 330,881 shares committed to be issued as of December 31, 2007 and then issued January 2, 2008. 65,874 of the warrants exercised had an exercise price of \$1.00 that was reduced to \$0.80. Additional consulting costs of \$13,175 were charged to operations as a result of the reduction of the exercise price of the 65,874 warrants. In December 2007, 10,000 warrants were forfeited. The fair market value for the warrants issued in 2007 ranged from \$0.80 to \$2.19.

During the three months ended March 31, 2008, the Company issued 60,000 warrants to consultants in exchange for services. Consulting costs charged to operations were \$40,657. During the three months ended March 31, 2008, 197,013 warrants were exercised for \$184,402 resulting in 197,013 shares being issued. 24,050 of the warrants exercised had an exercise price of \$1.00 that was reduced to \$0.80. Additional consulting costs of \$4,810 were charged to operations as a result of the reduction of the exercise price of the 24,050 warrants. During the three months ended March 31, 2008, 143,999 warrants were forfeited. Additionally, 330,881 shares committed to be issued as of December 31, 2007 were issued January 2, 2008. During the three months ended June 30, 2008, the Company issued 12,000 warrants to consultants in exchange for services. Consulting costs charged to operations were \$5,254. During the three months ended June 30, 2008, 1,075,104 warrants were exercised for \$980,064 resulting in 1,075,104 shares being issued. 576,012 of the warrants exercised had an exercise price of \$1.00 that was reduced to \$0.90. Additional consulting costs of \$57,602 were charged to operations as a result of the reduction of the exercise price of the 576,012 warrants. 15,050 of the warrants exercised had an exercise price of \$1.00 that was reduced to \$0.80. Additional consulting costs of \$3,010 were charged to operations as a result of the reduction of the exercise price of the 15,050 warrants. During the three months ended September 30, 2008, the Company issued 21,500 warrants to consultants in exchange for services. Consulting costs charged to operations were \$22,023. During the three months ended September 30, 2008, 1,156,555 warrants were exercised for \$1,081,704 resulting in 1,156,555 shares being issued. During the three months ended December 31, 2008, the Company issued 708,055 warrants to consultants in exchange for services. Consulting costs charged to operations were \$384,464. During the three months ended December 31, 2008, 203,500 warrants were exercised for \$172,000 resulting in 203,500 shares being issued. The fair market value for the warrants issued in 2008 ranged from \$0.58 to \$1.03.

During the three months ended March 31, 2009, the Company issued 243,612 warrants to consultants in exchange for services. Consulting costs charged to operations were \$131,476. During the three months ended March 31, 2009, 292,112 warrants were exercised for \$219,084 resulting in 292,112 shares being issued. 292,112 of the warrants exercised had an exercise price of \$0.935 that was reduced to \$0.75. Additional consulting costs of \$17,961 were charged to operations as a result of the reduction of the exercise price of the 292,112 warrants. During the three months ended June 30, 2009, the Company issued 101,500 warrants to consultants in exchange for services. Consulting costs charged to operations were \$49,684. During the three months ended June 30, 2009, 1,830,164 warrants were exercised for \$1,380,124 resulting in 1,830,164 shares being issued. 1,800,164 of the warrants exercised had an exercise price of \$0.935 that was reduced to \$0.75. Additional consulting costs of \$118,833 were charged to operations as a result of the reduction of the exercise price of the 1,800,164 warrants. Also, the Company paid \$94,508 and issued 126,012 shares of common stock as a cost of capital at a fair market value of \$151,214 to Chicago Investment Group of Illinois, L.L.C. as a placement agent for the transaction of exercising 1,800,164 warrants. The cash costs have been off-set against the proceeds received and the shares of common stock are classified as stock for services and the fair market value of the common stock as a cost of capital. During the three months ended June 30, 2009, 1,283,508 warrants were forfeited. During the three months ended September 30, 2009, the Company issued 167,833 warrants to consultants in exchange for services. Consulting costs charged to operations were \$110,941. During the three months ended September 30, 2009, 545,625 warrants were exercised for \$409,219 resulting in 545,625 shares being issued. 400,000 of the warrants exercised had an exercise price of \$0.98 that was reduced to \$0.75. 145,625 of the warrants exercised had an exercise price of \$0.935 that was reduced to \$0.75. Additional consulting costs of \$45,888 were charged to operations as a result of the reduction of the exercise price of the 545,625 warrants. During the three months ended September 30, 2009, 150,000 warrants were forfeited. During the three months ended December 31, 2009, the Company issued 987,667 warrants to consultants in exchange for services. Consulting costs charged to operations were \$562,780. During the three months ended December 31, 2009, 338,000 warrants were exercised for \$253,500 resulting in 338,000 shares being issued. 101,333 of the warrants exercised had an exercise price of \$0.935 that was reduced to \$0.75. 236,667 of the warrants exercised had an exercise price of \$1.00 that was reduced to \$0.75. Additional consulting costs of \$26,647 were charged to operations as a result of the reduction of the exercise price of the 338,000 warrants. During the three months ended December 31, 2009, 610,000 warrants were forfeited. The fair market value for the warrants issued in 2009 ranged from \$0.48 to \$0.63.

There are no provisions or obligations that would require the Company to cash settle any of its outstanding warrants. The equity classification of the Company's warrants is appropriate considering that all warrants provide the counterparties the right to purchase a fixed number of shares at a fixed price and the terms are not subject to any potential adjustments.

(f) In December 2003, the Company commenced an offering for sale of restricted common stock. As of December 31, 2003, the Company had sold 874,871 shares at an average gross price of \$1.18 per share. As of December 31, 2003, the Company had received net proceeds of \$292,472 and recorded a stock subscription receivable of \$87,875 for stock subscriptions prior to December 31, 2003 for which payment was received subsequent to December 31, 2003. The transaction is a Regulation S offering to foreign investors as defined by Regulation S of the Securities Act. The restricted shares cannot be traded for 12 months. After the first 12 months, sales of the shares are subject to restrictions under rule 144 for an additional year. The Company used a placement agent to assist with the offering. Costs related to the placement agent of \$651,771 have been off-set against the gross proceeds of \$1,032,118 and therefore are reflected as a direct reduction of equity at December 31, 2003. At December 31, 2003, 195,051 shares had not yet been issued. These shares were issued in the first quarter of 2004.

In 2004, the Company sold 2,274,672 shares of restricted common stock under this offering of which 1,672,439 shares were issued in the first quarter 2004 and 602,233 were issued in the second quarter 2004. Shares were sold during 2004 at an average gross price of \$1.05 per share with net proceeds of \$793,137. Costs related to the placement agent for proceeds received in 2004 of \$1,588,627 have been off-set against gross proceeds of \$2,381,764. On June 25, 2004, the Company entered into an agreement to sell 1,333,333 shares of common stock at a purchase price of \$.75 per share for an aggregate purchase price of \$1,000,000. Payments were received in four installments, the last of which was on August 9, 2004. Stock issuance costs included 66,665 shares of stock valued at \$86,666 and cash costs of \$69,000. The cash costs have been off-set against the proceeds received. In conjunction with the sale of the common stock, the Company issued 1,333,333 warrants with an exercise price of \$1.00 and a termination date of three years from the installment payment dates. In addition, the Company has given the investors an option to purchase 1,333,333 shares of additional stock including the attachment of warrants under the same terms as the original agreement. This option expired February 8, 2005. On November 16, 2004, the Company completed a private placement transaction with fourteen (14) accredited investors, pursuant to which the Company sold 530,166 shares of common stock at a purchase price of \$0.75 per share, for an aggregate purchase price of \$397,625. In connection with the sale of the common stock, the Company also issued warrants to the investors to purchase up to 795,249 shares of our common stock at an exercise price of \$1.00 per share. The Company paid \$39,764 and issued 198,812 warrants to Venture Catalyst, LLC as placement agent for this transaction. The cash costs have been off-set against the proceeds received.

During the three months ended March 31, 2005, the Company completed a private placement transaction with eight (8) accredited investors, which were registered effective June 20, 2005, pursuant to which the Company sold 214,666 shares of common stock at a purchase price of \$0.75 per share, for an aggregate purchase price of \$161,000. In connection with the sale of common stock, the Company also issued warrants to the investors to purchase up to 322,000 shares of common stock at an exercise price of \$1.00 per share. The Company paid \$16,100 and issued 80,500 warrants to Venture Catalyst, LLC as placement agent for this transaction. The cash costs have been off-set against the proceeds received. During the three months ended June 30, 2005, the Company completed a private placement transaction with four (4) accredited investors, which were registered effective June 20, 2005, pursuant to which the Company sold 230,333 shares of common stock at a purchase price of \$0.75 per share, for an aggregate purchase price of \$172,750. In connection with the sale of common stock, the Company also issued warrants to the investors to purchase up to 325,500 shares of common stock at an exercise price of \$1.00 per share. The Company paid \$16,275 and issued 81,375 warrants to Venture Catalyst, LLC as placement agent for this transaction. The cash costs have been off-set against the proceeds received. During the three months ended September 30, 2005, the Company completed a private placement transaction with twelve (12) accredited investors pursuant to which the Company sold 899,338 shares of common stock at a purchase price of \$0.75 per share of which 109,333 are committed to be issued at December 31, 2005, for an aggregate purchase price of \$674,500. In connection with the sale of common stock, the Company also issued warrants to the investors to purchase up to 1,124,167 shares of common stock at an exercise price of \$0.935 per share. The Company paid \$87,685 and committed to issue 79,000 shares of common stock at a fair market value of \$70,083 to Network 1 Financial Securities, Inc. as placement agent for this transaction which is accrued at December 31, 2005. The cash and common stock costs have been off-set against the proceeds received. During the three months ended December 31, 2005, the Company completed a private placement transaction with sixty-two (62) accredited investors pursuant to which the Company sold 10,065,605 shares of common stock at a purchase price of \$0.75 per share of which 5,126,019 are committed to be issued at December 31, 2005, for an aggregate purchase price of \$7,549,202. In connection with the sale of common stock, the Company also issued warrants to the investors to purchase up to 12,582,009 shares of common stock at an exercise price of \$0.935 per share. The Company paid \$959,540, issued 46,667 shares of common stock at a fair market value of \$46,467, issued 30,550 warrants, and committed to issue 950,461 shares of common stock at a fair market value of \$894,593 to a syndicate led by Network 1 Financial Securities, Inc. as placement agent for this transaction which is accrued at December 31, 2005. The cash and common stock costs have been off-set against the proceeds received.

In January 2006, the Company issued 5,235,352 shares committed to be issued at December 31, 2005 for shares sold in 2005. In February 2006, the Company issued 1,029,460 shares committed to be issued at December 31, 2005 for stock issuance costs related to shares sold in 2005. The total value for these shares was \$964,676 which was based on the market value of the shares issued and was recorded as an accrued liability at December 31, 2005. During the three months ended March 31, 2006, the Company completed a private placement transaction with five (5) accredited investors pursuant to which the Company sold 466,833 shares of common stock at a purchase price of \$0.75 per share for an aggregate purchase price of \$350,125. In connection with the sale of common stock, the Company also issued warrants to the investors to purchase up to 466,833 shares of common stock at an exercise price of \$0.935 per share. The Company paid \$35,013 and issued 46,683 shares of common stock at a fair market value of \$41,815 to Chicago Investment Group, L.L.C. as placement agent for this transaction. The cash costs have been off-set against the proceeds received. In May 2006, the Company completed a private placement transaction with two (2) accredited investors pursuant to which the Company sold a total of 153,647 shares of common stock at an average purchase price of \$1.37 per share, for an aggregate purchase price of \$210,000. In connection with the sale of common stock, the Company also issued warrants to the 2 investors to purchase up to 76,824 shares of common stock at an average exercise price of \$2.13 per share. In September 2006, the Company completed a private placement transaction with seven (7) accredited investors pursuant to which the Company sold a total of 708,200 shares of common stock at a purchase price of \$1.00 per share, for an aggregate purchase price of \$708,200. The Company paid \$92,067 and issued 70,820 shares of common stock at a fair market value of \$84,984 to Network 1 Financial Securities, Inc. as placement agent for this transaction. The cash costs have been off-set against the proceeds received. In October 2006 the Company completed a private placement transaction with 15 accredited investors pursuant to which the Company sold a total of 915,000 shares of common stock at a purchase price of \$1.00 per share, for an aggregate purchase price of \$915,000. The Company paid \$118,950 and issued 91,500 shares of common stock at a fair market value of \$118,500 to Network 1 Financial Securities, Inc. as placement agent for this transaction. The cash costs have been off-set against the proceeds received. During the three months ended December 31, 2006, the Company completed a private placement transaction with 10 accredited investors pursuant to which the Company sold 1,400,000 shares of common stock at a purchase price of \$1.00 per share of which 150,000 are committed to be issued at December 31, 2006, for an aggregate purchase price of \$1,400,000. The Company paid \$137,500, issued 125,000 shares of common stock at a fair market value of \$148,750, and committed to pay \$16,500 and to issue 15,000 shares of common stock at a fair market value of \$17,550 to Chicago Investment Group of Illinois, L.L.C. as a placement agent for this transaction which is accrued at December 31, 2006. The cash and accrued stock costs have been off-set against the proceeds received.

In January 2007, the Company issued 150,000 shares committed to be issued at December 31, 2006 for shares sold in 2006. In January 2007, the Company also issued 15,000 shares committed to be issued at December 31, 2006 for common stock costs related to shares sold in 2006. The total value for these shares was \$17,550 which was based on the market value of the shares issued and was recorded as an accrued liability at December 31, 2006. In January and February 2007, the Company completed a private placement transaction with six accredited investors pursuant to which the Company sold a total of 265,000 shares of common stock at a purchase price of \$1.00 per share, for an aggregate purchase price of \$265,000. The Company paid \$29,150 and issued 26,500 shares of common stock at a fair market value of \$32,130 to Chicago Investment Group of Illinois, L.L.C. as a placement agent for this transaction. The cash costs have been off-set against the proceeds received. Also in January and February 2007, the Company completed a private placement transaction with 13 accredited investors pursuant to which the Company sold a total of 1,745,743 shares of common stock at a purchase price of \$1.05 per share, for an aggregate purchase price of \$1,833,031. The Company paid \$238,293 and issued 174,574 shares of common stock at a fair market value of \$200,760 to Network 1 Financial Securities, Inc. as placement agent for this transaction. The cash costs have been off-set against the proceeds received.

In May and June 2009 the Company completed a private placement transaction with accredited investors pursuant to which the Company sold a total of 1,750,000 shares of common stock at a purchase price of \$0.90 per share, for an aggregate purchase price of \$1,575,000. In connection with the sale of common stock, the Company also issued warrants to the investors to purchase up to 875,000 shares of common stock at an exercise price of \$1.00 per share. The Company paid \$227,250 and issued 175,000 shares of common stock at a fair market value of \$197,750 to Maxim Group, LLC as a placement agent for this transaction. The cash costs have been off-set against the proceeds received, which are for general corporate purposes. During the three months ended June 30, 2009, the Company completed a private placement transaction with accredited investors pursuant to which the Company

sold a total of 2,868,994 shares of common stock at a purchase price of \$0.75 per share, for an aggregate purchase price of \$2,151,749. 186,667 of the 2,868,994 common shares sold were committed to be issued but not outstanding at June 30, 2009 and which were issued in July 2009. In connection with the sale of common stock, the Company also issued warrants to the investors to purchase up to 1,434,510 shares of common stock at an exercise price of \$1.50 per share. The Company paid \$255,323, has accrued \$24,404 to be paid as of June 30, 2009, which was paid in July 2009, and was committed to issue 286,900 shares of common stock at June 30, 2009 at a fair market value of \$295,507 to Network 1 Financial Securities, Inc. as placement agent for this transaction, which were issued in August 2009. The cash costs have been off-set against the proceeds received, which are for general corporate purposes. In July 2009 the Company completed a private placement transaction with accredited investors pursuant to which the Company sold a total of 1,040,570 shares of common stock at a purchase price of \$0.75 per share, for an aggregate purchase price of \$780,427. In connection with the sale of common stock, the Company also issued warrants to the investors to purchase up to 520,120 shares of common stock at an exercise price of \$1.50 per share. The Company paid \$101,485 and issued 100,016 shares of common stock in August 2009 at a fair market value of \$95,015 to Network 1 Financial Securities, Inc. as placement agent for this transaction. The cash costs have been off-set against the proceeds received, which are for general corporate purposes. In July and September 2009 the Company completed a private placement transaction with a total of two accredited investors pursuant to which the Company sold a total of 309,000 shares of common stock at a purchase price of \$0.75 per share, for an aggregate purchase price of \$231,750. The proceeds received are for general corporate purposes. In September 2009 the Company completed a private placement transaction with accredited investors pursuant to which the Company sold a total of 1,696,733 shares of common stock at a purchase price of \$0.75 per share, for an aggregate purchase price of \$1,272,550. In connection with the sale of common stock, the Company also issued warrants to the investors to purchase up to 848,366 shares of common stock at an exercise price of \$1.00 per share. The Company paid \$180,432 and was committed to issue 169,673 shares of common stock at a fair market value of \$169,673 to Maxim Group, LLC as a placement agent for this transaction which were issued in November 2009. The cash costs have been off-set against the proceeds received, which are for general corporate purposes. During the three months ended December 31, 2009, the Company completed a private placement transaction with accredited investors pursuant to which the Company sold a total of 1,486,367 shares of common stock at a purchase price of \$0.75 per share, for an aggregate purchase price of \$1,114,775. 266,600 of the 1,486,367 common shares sold are committed to be issued but not outstanding at December 31, 2009 and which were issued in January 2010. In connection with the sale of common stock, the Company also issued warrants to the investors to purchase up to 743,185 shares of common stock at an exercise price of \$0.95 per share. The Company paid \$118,926, has accrued \$25,994 to be paid as of December 31, 2009, which was paid in January 2010, and is committed to issue 148,637 shares of common stock at December 31, 2009 at a fair market value of \$132,287 to Network 1 Financial Securities, Inc. as placement agent for this transaction. The cash costs have been off-set against the proceeds received, which are for general corporate purposes. In December 2009 the Company completed a private placement transaction with an accredited investor pursuant to which the Company sold a total of 500,000 shares of common stock at a purchase price of \$0.75 per share, for an aggregate purchase price of \$375,000. In connection with the sale of common stock, the Company also issued warrants to the investors to purchase up to 250,000 shares of common stock at an exercise price of \$1.00 per share. The Company paid \$48,750 and is committed to issue 50,000 shares of common stock at a fair market value of \$45,000 to Maxim Group, LLC as a placement agent for this transaction at December 31, 2009, which were issued in January 2010. The cash costs have been off-set against the proceeds received, which are for general corporate purposes.

(g) Pursuant to a Standby Equity Distribution Agreement (“SEDA”) dated July 28, 2004 between the Company and Cornell Capital Partners, L.P. (“Cornell”), the Company could, at its discretion, issue shares of common stock to Cornell at any time until June 28, 2006. As of December 31, 2006 there were no shares issued pursuant to the SEDA. The facility is subject to having in effect a registration statement covering the shares. A registration statement covering 2,023,552 shares was declared effective by the Securities and Exchange Commission on November 16, 2004. The maximum aggregate amount of the equity placements pursuant to the SEDA was \$20 million, and the Company could draw down up to \$1 million per month. Pursuant to the SEDA, on July 28, 2004, the Company issued 190,084 shares of common stock to Cornell and 7,920 shares of common stock to Newbridge Securities Corporation as commitment shares. These 198,004 shares had a FMV of \$310,866 on July 28, 2004 which was being amortized over the term of the commitment period which was one year from the date of registration. The full amount was amortized as of December 31, 2006.

(h) The Company issued 175,000 warrants each month from March 2005 to November 2005, resulting in total warrants of 1,575,000, to Gryffindor Capital Partners I, L.L.C. pursuant to the terms of the Second Amended and Restated Note dated November 26, 2004. Total interest costs charged to operations were \$985,010.

5. Stock Incentive Plan and Warrants

The Company maintains one long-term incentive compensation plan, the Provectus Pharmaceuticals, Inc. 2002 Stock Plan, which provides for the issuance of up to 10,000,000 shares of common stock pursuant to stock options, stock appreciation rights, stock purchase rights and long-term performance awards granted to key employees and directors of and consultants to the Company.

Options granted under the 2002 Stock Plan may be either "incentive stock options" within the meaning of Section 422 of the Internal Revenue Code or options which are not incentive stock options. The stock options are exercisable over a period determined by the Board of Directors (through its Compensation Committee), but generally no longer than 10 years after the date they are granted.

Included in the results for the years ended December 31, 2009 and 2008 is \$870,937 and \$1,946,066, respectively, of stock-based compensation expense which relates to the fair value of stock options, net of expected forfeitures, which vested over the related employees' requisite service periods as of June 2009 when 100% vested.

For stock options granted to employees during 2009 and 2008, the Company has estimated the fair value of each option granted using the Black-Scholes option pricing model with the following assumptions:

	2009	2008
Weighted average fair value per options granted	\$ 0.92	\$ 0.94
Significant assumptions (weighted average) risk-free interest rate at grant date	0.25%	0.25% - 4.0%
Expected stock price volatility	94% - 100%	100% - 105%
Expected option life (years)	10	10

On March 1, 2004, the Company issued 1,200,000 stock options to employees. The options vest over three years with 225,000 options vesting on the date of grant. The exercise price is the fair market price on the date of issuance. On May 27, 2004, the Company issued 100,000 stock options to the Board of Directors. The options vested immediately on the date of grant. The exercise price is the fair market price on the date of issuance. On June 28, 2004, the Company issued 100,000 stock options to an employee. The options vest over four years with 25,000 options vesting on the date of grant. The exercise price is the fair market price on the date of issuance.

On January 7, 2005, the Company issued 1,200,000 stock options to employees. The options vest over four years with no options vesting on the date of grant. The exercise price is the fair market price on the date of issuance. On May 19, 2005, the Company issued 100,000 stock options to the Board of Directors. The options vested immediately on the date of grant. The exercise price is the fair market price on the date of issuance. On May 25, 2005, the Company issued 1,200,000 stock options to employees. The options vest over three years with no options vesting on the date of grant. The exercise price is \$0.75 which is greater than the fair market price on the date of issuance. On December 9, 2005, the Company issued 775,000 stock options to employees. The options vest over three years with no options vesting on the date of grant. The exercise price is the fair market price on the date of issuance. During 2005, an employee of the Company exercised 26,516 options at an exercise price of \$1.10 per share of common stock for \$29,167.

Two employees of the Company exercised a total of 114,979 options during the three months ended March 31, 2006 at an exercise price of \$1.10 per share of common stock for \$126,477. On June 23, 2006, the Company issued 4,000,000 stock options to employees. The options vest over three years with no options vesting on the date of grant. The exercise price is the fair market price on the date of issuance. On June 23, 2006, the Company issued 200,000 stock options to its Members of the Board. The options vested on the date of grant. The exercise price is the fair market price on the date of issuance. One employee of the Company exercised a total of 7,166 options during the three months ended June 30, 2006 at an exercise price of \$1.10 per share of common stock for \$7,882 and another employee of the Company exercised a total of 12,500 options during the three months ended June 30, 2006 at an exercise price of \$0.32 per share of common stock for \$4,000. One employee of the Company exercised a total of 14,000 options during the three months ended September 30, 2006 at an exercise price of \$1.10 per share of common stock for \$15,400 and another employee of the Company exercised a total of 3,125 options during the three months ended September 30, 2006 at an exercise price of \$0.32 per share of common stock for \$1,000. One employee of the Company exercised a total of 7,000 options during the three months ended December 31, 2006 at an exercise price of \$1.10 per share of common stock for \$7,700.

One employee of the Company exercised a total of 120,920 options during the three months ended March 31, 2007 at an exercise price of \$1.10 per share of common stock for \$133,012. Another employee of the Company exercised a total of 9,375 options during the three months ended March 31, 2007 at an exercise price of \$0.32 per share of common stock for \$3,000. One employee of the Company exercised a total of 100,000 options during the three months ended September 30, 2007 at an exercise price of \$0.64 per share of common stock for \$64,000. Another employee of the Company exercised a total of 25,000 options during the three months ended September 30, 2007 at an exercise price of \$0.32 per share of common stock for \$8,000. One employee of the Company exercised a total of 50,000 options during the three months ended December 31, 2007 at an exercise price of \$0.64 per share of common stock for \$32,000. Another employee of the Company exercised a total of 6,250 options during the three months ended December 31, 2007 at an exercise price of \$0.32 per share of common stock for \$2,000. On June 21, 2007, the Company issued 200,000 stock options to its Members of the Board. The options vested on the date of grant. The exercise price is the fair market price on the date of issuance.

One employee of the Company exercised a total of 193,281 options during the three months ended June 30, 2008 at an exercise price of \$0.32 to \$1.02 per share of common stock for \$109,600. Another employee of the Company exercised a total of 44,795 options during the three months ended June 30, 2008 at an exercise price of \$1.10 per share of common stock for \$49,275. One employee of the Company exercised a total of 66,666 options during the three months ended December 31, 2008 at an exercise price of \$0.94 per share of common stock for \$62,666. On June 3, 2008, the Company issued 50,000 stock options to a newly appointed member of the board of directors. The options vested on the date of grant. The exercise price is the fair market price on the date of issuance. On June 27, 2008, the Company issued 200,000 stock options to its re-elected members of the board of directors. The options vested on the date of grant. The exercise price is the fair market price on the date of issuance.

One employee of the Company exercised a total of 156,250 options during the three months ended June 30, 2009 at an exercise price of \$0.64 per share of common stock for \$100,000. Another employee of the Company exercised a total of 150,000 options during the three months ended June 30, 2008 at an exercise price of \$0.64 per share of common stock for \$96,000. On June 19, 2009, the Company issued 250,000 stock options to its re-elected Members of the Board. The options vested on the date of grant. The exercise price is the fair market price on the date of issuance, and all options were outstanding at June 30, 2009. One employee of the Company exercised options during the three months ended September 30, 2009 at an exercise price of \$1.02 per share of common stock for \$20,400 for 20,000 options and an exercise price of \$0.94 per share of common stock for \$47,000 for 50,000 options. One employee of the Company exercised options during the three months ended December 31, 2009 at an exercise price of \$1.02 per share of common stock for \$15,300 for 15,000 options and an exercise price of \$0.94 per share of common stock for \$78,334 for 83,334 options.

The following table summarizes the options granted, exercised and outstanding as of December 31, 2008 and 2009:

	Shares	Exercise Price Per Share	Weighted Average Exercise Price
Outstanding at January 1, 2008	8,903,169	\$ 0.32 – 1.50	\$ 0.93
Granted	250,000	\$ 1.00 – 1.16	\$ 1.03
Exercised	(304,742)	\$ 0.32 – 1.10	\$ 0.73
Forfeited	--	--	--
Outstanding at December 31, 2008	<u>8,848,427</u>	<u>\$ 0.32 – 1.50</u>	<u>\$ 0.94</u>
Options exercisable at December 31, 2008	<u>7,215,091</u>	<u>\$ 0.32 – 1.50</u>	<u>\$ 0.94</u>
Outstanding at January 1, 2009	8,848,427	\$ 0.32 – 1.50	\$ 0.94
Granted	250,000	\$ 1.04	\$ 1.04
Exercised	(474,584)	\$ 0.64 – 1.02	\$ 0.75
Forfeited	--	--	--
Outstanding at December 31, 2009	<u>8,623,843</u>	<u>\$ 0.32 – 1.50</u>	<u>\$ 0.95</u>
Options exercisable at December 31, 2009	<u>8,623,843</u>	<u>\$ 0.32 – 1.50</u>	<u>\$ 0.95</u>

The following table summarizes information about stock options outstanding at December 31, 2009.

Exercise Price	Number Outstanding at December 31, 2009	Weighted Average Remaining contractual Life	Outstanding Weighted Average Exercise price	Number Exercisable at December 31, 2009	Exercisable Weighted Average Exercise Price
\$ 0.32	93,750	3.58 years	\$ 0.32	93,750	\$ 0.32
\$ 0.60	75,000	3.58 years	\$ 0.60	75,000	\$ 0.60
\$ 1.10	864,624	4.17 years	\$ 1.10	864,624	\$ 1.10
\$ 0.95	100,000	4.42 years	\$ 0.95	100,000	\$ 0.95
\$ 1.25	100,000	4.50 years	\$ 1.25	100,000	\$ 1.25
\$ 0.64	705,469	5.00 years	\$ 0.64	705,469	\$ 0.64
\$ 0.75	1,275,000	5.42 years	\$ 0.75	1,275,000	\$ 0.75
\$ 0.94	575,000	5.92 years	\$ 0.94	575,000	\$ 0.94
\$ 1.02	4,135,000	6.50 years	\$ 1.02	4,135,000	\$ 1.02
\$ 1.50	200,000	7.50 years	\$ 1.50	200,000	\$ 1.50
\$ 1.16	50,000	8.42 years	\$ 1.16	50,000	\$ 1.16
\$ 1.00	200,000	8.50 years	\$ 1.00	200,000	\$ 1.00
\$ 1.04	250,000	9.50 years	\$ 1.04	250,000	\$ 1.00
	<u>8,623,843</u>	<u>6.01 years</u>	<u>\$ 0.95</u>	<u>8,623,843</u>	<u>\$ 0.95</u>

The weighted-average grant-date fair value of options granted during 2009 was \$0.92. The total intrinsic value of options exercised during the year ended December 31, 2009 which were in the money was \$126,719.

The weighted-average grant-date fair value of options granted during 2008 was \$0.94. The total intrinsic value of options exercised during the year ended December 31, 2008 was \$109,430.

The following is a summary of nonvested stock option activity for the year ended December 31, 2009:

	Number of Shares	Weighted Average Grant-Date Fair Value
Nonvested at December 31, 2008	1,633,336	\$ 0.90
Granted	250,000	\$ 0.92
Vested	(1,883,336)	\$ 0.90
Canceled	--	--
Nonvested at December 31, 2009	<u>--</u>	<u>\$ --</u>

As of December 31, 2009, there was no unrecognized compensation cost related to nonvested share-based compensation arrangements granted under the Plan. The total fair value of shares vested during the year ended December 31, 2009 was \$1,693,003.

The following is a summary of the aggregate intrinsic value of shares outstanding and exercisable at December 31, 2009. The aggregate intrinsic value of stock options outstanding and exercisable is defined as the difference between the market value of the Company's stock as of the end of the period and the exercise price of the stock options which are in the money.

	<u>Number of Shares</u>	<u>Aggregate Intrinsic Value</u>
Outstanding and Exercisable at December 31, 2009	8,623,843	\$ --

The following table summarizes the warrants granted, exercised and outstanding as of December 31, 2008 and 2009.

	<u>Warrants</u>	<u>Exercise Price Per Warrant</u>	<u>Weighted Average Exercise Price</u>
Outstanding at January 1, 2008	22,999,788	\$ 0.75 – 2.16	\$ 0.96
Granted	801,555	\$ 0.90 – 2.00	\$ 1.11
Exercised	(2,632,172)	\$ 0.75 – 1.00	\$ 0.94
Forfeited	(143,999)	1.00	\$ 1.00
Outstanding at December 31, 2008	<u>21,025,172</u>	<u>\$ 0.75 – 2.16</u>	<u>\$ 0.97</u>
Warrants exercisable at December 31, 2008	<u>21,025,172</u>	<u>\$ 0.75 – 2.16</u>	<u>\$ 0.97</u>
Outstanding at January 1, 2009	21,025,172	\$ 0.75 – 2.16	\$ 0.97
Granted	6,171,791	\$ 0.91 – 1.50	\$ 1.16
Exercised	(3,005,901)	\$ 0.94 – 1.00	\$ 0.95
Forfeited	(2,043,508)	1.01	\$ 1.01
Outstanding at December 31, 2009	<u>22,147,554</u>	<u>\$ 0.75 – 2.16</u>	<u>\$ 1.02</u>
Warrants exercisable at December 31, 2009	<u>22,147,554</u>	<u>\$ 0.75 – 2.16</u>	<u>\$ 1.02</u>

The following table summarizes information about warrants outstanding at December 31, 2009.

<u>Exercise Price</u>	<u>Number Outstanding and Exercisable at December 31, 2008</u>	<u>Weighted Average Remaining Contractual Life</u>	<u>Weighted Average Exercise Price</u>
\$ 0.75	65,000	1.75	\$ 0.75
\$ 0.90	2,000	1.50	\$ 0.90
\$ 0.91	1,000	3.00	\$ 0.91
\$ 0.92	1,500	2.00	\$ 0.92
\$ 0.935	12,670,325	0.91	\$ 0.935
\$ 0.95	746,183	4.82	\$ 0.95
\$ 1.00	4,798,916	2.74	\$ 1.00
\$ 1.03	1,500	2.50	\$ 1.03
\$ 1.05	1,000,000	2.05	\$ 1.05
\$ 1.12	10,000	1.17	\$ 1.12
\$ 1.16	10,000	0.42	\$ 1.16
\$ 1.25	725,000	0.69	\$ 1.25
\$ 1.50	2,004,630	2.33	\$ 1.50
\$ 1.59	1,500	1.75	\$ 1.59
\$ 1.75	60,000	2.03	\$ 1.75
\$ 2.00	50,000	1.17	\$ 2.00
	<u>22,147,554</u>	<u>1.62</u>	<u>\$ 1.02</u>

6. Convertible Debt.

(a) Pursuant to a Convertible Secured Promissory Note and Warrant Purchase Agreement dated November 26, 2002 (the "Purchase Agreement") between the Company and Gryffindor Capital Partners I, L.L.C., a Delaware limited liability company ("Gryffindor"), Gryffindor purchased the Company's \$1 million Convertible Secured Promissory Note dated November 26, 2002 (the "Note"). The Note bore interest at 8% per annum, payable quarterly in arrears, and was due and payable in full on November 26, 2004. Subject to certain exceptions, the Note was convertible into shares of the Company's common stock on or after November 26, 2003, at which time the principal amount of the Note was convertible into common stock at the rate of one share for each \$0.737 of principal so converted and any accrued but unpaid interest on the Note was convertible at the rate of one share for each \$0.55 of accrued but unpaid interest so converted. The Company's obligations under the Note were secured by a first priority security interest in all of the Company's assets, including the capital stock of the Company's wholly owned subsidiary Xantech Pharmaceuticals, Inc., a Tennessee corporation ("Xantech"). In addition, the Company's obligations to Gryffindor were guaranteed by Xantech, and Xantech's guarantee was secured by a first priority security interest in all of Xantech's assets.

Pursuant to the Purchase Agreement, the Company also issued to Gryffindor and to another individual Common Stock Purchase Warrants dated November 26, 2002 (the "Warrants"), entitling these parties to purchase, in the aggregate, up to 452,919 shares of common stock at a price of \$0.001 per share. Simultaneously with the completion of the transactions described in the Purchase Agreement, the Warrants were exercised in their entirety. The \$1,000,000 in proceeds received in 2002 was allocated between the long-term debt and the warrants on a pro-rata basis. The value of the warrants was determined using a Black-Scholes option pricing model. The allocated fair value of these warrants was \$126,587 and was recorded as a discount on the related debt and amortized over the life of the debt using the effective interest method.

In 2003, an additional \$25,959 of principal was added to the 2002 convertible debt outstanding.

Pursuant to an agreement dated November 26, 2004 between the Company and Gryffindor, the Company issued Gryffindor a Second Amended and Restated Senior Secured Convertible Note dated November 26, 2004 in the amended principal amount of \$1,185,959 which included the original note principal plus accrued interest. The second amended note bore interest at 8% per annum, payable quarterly in arrears, was due and payable in full on November 26, 2005, and amended and restated the amended note in its entirety. Subject to certain exceptions, the Note was convertible into shares of the Company's common stock on or after November 26, 2004, at which time the principal amount of the Note was convertible into common stock at the rate of one share for each \$0.737 of principal so converted and any accrued but unpaid interest on the Note was convertible at the rate of one share for each \$0.55 of accrued but unpaid interest so converted. The Company issued warrants to Gryffindor to purchase up to 525,000 shares of the Company's common stock at an exercise price of \$1.00 per share in satisfaction of issuing Gryffindor the Second Amended and Restated Senior Secured Convertible Note dated November 26, 2004. The value of these warrants was determined to be \$105,250 using a Black-Scholes option-pricing model and was recorded as a discount on the related debt and was amortized over the life of the debt using the effective interest method. Amortization of \$95,157 has been recorded as additional interest expense as of December 31, 2005. The Company recorded additional expense of \$36,945 related to the beneficial conversion feature of the interest on the Gryffindor convertible debt as of December 31, 2005.

On November 26, 2005 the Company entered into a redemption agreement with Gryffindor to pay \$1,185,959 of the Gryffindor convertible debt and accrued interest of \$94,877. Also on November 26, 2005 the Company issued a legal assignment attached to and made a part of that certain Second Amended and Restated Senior Secured Convertible Note dated November 26, 2004 in the original principal amount of \$1,185,959 together with interest of \$94,877 paid to the order of eight investors dated November 26, 2005 for a total of \$1,280,836. The Company subsequently entered into debt conversion agreements with seven of the investors for an aggregate of \$812,000 of convertible debt which was converted into 1,101,764 shares of common stock at \$0.737 per share. As of December 31, 2005, the Company had \$468,836 in principal and \$3,647 in accrued interest owed to holders of the convertible debentures due on November 26, 2006. At December 31, 2005, the Company recorded additional interest expense of \$2,584 related to the beneficial conversion feature of the interest on the November 2005 convertible debt. The \$1,280,836 in principal was issued when the conversion price was lower than the market value of the Company's common stock on the date of issue. As a result, a discount of \$404,932 was recorded for this beneficial conversion feature. The debt discount of \$404,932 is being amortized over the life of the debt using the effective interest method. At December 31, 2005, \$270,924 of the debt discount has been amortized which includes \$256,711 of the unamortized portion of the debt discount related to the debt which was converted. In conjunction with the November 26, 2005 financing, the Company incurred debt issuance costs consisting of cash of \$128,082, 356,335 shares of common stock valued at \$345,645 and 1,000,000 warrants valued at \$789,000. The warrants are exercisable over five years, have an exercise price of \$1.00, a fair market value of \$0.79 and were valued using the Black-Scholes option-pricing model. The total debt issuance costs of \$1,262,727 were recorded as an asset and amortized over the term of the debt. At December 31, 2005, \$835,294 of the debt issuance costs have been amortized which includes \$800,520 related to the debt that was converted as of December 31, 2005. The 356,335 shares of common stock were not issued as of December 31, 2005 and therefore have been recorded as an accrued liability at December 31, 2005.

In May 2006, the Company entered into a debt conversion agreement with one of the November 2005 accredited investors for \$86,586 of its convertible debt which was converted into 117,483 shares of common stock at \$0.737 per share. In addition, accrued interest expense of \$3,078 due at the time of the debt conversion was paid in 5,597 shares of common stock. In June 2006, the Company entered into a debt conversion agreement with one of the November 2005 accredited investors for \$382,250 of convertible debt which was converted into 518,657 shares of common stock at \$0.737 per share. In addition, accrued interest expense of \$15,800 due at the time of the debt conversion was paid in 28,727 shares of common stock. As of December 31, 2006, all principal and accrued interest owed to holders of the November 2005 convertible debentures had been converted. At March 31, 2006, the Company recorded additional interest expense of \$8,354 related to the beneficial conversion feature of the interest on the November 2005 convertible debt. At June 30, 2006, the Company recorded additional interest expense of \$8,093 related to the beneficial conversion feature of the interest on the November 2005 convertible debt. In 2006 the remaining \$417,886 of debt issuance costs have been amortized which includes \$189,948 of the unamortized portion of the deferred loan costs related to the converted debt at the time of conversion. In 2006 the remaining debt discount of \$134,008 has been amortized.

(b) On November 19, 2003, the Company completed a short-term unsecured debt financing in the aggregate amount of \$500,000. The notes bear interest of 8% and were due in full on November 19, 2004. The notes were convertible into common shares at a conversion rate equal to the lower of (i) 75% of the average market price for the 20 trading days ending on the 20th trading day subsequent to the effective date or (ii) \$0.75 per share. Pursuant to the note agreements, the Company also issued warrants to purchase up to 500,000 shares of the Company's common stock at an exercise price of \$1.00 per share. During 2005, 52,000 of the warrants were exercised and the remaining warrants expired on November 19, 2005.

The \$500,000 proceeds received was allocated between the debt and the warrants on a pro-rata basis. The value of the warrants was determined using a Black-Scholes option-pricing model. The allocated fair value of these warrants was \$241,655 and was recorded as a discount to the related debt. In addition, the conversion price was lower than the market value of the Company's common stock on the date of issue. As a result, an additional discount of \$258,345 was recorded for this beneficial conversion feature. The combined debt discount of \$500,000 was being amortized over the term of the debt using the effective interest method.

In conjunction with the debt financing, the Company issued warrants to purchase up to 100,000 shares of the Company's common stock at an exercise price of \$1.25 per share in satisfaction of a finder's fee. The value of these warrants was determined to be \$101,000 using a Black-Scholes option-pricing model. In addition, the Company incurred debt issuance costs of \$69,530 which were payable in cash. Total debt issuance costs of \$170,530 were recorded as an asset and amortized over the term of the debt. In 2004, in conjunction with the June 25, 2004 transaction (Note 4(1)), the Company entered into a redemption agreement for its \$500,000 of short-term convertible debt. Payments on the convertible debt corresponded to payments received from the sale of common stock. As a result, the unamortized portion of the debt discount at the date of extinguishment of \$193,308 and the unamortized portion of the deferred loan costs of \$65,930 were recorded as a loss on extinguishment of debt. In addition to principal payments, the redemption payments included accrued interest and a premium payment of \$100,519. This premium payment has been recorded as a loss on extinguishment. As part of this redemption, the Company repurchased the beneficial conversion feature amount of \$258,345 in 2004.

(c) On July 28, 2004, the Company entered into an agreement to issue 8% convertible debentures to Cornell in the amount of \$375,000 which was due together with interest on July 28, 2007. This debt had a subordinated security interest in the assets of the Company. The Company issued a second secured convertible debenture on October 7, 2004 which had the same conversion terms as the prior debenture and was issued on the date the Company filed a registration statement for the shares underlying both debentures. This was due together with interest on October 7, 2007 and had a subordinated security interest in the assets of the Company. The debentures were convertible into common stock at a price per share equal to the lesser of (a) an amount equal to 120% of the closing Volume Weighted Average Price (VWAP) of the common stock as of the Closing Date (\$1.88 on Closing Date) or (b) an amount equal to 80% of the lowest daily VWAP of the Company's common stock during the 5 trading days immediately preceding the conversion date. There was a floor conversion price of \$.75 until December 1, 2004.

The accounting guidance requires the issuer to assume that the holder will not convert the instrument until the time of the most beneficial conversion. The accounting guidance also requires that if the conversion terms are based on an unknown future amount, which is the case in item (b) above, the calculation should be performed using the commitment date which in this case is July 28, 2004 and October 7, 2004, respectively. As a result, the beneficial conversion amount was computed using 80% of the lowest fair market value for the stock for the five days preceding July 28, 2004 and October 7, 2004, respectively, which resulted in a beneficial conversion amount of \$254,006 and \$106,250, respectively. The beneficial conversion amount was being amortized over the term of the debt which was three years.

In conjunction with the debt financing, the Company issued warrants to purchase up to 150,000 shares of the Company's common stock at an exercise price of \$1.00 per share in satisfaction of a finder's fee. The value of warrants was determined to be \$144,000 using a Black-Scholes option-pricing model. In addition, the Company incurred debt issuance costs of \$162,500 which were payable in cash. Total debt issuance costs of \$306,500 were recorded as an asset and amortized over the term of the debt.

In February 2005, the Company entered into a redemption agreement with Cornell Capital Partners to pay \$50,000 of the Cornell convertible debt. As a result, the unamortized portion of the debt discount of \$27,715 and deferred loan costs of \$20,702, which related to this amount at the date of extinguishments, were recorded as a loss on extinguishment of debt. The Company also paid a \$5,000 prepayment penalty which has been recorded as loss on extinguishment of debt. As part of this redemption, the Company has repurchased the beneficial conversion feature related to the redeemed amount of \$16,449.

In March 2005, the Company entered into a debt conversion agreement with Cornell Capital Partners for \$50,000 of its convertible debt which was converted into 66,667 shares of common stock at \$0.75 per share. As a result of this conversion, the unamortized portion of the debt discount of \$24,890 and deferred loan costs of \$18,779, which related to this amount at the date of conversion, have been recorded as additional interest expense.

In April 2005, the Company entered into a redemption agreement with Cornell Capital Partners to pay \$650,000 of the Cornell convertible debt. As a result, the unamortized portion of the debt discount of \$233,425 and deferred loan costs of \$205,741, which related to this amount at the date of extinguishments, were recorded as a loss on extinguishment of debt. The Company also paid a \$65,000 prepayment penalty which has been recorded as loss on extinguishment of debt. As part of this redemption, the Company has repurchased the beneficial conversion feature related to the redeemed amount of \$127,679.

(d) In March 2005, the Company entered into agreements to issue Senior Convertible Debentures to two (2) accredited investors with Network 1 Financial Securities, Inc. in the aggregate amount of \$450,000. This debt has a security interest in the assets of the Company, a maturity date of March 30, 2007, and is convertible into shares of the Company's common stock at a per share conversion price of \$0.75. In April 2005, the Company entered into agreements to issue Senior Convertible Debentures to five (5) accredited investors in the aggregate amount of \$2,700,000. This debt has a security interest in the assets of the Company, a maturity date of March 30, 2007, and is convertible into shares of the Company's common stock at a per share conversion price of \$0.75.

The Company was obligated to pay the principal of the Senior Convertible Debentures in installments as follows: Twelve (12) equal monthly payments of principal (the "Monthly Amount") plus, to the extent not otherwise paid, accrued but unpaid interest plus any other obligations of the Company to the Investor under this Debenture, the Purchase Agreement, or the Registration Rights Agreement, or otherwise. The first such installment payment was due and payable on March 30, 2006, and subsequent installments shall be due and payable on the thirtieth (30th) day of each succeeding month thereafter (each a "Payment Date") until the Company's obligations under this Debenture is satisfied in full. The Company shall have the option to pay all or any portion of any Monthly Amount in newly issued, fully paid and nonassessable shares of Common Stock, with each share of Common Stock having a value equal to (i) eighty-five percent (85%) multiplied by (ii) the Market Price as of the third (3rd) Trading Day immediately preceding the Payment Date (the "Payment Calculation Date").

Interest at the greater of (i) the prime rate (adjusted monthly), plus 4% and (ii) 8% was due on a quarterly basis. At the time the interest was payable, upon certain conditions, the Company had the option to pay all or any portion of accrued interest in either cash or shares of the Company's common stock valued at 85% multiplied by the market price as of the third trading date immediately preceding the interest payment date.

The Company could prepay the Senior Convertible Debentures in full by paying the holders the greater of (i) 125% multiplied by the sum of the total outstanding principal, plus accrued and unpaid interest, plus default interest, if any or (ii) the highest number of shares of common stock issuable upon conversion of the total amount calculated pursuant to (i) multiplied by the highest market price for the common stock during the period beginning on the date until prepayment.

On or after any event or series of events which constitutes a fundamental change, the holder could, in its sole discretion, require the Company to purchase the debentures, from time to time, in whole or in part, at a purchase price equal to 110% multiplied by the sum of the total outstanding principal, plus accrued and unpaid interest, plus any other obligations otherwise due under the debenture. Under the senior convertible debentures, fundamental change means (i) any person becomes a beneficial owner of securities representing 50% or more of the (a) outstanding shares of common stock or (b) the combined voting power of the then outstanding securities; (ii) a merger or consolidation whereby the voting securities outstanding immediately prior thereto fail to continue to represent at least 50% of the combined voting power of the voting securities immediately after such merger or consolidation; (iii) the sale or other disposition of all or substantially all or the Company's assets; (iv) a change in the composition of the Board within two years which results in fewer than a majority of directors are directors as of the date of the debenture; (v) the dissolution or liquidation of the Company; or (vi) any transaction or series of transactions that has the substantial effect of any of the foregoing.

The Purchasers of the \$3,150,000 in Senior Convertible Debentures also purchased Class A Warrants and Class B Warrants under the Securities Purchase Agreement. Class A Warrants are exercisable at any time between March 10, 2005 through and including March 30, 2010 depending on the particular Purchaser. Class B Warrants were exercisable for a period through and including 175 days after an effective registration of the common stock underlying the warrants, which began June 20, 2005 and ended December 12, 2005. The range of the per share exercise price of a Class A Warrant is \$0.93 to \$0.99 and the range of the per share exercise price of the Class B Warrant was \$0.8925 to \$0.945.

The Purchasers of the Senior Convertible Debentures received a total of 4,200,000 Class A Warrants and a total of 2,940,000 Class B Warrants. 1,493,333 of the Class B Warrants were exercised in December, 2005 for proceeds of \$1,122,481. The warrant holders were given an incentive to exercise their warrants due to the lowering of the exercise price to \$0.75. Interest expense of \$236,147 was recorded to recognize expense related to this conversion incentive. The remaining Class B Warrants were forfeited in December, 2005 at the expiration of their exercise period.

The \$3,150,000 proceeds received in March and April 2005 was allocated between the debt and the warrants on a pro-rata basis. The value of the warrants was determined using a Black-Scholes option-pricing model. The allocated fair value of these warrants was \$1,574,900 and was recorded as a discount to the related debt. In addition, the conversion prices were lower than the market value of the Company's common stock on the date of issue. As a result, an additional discount of \$1,228,244 was recorded for this beneficial conversion feature. The combined debt discount of \$2,803,144 was being amortized over the life of the debt using the effective interest method.

In June 2005, the Company entered into a debt conversion agreement with one of the April accredited investors for \$150,000 of its convertible debt which was converted into 200,000 shares of common stock at \$0.75 per share, and \$2,833 of accrued interest was converted into 3,777 shares of common stock at \$0.75 per share. In July 2005, the Company entered into a debt conversion agreement with two of the April accredited investors for an aggregate of \$350,000 of convertible debt which was converted into 466,666 shares of common stock at \$0.75 per share. In September 2005, the Company entered into a debt conversion agreement with one of the March accredited investors for \$400,000 of its convertible debt which was converted into 533,333 shares of common stock at \$0.75 per share. In October 2005, the Company entered into a debt conversion agreement with two of the March accredited investors for an aggregate of \$100,000 of convertible debt which was converted into 133,334 shares of common stock at \$0.75 per share. In November 2005, the Company entered into a debt conversion agreement with three of the April accredited investors for an aggregate of \$675,000 of convertible debt which was converted into 900,000 shares of common stock at \$0.75 per share.

In conjunction with the financing, the Company incurred debt issuance costs consisting of \$387,500 in cash and 980,000 of warrants valued at \$426,700. The warrants are exercisable over five years, have exercise prices ranging from \$0.98 - \$1.23, fair market values ranging from \$0.42 - \$0.44 and were valued using the Black-Scholes option pricing model. The total debt issuance costs of \$814,200 were recorded as an asset and amortized over the term of the debt.

The Company chose to pay the quarterly interest due at June 30, 2005, September 30, 2005 and December 31, 2005 in common stock instead of cash. As a result, accrued interest at June 30, 2005 of \$78,904 was paid in 165,766 shares of common stock resulting in additional interest expense of \$28,843. 159,780 shares were issued July 11, 2005 and the remaining 5,986 shares were issued November 7, 2005. The accrued interest due September 30, 2005 of \$72,985 was converted into 97,955 shares of common stock resulting in additional interest expense of \$15,299. 66,667 of these shares were issued on September 30, 2005 and the remaining 31,288 shares were issued October 20, 2005. The interest due December 31, 2005 of \$50,486 was converted into 65,742 shares of common stock resulting in additional interest expense of \$10,922. The 65,742 shares were not issued as of December 31, 2005 and were recorded in accrued liabilities at December 31, 2005. The shares were issued January 9, 2006.

In January 2006, the Company entered into a debt conversion agreement with one of the March 2005 accredited investors for \$250,000 of its convertible debt which was converted into 333,333 shares of common stock at \$0.75 per share. In March 2006, the Company entered into a total of three debt conversion agreements with two of the March 2005 accredited investors for an aggregate of \$500,000 of convertible debt which was converted into 666,667 shares of common stock at \$0.75 per share. In May 2006, the Company entered into a debt conversion agreement with one of the March 2005 accredited investors for \$25,000 of its convertible debt which was converted into 33,333 shares of common stock at \$0.75 per share. In September 2006, the Company entered into a debt conversion agreement with one of the March 2005 accredited investors for \$112,500 of its convertible debt which was converted into 150,000 shares of common stock at \$0.75 per share. In November 2006, the Company entered into a debt conversion agreement with one of the March 2005 accredited investors for \$200,000 of its convertible debt which was converted into 266,666 shares of common stock at \$0.75 per share. In December 2006, the Company entered into a debt conversion agreement with one of the March 2005 accredited investors for \$20,000 of its convertible debt which was converted into 26,667 shares of common stock at \$0.75 per share.

In 2006, \$928,090 of the total debt discount had been amortized which includes \$386,451 of the unamortized portion of the debt discount related to the converted debt at the time of the debt conversions. In 2006, \$287,493 of the deferred loan costs have been amortized which includes \$112,256 of the unamortized portion of the deferred loan costs related to the converted debt at the time of the debt conversions.

The Company chose to pay the quarterly interest due at March 31, 2006, June 30, 2006, September 30, 2006 and December 31, 2006 in common stock instead of cash. As a result, accrued interest due March 31, 2006 of \$33,274 was converted into 35,939 shares of common stock resulting in additional interest expense of \$4,975. 7,656 of these shares were issued March 20, 2006 and the remaining shares of 28,283 were issued March 31, 2006. The accrued interest due June 30, 2006 of \$21,305 was converted into 24,674 shares of common stock resulting in additional interest expense of \$3,650. These shares were issued June 30, 2006. The accrued interest due September 30, 2006 of \$21,010 was converted into 18,888 shares of common stock resulting in additional interest expense of \$2,167. These shares were issued September 29, 2006. The accrued interest due December 31, 2006 of \$15,086 was converted into 14,760 shares of common stock resulting in additional interest expense of \$1,843. These shares were issued December 29, 2006.

In January 2007, the Company entered into a separate debt conversion agreement with two of its March 2005 accredited investors for \$245,833 of convertible debt which was converted into 327,777 shares of common stock at \$0.75 per share. In February 2007, the Company entered into a separate debt conversion agreement with two of its March 2005 accredited investors for \$121,667 of convertible debt which was converted into 162,223 shares of common stock at \$0.75 per share.

In February 2007, the remaining total debt discount has been amortized, which is \$2,797. In February 2007, the remaining deferred loan costs have been amortized, which is \$3,713.

At December 31, 2007 the Company had no remaining principal or accrued interest owed to holders of the March 2005 convertible debentures due on March 31, 2007.

The Company chose to pay a portion of the quarterly interest due at February 28, 2007 in common stock instead of cash. The accrued interest not paid in cash that was due February 28, 2007 of \$1,109 was converted into 1,141 shares of common stock resulting in additional interest expense of \$149. 358 of these shares were issued on January 25, 2007 and the remaining shares of 783 were issued on February 28, 2007.

7. Related Party Transactions

During 2002, a shareholder who is also an employee and member of the Company's board of directors loaned the Company \$109,000. During 2003, the same shareholder loaned the Company an additional \$40,000. During 2005, the same shareholder loaned the Company an additional \$25,000.

In December 2005, the Company approved a request from the shareholder to exchange the total loan amount of \$174,000 plus accrued interest of \$24,529 for 264,705 shares of common stock at \$0.75 per share which were committed to be issued at December 31, 2005. These shares were issued on January 3, 2006. In connection with this transaction which was based on the same terms as the private placement conducted at the same time, the Company also issued warrants to the shareholder to purchase up to 330,881 shares of common stock at an exercise price of \$0.935 per share. In December 2007, the employee exercised all of these warrants.

The Company paid a non-employee Member of the Board \$82,500 for consulting services performed in 2009, and issued 70,000 shares of common stock at a fair market value of \$70,000 in July 2009.

8. Income Taxes

Reconciliations between the statutory federal income tax rate and the Company's effective tax rate follow:

Years Ended December 31,	2009		2008	
	Amount	%	Amount	%
Federal statutory rate	\$ (4,190,000)	(34.0)	\$ (3,491,000)	(34.0)
Adjustment to valuation allowance	4,190,000	34.0	3,491,000	34.0
Actual tax benefit	\$ --	--	\$ --	--

The components of the Company's deferred income taxes are summarized:

December 31,	2009	2008
Deferred tax assets		
Net operating loss carry-forwards	\$ 13,744,000	\$ 10,460,000
Stock-based compensation	2,387,000	2,091,000
Warrants for services	2,167,000	1,785,000
Deferred tax asset	18,298,000	14,336,000
Deferred tax liability – patent amortization	(2,360,000)	(2,588,000)
Valuation allowance	(15,938,000)	(11,748,000)
Net deferred taxes	\$ --	\$ --

A valuation allowance against deferred tax assets is required if, based on the weight of available evidence, it is more likely than not that some or all of the deferred tax assets may not be realized. The Company is in the development stage and realization of the deferred tax assets is not considered more likely than not. As a result, the Company has recorded a valuation allowance for the net deferred tax asset.

Since inception of the Company on January 17, 2002, the Company has generated tax net operating losses of approximately \$40.4 million, expiring in 2022 through 2029. The tax loss carry-forwards of the Company may be subject to limitation by Section 382 of the Internal Revenue Code with respect to the amount utilizable each year. This limitation reduces the Company's ability to utilize net operating loss carry-forwards. The amount of the limitation has not been quantified by the Company. In addition, the Company acquired certain net operating losses in its acquisition of Valley Pharmaceuticals, Inc. (Note 2). However, the amount of these net operating losses has not been determined and even if recorded, the amount would be fully reserved. If the Company determines that there were net operating losses acquired, any realization of a deferred tax asset would be reflected as a tax benefit.

9. Cash Balance Defined Benefit Plan and Trust

In January 2007, the Company established the Provectus Pharmaceuticals, Inc. Cash Balance Defined Benefit Plan and Trust (the "Plan"), effective January 1, 2007, for the exclusive benefit of its four employees and their beneficiaries. Per the Plan, each employee has a hypothetical account which consists of a yearly pay credit based on a defined percentage of the employee's current salary and an interest credit defined as 5% of the beginning or the year hypothetical account balance. Each year, the Company makes a contribution to fully fund the Plan. The Plan contributions vest immediately after three years of service. All four employees are fully vested.

At December 31, 2009 and 2008, the projected benefit obligation was \$1,057,077 and \$669,229, respectively. At December 31, 2009, the Plan investments and the receivable to the plan of \$345,000, which the Company accrued at December 31, 2009 and paid in March 2010, approximates the projected benefit obligation. At December 31, 2008 the Plan investments approximates the projected benefit obligation.

The components of net periodic pension cost recognized are as follows:

Year ended December 31,	2009	2008
Service cost	\$ 352,800	\$ 331,200
Interest cost	33,570	14,029
Expected return on assets	(33,812)	(26,618)
Net periodic pension cost	\$ 352,558	\$ 318,611

Employer contributions to the plan were \$345,000 in 2009, which is accrued as of December 31, 2009, and \$331,200 in 2008, respectively. No benefits were paid in either year.

The weighted-average assumptions used to determine the benefit obligation at December 31, 2009 and 2008 and the pension expense for the years ended December 31, 2009 and 2008 are as follows:

Discount rate	5.00%
Compensation increase	4.00%
Long-term rate of return on assets	5.00%

The Plan's long-term rate of return on assets assumption is based on the types of investment classes in which the Plan assets are invested and the expected compounded return the Plan can reasonably be expected to earn over appropriate time periods. The expected return reflects forward-looking economic assumptions. The assumptions are also based on the investment returns the Company can reasonably expect its active investment management program to achieve in excess of the returns expected if investments were made strictly in indexed funds.

The Company's investment objective is to achieve investment earnings similar to the 5% interest credit defined by the Plan. To achieve this, the Company's policy is to only invest in U.S. treasury bills and cash and cash equivalents. All of the Plan's assets were invested in cash and cash equivalents at December 31, 2009 and 2008.

The Company expects to contribute \$367,337 to the Plan in 2010 in addition to the \$345,000 which was paid in 2010 for contributions relating to 2009.

The estimated future benefit payments are as follows:

Year ending December 31,	
2010	\$ -
2011	-
2012	591,000
2013	720,000
2014	859,000
Years 2015 – 2019	1,343,000

10. Subsequent Events

The Company has evaluated subsequent events. The Company entered into a private placement transaction with Network 1 Financial Securities, Inc. as placement agent dated October 20, 2009, which allows for the sale of shares of common stock at a purchase price of \$0.75 per share and fifty percent warrant coverage to purchase shares of common stock at an exercise price of \$0.95 per share. This ended in January 2010.

On January 7, 2010, shareholders approved an amendment to our Restated Articles of Incorporation to increase the number of shares of common stock, par value \$.001 per share, that we are authorized to issue from 100,000,000 to 150,000,000 shares.

On March 9, 2010, the Company entered into a Securities Purchase Agreement (the "Purchase Agreement") with certain accredited investors for the issuance and sale in a private placement of an aggregate of 7,083,324 units (the "Units"), at purchase price of \$0.75 per Unit, each Unit consisting of one share of 8% convertible preferred stock, par value \$.001 per share (the "8% Convertible Preferred Stock") and a warrant to purchase one-half share of common stock, par value \$.001 per share (the "Common Stock"), with an exercise price of \$1.00 per share of Common Stock (the "Warrants," and together with the Units, the 8% Convertible Preferred Stock and the underlying Common Stock, (the "Securities"), for an aggregate amount of gross proceeds of \$5,312,499.

On March 10, 2009, the Company entered into a Purchase Agreement with an institutional investor for the issuance and sale in a private placement of an additional 3,500,000 Units for an additional amount of gross proceeds of \$2,625,000 on terms and under agreements identical to the March 9 private placement.

On March 11, 2010, the Company completed a closing of substantially all of the amounts in the March 9 and March 10 private placements (the "Private Placement"), pursuant to which the Company sold and issued an aggregate of 9,979,992 Units for an aggregate amount of gross proceeds of \$7,484,999. The Company will use the net proceeds of the Private Placement for working capital, FDA trials, securing licensing partnerships, and general corporate purposes.

Maxim Group LLC served as the placement agent for the Private Placement. In connection therewith, the Company paid the placement agent a commission consisting of 10% of the offering proceeds and a non-accountable expense allowance consisting of 3% of the offering proceeds, for a total of \$973,021. Maxim Group LLC received 997,999 shares of Common Stock, which represents 10% of the total number of shares of 8% Convertible Preferred Stock issued in the Private Placement.

EXHIBIT INDEX

Exhibit No	Description
3.1(i)	Restated Articles of Incorporation of Provectus, incorporated herein by reference to Exhibit 3.1 to the Company's Quarterly Report on Form 10-QSB for the quarter ended June 30, 2003, as filed with the SEC on August 14, 2003.
3.1 (ii)	By-laws, as amended, of Provectus Pharmaceuticals, Inc.
4.1	Specimen certificate for the common shares, \$.001 par value per share, of Provectus Pharmaceuticals, Inc., incorporated herein by reference to Exhibit 4.1 to the Company's Annual Report on Form 10-KSB for the year ended December 31, 2002, as filed with the SEC on April 15, 2003.
10.1	*Provectus Pharmaceuticals, Inc. amended and Restated 2002 Stock Plan, incorporated herein by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-QSB for the quarter ended June 30, 2003, as filed with the SEC on August 14, 2003.
10.2	*Confidentiality, Inventions and Non-competition Agreement between the Company and H. Craig Dees, incorporated herein by reference to Exhibit 10.8 to the Company's Annual Report on Form 10-KSB for the year ended December 31, 2002, as filed with the SEC on April 15, 2004.
10.3	*Confidentiality, Inventions and Non-competition Agreement between the Company and Timothy C. Scott, incorporated herein by reference to Exhibit 10.8 to the Company's Annual Report on Form 10-KSB for the year ended December 31, 2002, as filed with the SEC on April 15, 2004.
10.4	*Confidentiality, Inventions and Non-competition Agreement between the Company and Eric A. Wachter, incorporated herein by reference to Exhibit 10.8 to the Company's Annual Report on Form 10-KSB for the year ended December 31, 2002, as filed with the SEC on April 15, 2004.
10.5	Material Transfer Agreement dated as of July 31, 2003 between Schering-Plough Animal Health Corporation and Provectus, incorporated hereby by reference to Exhibit 10.15 to the Company's Quarterly Report on Form 10-QSB for the quarter ended June 30, 2003, as filed with the SEC on August 14, 2003.
10.6	*Executive Employment Agreement by and between the Company and H. Craig Dees, Ph.D, dated January 4, 2005.
10.7	*Executive Employment Agreement by and between the Company and Eric Wachter, Ph.D, dated January 4, 2005.
10.8	*Executive Employment Agreement by and between the Company and Timothy C. Scott, Ph.D, dated January 4, 2005.
10.9	*Executive Employment Agreement by and between the Company and Peter Culpepper dated January 4, 2005.
21.1	List of Subsidiaries
23.1+	Consent of Independent Registered Public Accounting Firm
31.1+	Certification of CEO pursuant to Rules 13a - 14(a) of the Securities Exchange Act of 1934
31.2+	Certification of CFO pursuant to Rules 13a-14(a) of the Securities Exchange Act of 1934.
32.1+	Certification Pursuant to 18 U.S.C. ss. 1350.

*Management Compensation Plan
+Filed herewith.

LIST OF SUBSIDIARIES

<u>Subsidiary</u>	<u>State of Incorporation</u>
Xantech Pharmaceuticals, Inc.	Tennessee
Pure-ific Corporation	Nevada
Provectus Biotech, Inc.	Tennessee
Provectus Devicetech, Inc.	Tennessee
Provectus Imaging, Inc.	Tennessee
IP Tech, Inc.	Tennessee
Provectus Pharmatech, Inc.	Tennessee

Consent of Independent
Registered Public Accounting Firm

Provectus Pharmaceuticals, Inc.
Knoxville, Tennessee

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (Nos. 333-99639, 333-86896, 333-73994 and 333-109354), and on Form S-2 (Nos. 333-124951 and 333-119619) of Provectus Pharmaceuticals, Inc. of our report dated March 31, 2010, relating to the consolidated financial statements, which appears in this Form 10-K.

/s/ BDO Seidman, LLP
Chicago, Illinois
March 31, 2010

Provectus Pharmaceuticals, Inc.
Certification Pursuant to Rule 13a-14(a)
Section 302 Certification

I, H. Craig Dees, Ph.D., the Chief Executive Officer of Provectus Pharmaceuticals, Inc., certify that:

1. have reviewed this annual report on Form 10-K of Provectus Pharmaceuticals, 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 smaller reporting company as of, and for, the periods presented in this report;
4. The small business issuer's other certifying officer(s) 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 smaller reporting company 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 smaller reporting company, including its consolidated subsidiaries, 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 control over financial reporting, or caused such internal control 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 smaller reporting company'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;
 - d) Disclosed in this report any change in the smaller reporting company's internal control over financial reporting that occurred during the smaller reporting company's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the smaller reporting company's internal control over financial reporting; and
5. The smaller reporting company's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the smaller reporting company's auditors and the audit committee of the smaller reporting company'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 smaller reporting company'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 smaller reporting company's internal control over financial reporting.

Date: March 31, 2010

By: /s/ H. Craig Dees
H. Craig Dees
Chief Executive Officer

Provectus Pharmaceuticals, Inc.
Certification Pursuant to Rule 13a-14(a)
Section 302 Certification

I, Peter R. Culpepper, the Chief Financial Officer of Provectus Pharmaceuticals, Inc., certify that:

1. I have reviewed this annual report on Form 10-K of Provectus Pharmaceuticals, 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 smaller reporting company as of, and for, the periods presented in this report;
4. The smaller reporting company's other certifying officer(s) 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 smaller reporting company 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 smaller reporting company, including its consolidated subsidiaries, 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 control over financial reporting, or caused such internal control 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 smaller reporting company'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;
 - d) Disclosed in this report any change in the smaller reporting company's internal control over financial reporting that occurred during the smaller reporting company's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the smaller reporting company's internal control over financial reporting; and
5. The smaller reporting company's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the smaller reporting company's auditors and the audit committee of the smaller reporting company's board of directors (or persons performing 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 smaller reporting company'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 smaller reporting company's internal control over financial reporting.

Date: March 31, 2010

By: /s/ Peter R. Culpepper

Peter R. Culpepper
Chief Financial Officer
Chief Operating Officer

Provectus Pharmaceuticals, Inc.
Certification Pursuant to 18 U.S.C. ss. 1350
Section 906 Certifications

Pursuant to 18 U.S.C. ss. 1350, as enacted by Section 906 of the Sarbanes-Oxley Act of 2002 (Public Law 107-204), the undersigned, H. Craig Dees, Ph.D., the Chief Executive Officer of Provectus Pharmaceuticals, Inc., a Nevada corporation (the "Company"), and Peter R. Culpepper, the Chief Financial Officer of the Company, hereby certify that:

1. The Company's Annual Report on Form 10-K for the year ended December 31, 2009, as filed with the U.S. Securities and Exchange Commission on the date hereof (the "Report"), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

This Certification is signed on March 31, 2010.

/s/ H. Craig Dees

H. Craig Dees, Ph.D.
Chief Executive Officer
Provectus Pharmaceuticals, Inc.

/s/ Peter R. Culpepper

Peter R. Culpepper
Chief Financial Officer
Chief Operating Officer
Provectus Pharmaceuticals, Inc.

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

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