

PROVECTUS PHARMACEUTICALS INC  
Form DEF 14A  
May 02, 2011

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549

SCHEDULE 14A

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the Securities  
Exchange Act of 1934

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, For Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to Rule 14a-12

PROVECTUS PHARMACEUTICALS, INC.  
(Name of Registrant as Specified in Its Charter)

Not Applicable  
(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
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(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

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(1)

Amount previously paid:

(2)

Form, Schedule or Registration Statement No.:

(3)

Filing party:

(4)

Date filed:

7327 Oak Ridge Highway  
Knoxville, TN 37931

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

Dear Stockholder:

You are cordially invited to attend the 2011 annual meeting of stockholders, which will be held on Thursday, June 23, 2011 at 4:00 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 2011 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.

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

**YOUR VOTE IS IMPORTANT**

TO ENSURE THAT YOU ARE REPRESENTED AT THE 2011 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 2011 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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7327 Oak Ridge Highway  
Knoxville, TN 37931

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NOTICE OF 2011 ANNUAL MEETING OF STOCKHOLDERS  
TO BE HELD ON JUNE 23, 2011

To the Stockholders of Provectus Pharmaceuticals, Inc.:

NOTICE IS HEREBY GIVEN that we will hold the 2011 annual meeting of stockholders of Provectus Pharmaceuticals, Inc. on Thursday, June 23, 2011 at 4:00 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 2011 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 and adopt an amendment to our Restated Articles of Incorporation, as amended, to increase the number of shares of common stock, par value \$.001 per share, that we are authorized to issue from 150,000,000 to 200,000,000 shares.
3. To approve an amendment to our Amended and Restated 2002 Stock Plan, as amended, to increase the number of shares of common stock reserved for issuance from 15,000,000 to 20,000,000;
4. To conduct an advisory vote to approve the compensation of our named executive officers;
5. To conduct an advisory vote on the frequency of future votes to approve the compensation of our named executive officers; and
6. To ratify the selection of BDO USA, LLP as our independent auditor for 2011.

Stockholders also will transact any other business that properly comes before the 2011 annual meeting of stockholders.

OUR BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT YOU VOTE "FOR" PROPOSALS 1 THROUGH 4 AND 6, AND FOR "1 YEAR" FOR PROPOSAL 5.

Only stockholders of record as of the close of business on April 25, 2011 will be entitled to notice of and to vote at the 2011 annual meeting of stockholders and any adjournment thereof.

Important Notice Regarding the Availability of Proxy Materials for the 2011 Annual Meeting of Stockholders to Be Held on June 23, 2011. This Proxy Statement and our Annual Report on Form 10-K for the year ended December 31, 2010 are available at [http://www.pvct.com/annual\\_reports.html](http://www.pvct.com/annual_reports.html).

By order of our Board of Directors,

Peter R. Culpepper  
Secretary

May 2, 2011  
Knoxville, Tennessee

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PROXY STATEMENT FOR  
2011 ANNUAL MEETING OF STOCKHOLDERS  
TO BE HELD ON JUNE 23, 2011

We are delivering these proxy materials to solicit proxies on behalf of the Board of Directors of Provectus Pharmaceuticals, Inc., for the annual meeting of stockholders to be held on Thursday, June 23, 2011, beginning at 4:00 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, 2010, beginning on May 2, 2011.

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 and adopt an amendment to our Restated Articles of Incorporation, as amended (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 150,000,000 to 200,000,000 shares; (3) approve an amendment to our Amended and Restated 2002 Stock Plan, as amended (2002 Stock Plan), to increase the number of shares of common stock reserved for issuance from 15,000,000 to 20,000,000; (4) conduct an advisory vote to approve the compensation of our named executive officers; (5) conduct an advisory vote on the frequency of future votes to approve the compensation of our named executive officers; and (6) ratify the selection of BDO USA, LLP as our independent auditor for 2011. The proposals are set forth in the accompanying Notice of 2011 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 2011 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" PROPOSALS 1 THROUGH 4 AND 6, AND FOR "1 YEAR" FOR PROPOSAL 5.

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 common stock or 8% convertible preferred stock and otherwise to act on your behalf at the 2011 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 2011 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 2011 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 2011 ANNUAL MEETING OF STOCKHOLDERS

What is the purpose of the 2011 Annual Meeting?

At the 2011 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 and adopt 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 150,000,000 to 200,000,000 shares;
3. To approve an amendment to our 2002 Stock Plan to increase the number of shares of common stock reserved for issuance from 15,000,000 to 20,000,000;
4. To conduct an advisory vote to approve the compensation of our named executive officers;
5. To conduct an advisory vote on the frequency of future votes to approve the compensation of our named executive officers; and
6. To ratify the selection of BDO USA, LLP as our independent auditor for 2011.

Stockholders also will transact any other business, not known or determined at the time of this proxy solicitation that properly comes before the 2011 annual meeting of stockholders, although our Board of Directors knows of no such other business to be presented.

Who is entitled to vote?

Only stockholders of record at the close of business on April 25, 2011, the record date for the 2011 annual meeting, are entitled to receive notice of the 2011 annual meeting and to vote the shares of common stock and 8% convertible preferred stock that they held on that date at the 2011 annual meeting. Each outstanding share of common stock, par value \$.001 per share, and of 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 2011 annual meeting. The shares of 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. Proposals 1 and 3 through 5 are non-discretionary items for which a nominee will not have discretion to vote in the absence of voting instructions from you. However, Proposals 2 and 6 are discretionary items 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 2011 annual meeting, in person or by proxy, of the holders of a majority of the shares of common stock and 8% convertible preferred stock outstanding on the record date will constitute a quorum. As of the record date, there were 102,134,157 outstanding shares of common stock and 4,889,997 outstanding shares of 8% convertible

preferred stock, for a total of 107,024,154 shares of stock outstanding. Shares held by stockholders present at the 2011 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 2011 annual meeting.

What happens if a quorum is not present at the 2011 annual meeting?

If a quorum is not present at the scheduled time of the meeting, the holders of a majority of the shares of 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 2011 annual meeting, you may deliver your completed proxy card or vote in person at the 2011 annual meeting. If you hold your shares in a brokerage account or in "street name" and you wish to vote at the 2011 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 2011 annual meeting in person and so request, although your attendance at the 2011 annual meeting will not by itself revoke a previously granted proxy.

What are the Board's recommendations?

Our Board of Directors unanimously recommends that you vote:

1. "FOR" the election of five directors to serve on our Board of Directors for a one-year term;
2. "FOR" the approval and adoption of 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 150,000,000 to 200,000,000 shares;
3. "FOR" the approval of an amendment to our 2002 Stock Plan to increase the number of shares of common stock reserved for issuance from 15,000,000 to 20,000,000;
4. "FOR" the advisory vote to approve the compensation of our named executive officers;
5. For "1 YEAR" on the advisory vote on the frequency of future votes to approve the compensation of our named executive officers; and
6. "FOR" ratification of the selection of BDO USA, LLP as our independent auditor for 2011.

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 Proposals 1 through 4 and 6, and for "1 YEAR" for Proposal 5.

Will any other business be conducted at the 2011 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 2011 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 2011 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 2011 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 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 150,000,000 to 200,000,000 will be approved if a majority of the outstanding shares of common stock and 8% convertible stock, voting together, are voted in favor of the amendment.
3. The amendment to our 2002 Stock Plan to increase the number of shares of common stock reserved for issuance from 15,000,000 to 20,000,000 will be approved if a majority of the shares of common stock and 8% convertible preferred stock present in person or represented by proxy at the 2011 annual meeting and entitled to vote on the subject matter are voted in favor of the proposal.
4. The advisory vote to approve the compensation of our named executive officers will be approved if a majority of the shares of common stock and 8% convertible preferred stock present in person or represented by proxy at the 2011 annual meeting and entitled to vote on the subject matter are voted in favor of the proposal.
5. With respect to the advisory vote on the frequency of future votes to approve the compensation of our named executive officers, you may vote "1 Year," "2 Years," "3 Years," or "Abstain." The choice of frequency that receives the highest number of votes will be deemed to be the choice of our stockholders.
6. The selection of BDO USA, LLP as our independent auditor for 2011 will be ratified if a majority of the shares of 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, but you may abstain from voting on Proposals 2 through 6. 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 Proposals 2 through 6, 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 Proposals 2 through 6, 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. Proposals 1 and 3 through 5 are non-discretionary items for which a nominee will not have discretion to vote in the absence of voting instructions from you. However, Proposals 2 and 6 are discretionary items 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 Proposals 1 and 3 through 5, but there will not be broker non-votes with regard to Proposals 2 and 6. 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 Proposals 1 and 3 through 5.

## STOCK OWNERSHIP

## Directors, Executive Officers, and Other Stockholders

The following table provides information about the beneficial ownership of common stock as of March 31, 2011, 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 common stock entitles its holder to cast one vote on each matter to be voted on at the 2011 annual meeting, and holders of shares of 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 common stock. Holders of 8% convertible preferred stock will be entitled to cast one vote on each matter to be voted at the 2011 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)
<b>Directors and Executive Officers:</b>		
H. Craig Dees	4,897,859 (4)	4.7 %
Timothy C. Scott	4,855,966 (5)	4.6 %
Eric A. Wachter	5,505,685 (6)	5.4 %
Stuart Fuchs	1,196,418 (7)	1.2 %
Kelly M. McMasters	150,000 (8)	*
All directors and executive officers as a group (6 persons)	19,780,928 (9)	17.5 %
<b>Other Stockholders:</b>		
Osmium Special Situations Fund Ltd Canon's Court, 22 Victoria Street, Hamilton HM 11, Bermuda	5,650,000 (10)	5.5 %

\* 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 common stock that a person has the right to acquire within 60 days of March 31, 2011 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, 2011, there were 101,141,166 shares of common stock issued and outstanding.

(4) Dr. Dees' beneficial ownership includes 3,443,750 shares of common stock subject to options which are exercisable within 60 days.

(5)Dr. Scott's beneficial ownership includes 55,996 shares of common stock held by Scott Family Investment Limited Partnership, a limited partnership established for the benefit of Dr. Scott's family, and 3,500,000 shares of common stock subject to options which are exercisable within 60 days.



- (6) Dr. Wachter's beneficial ownership includes 4,867 shares of common stock held by the Eric A. Wachter 1998 Charitable Remainder Unitrust and 1,724,248 shares of common stock subject to options which are exercisable within 60 days.
- (7) Mr. Fuchs' beneficial ownership includes 325,000 shares of common stock subject to options which are exercisable within 60 days.
- (8) Dr. McMasters' beneficial ownership includes 150,000 shares of common stock subject to options which are exercisable within 60 days.
- (9) Includes 11,774,289 shares of common stock subject to options and warrants which are exercisable within 60 days.
- (10) Based on a Schedule 13G filed with the SEC by Osmium Special Situations Fund Ltd (the "Fund"), Osmium Capital Management Ltd (the "Manager"), and Chris Kuchanny on February 11, 2011, to our knowledge, each of the foregoing entities and individual beneficially own 5,650,000 shares of common stock, of which (i) 1,750,000 are shares issuable upon the conversion of 8% convertible preferred stock and (ii) 1,750,000 are shares issuable upon the exercise of warrants. The Fund and the Fund's investment manager, the Manager, share voting and dispositive power over the shares held directly by the Fund. Mr. Kuchanny, as a principal of the Manager, shares voting and dispositive power over the shares reported by it. Each of the Manager and Mr. Kuchanny disclaims beneficial ownership of these securities (except to the extent of any pecuniary interest therein).

#### 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 2010 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 2010?

Our Board of Directors met five times and took action by unanimous written consent twenty-four times during 2010. 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 2011 annual meeting of stockholders. A majority of the members of our Board of Directors attended the 2010 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](mailto: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, 2010;
- has discussed with BDO USA, LLP (BDO USA), 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 USA required by PCAOB Rule 3526 ("Independence Discussions with Audit Committees"), as modified or supplemented, and has discussed with BDO USA 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, 2010, for filing with the Securities and Exchange Commission. Our Board of Directors also appointed BDO USA as our independent registered public accountants for 2011.

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, 2010 and 2009 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	2010	\$ 500,000	\$ 1,600,000	\$ 927,205	\$ 57,692	\$ 3,084,897
	2009	500,000	518,519	46,187	43,269	1,107,975
Timothy C. Scott President	2010	500,000	1,600,000	927,205	57,692	3,084,897
	2009	500,000	518,519	46,187	43,269	1,107,975
Eric A. Wachter EVP - Pharmaceuticals	2010	500,000	1,600,000	927,205	57,692	3,084,897
	2009	500,000	518,519	46,187	43,269	1,107,975

(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, 2010. Each named officer is also a member of our Board of Directors. The fair value reflected in the Option Awards column for 2009 includes compensation for service in 2009 as a director of 50,000 stock options granted at an exercise price of \$1.04 on June 19, 2009, which was the fair market price on the date of issuance. The fair value reflected in the Option Awards column for 2010 includes compensation for service in 2010 as a director of 50,000 stock options granted at an exercise price of \$1.16 on June 18, 2010 and for service as an executive officer of 1,000,000 stock options granted at an exercise price of \$1.00 on July 22, 2010. All 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 \$50,830 in 2010 and \$46,187 in 2009 for the 50,000 options and \$876,375 in 2010 for the 1,000,000 options.

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

## Base Salary &amp; Employment Agreements

On July 1, 2010, 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, 2010, each of our named executive officers was a party to executive employment agreement with substantially similar terms as the agreements entered on July 1, 2010.

During 2010 and 2009, we paid \$500,000 to each of named executive officers as annual base salary.

#### 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 2010 and 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 and other development in the clinic.

#### Defined Benefit Plan and 401(K) Profit Sharing Plan

Our four employees, including our named executive officers, participate in the Provectus Pharmaceuticals, Inc. Cash Balance Defined Benefit Plan and Trust (the "Plan"), which was established in 2007. Employer contributions to the Plan were \$345,000 in 2009. In September 2010, we terminated the Plan for our employees. We transferred approximately \$1,353,000 in assets from the Plan to our 401(K) Profit Sharing Plan, which was formed in the three months ended September 30, 2010. Contributions to the 401(K) Profit Sharing Plan by us are discretionary. Contributions made by us through December 31, 2010 totaled approximately \$497,000 and include the amounts originally contributed to the Plan in 2010.

#### 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, 2010 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, 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 December 31, 2010, none of our named executive officers had outstanding unvested stock options.

Outstanding Equity Awards at 2010 Year-End

The following table shows the number of equity awards outstanding as of December 31, 2010 for our named executive officers. All the options were exercisable as of December 31, 2010.

Name	Number of Shares of Common Stock Underlying Unexercised Options Exercisable	Option Awards	
		Option Exercise Price	Option Expiration Date
H. Craig Dees	18,750		