

PROVECTUS PHARMACEUTICALS INC  
Form 10-Q  
May 10, 2011

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

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2011

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 000-09410

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 No.)

7327 Oak Ridge Highway, Suite A, Knoxville, Tennessee 37931  
(Address of principal executive offices) (Zip Code)

866-594-5999  
(Registrant's telephone number, including area code)

N/A  
Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.  Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).  Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer  (Do not check if a smaller reporting company)  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 number of shares outstanding of the registrant's common stock, par value \$.001 per share, as of April 25, 2011 was 102,134,157. The number of shares outstanding of the issuer's 8% convertible preferred stock, par value \$.001 per share, as of April 25, 2011 was 4,889,997.

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## TABLE OF CONTENTS

<b>PART I FINANCIAL INFORMATION</b>		<b>1</b>
Item 1.	Financial Statements (unaudited)	1
	Condensed Consolidated Balance Sheets as of March 31, 2011 and December 31, 2010	1
	Condensed Consolidated Statements of Operations for the three months ended March 31, 2011 and 2010	2
	Condensed Consolidated Statements of Stockholders' Equity	3
	Condensed Consolidated Statements of Cash Flow	4
	Notes to Condensed Consolidated Financial Statements	6
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	10
Item 3.	Quantitative and Qualitative Disclosures About Market Risk	12
Item 4.	Controls and Procedures.	12
<b>PART II OTHER INFORMATION</b>		<b>13</b>
Item 1.	Legal Proceedings	13
Item 1A.	Risk Factors	13
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	13
Item 3.	Defaults Upon Senior Securities	13
Item 4.	[Removed and Reserved.]	13
Item 5.	Other Information	13
Item 6.	Exhibits	13
<b>SIGNATURES</b>		<b>14</b>

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## PART I FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS

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

## CONDENSED CONSOLIDATED BALANCE SHEETS

	March 31, 2011 (Unaudited)	December 31, 2010 (Audited)
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 12,400,592	\$ 8,086,200
Prepaid expenses and other current assets	47,415	—
<b>Total Current Assets</b>	<b>12,448,007</b>	<b>8,086,200</b>
Equipment and furnishings, less accumulated depreciation of \$411,310 and \$409,442	19,452	21,320
Patents, net of amortization of \$5,615,037 and \$5,447,257, respectively	6,100,408	6,268,188
Other assets	27,000	27,000
	<b>\$ 18,594,867</b>	<b>\$ 14,402,708</b>
<b>Liabilities and Stockholders' Equity</b>		
<b>Current Liabilities</b>		
Accounts payable – trade	\$ 244,189	\$ 418,477
Accrued compensation and payroll taxes	210,257	781,262
Accrued consulting expense	192,000	110,000
Pension liability	32,500	—
Other accrued expenses	40,000	40,000
<b>Total Current Liabilities</b>	<b>718,946</b>	<b>1,349,739</b>
Warrant liability	6,157,119	2,353,396
<b>Total Liabilities</b>	<b>6,876,065</b>	<b>3,703,135</b>
Redeemable preferred stock; par value \$.001 per share; 25,000,000 shares authorized; 4,889,997 and 5,389,998 shares issued and outstanding, respectively	3,737,432	4,122,245
<b>Stockholders' Equity</b>		

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Common stock; par value \$.001 per share; 150,000,000 authorized; 101,141,166 and 91,297,883 shares issued and outstanding, respectively	101,141	91,298
Paid-in capital	99,234,746	92,836,053
Deficit accumulated during the development stage	(91,354,517)	(86,350,023)
Total Stockholders' Equity	7,981,370	6,577,328
	\$ 18,594,867	\$ 14,402,708

See accompanying notes to consolidated financial statements.

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

	Three Months Ended March 31, 2011	Three Months Ended March 31, 2010 (As Restated)	Cumulative Amounts from January 17, 2002 (Inception) Through March 31, 2011
<b>Revenues</b>			
OTC product revenue	\$ —	\$ —	\$ 25,648
Medical device revenue	—	—	14,109
Total revenues	—	—	39,757
<b>Cost of sales</b>			
Cost of sales	—	—	15,216
Gross profit	—	—	24,541
<b>Operating expenses</b>			
Research and development	1,522,104	792,934	30,807,602
General and administrative	2,503,671	1,907,353	48,066,672
Amortization	167,780	167,780	167,780
Total operating loss	(4,193,555 )	(2,868,067 )	(84,464,770 )
Gain on sale of fixed assets	—	—	55,075
Loss on extinguishment of debt	—	—	(825,867 )
Investment income	156	50	650,499
(Loss) gain on change in fair value of warrant liability	(811,095 )	(634,999 )	1,328,550
Net interest expense	—	—	(8,098,004 )
Net loss	\$ (5,004,494 )	\$ (3,503,016 )	\$ (91,354,517 )
Dividends on preferred stock	(69,934 )	(7,972,243 )	
Net loss applicable to common shareholders	\$ (5,074,428 )	\$ (11,475,259 )	
Basic and diluted loss per common share	\$ (0.05 )	\$ (0.17 )	
Weighted average number of common shares outstanding – basic and diluted	97,991,375	69,004,545	

See accompanying notes to consolidated financial statements.

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

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY  
(Unaudited)

	Redeemable Preferred Stock		Common Stock		Paid in capital	Accumulated Deficit	Total
	Number of Shares	Par Value	Number of Shares	Par Value			
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
	—	—	—	—	15,612	—	15,612

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Employee compensation from stock options								
Issuance of stock pursuant to Regulation S	—	—	2,469,723	2,469	790,668	—	793,137	
Issuance of stock and warrants 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 )	
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	
	—	—	6,221,257	6,221	6,506,955	—	6,513,176	

Issuance of stock and warrants pursuant to Regulation D							
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	—	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 and warrants 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	—	—	—	—	16,447	—	16,447

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related to interest  
expense

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 and warrants 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)

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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 and warrants 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
Issuance of stock for services	—	—	776,250	776	855,837	—	856,613
Issuance of warrants for services	—	—	—	—	1,141,593	—	1,141,593
Exercise of warrants and stock options	—	—	3,491,014	3,491	3,100,189	—	3,103,680
Issuance of common stock pursuant to Regulation S	—	—	559,000	559	418,691	—	419,250
Issuance of common stock and warrants pursuant to Regulation D	—	—	11,168,067	11,169	6,335,820	—	6,346,989
Issuance of preferred stock and warrants pursuant to Regulation D	13,283,324	—	—	—	4,217,390	—	4,217,390
Dividends on preferred stock	—	10,042,240	—	—	(10,042,240)	—	(10,042,240)
	(7,893,326)	(5,919,995)	7,893,326	7,893	5,912,102	—	5,919,995

Preferred stock conversions into common stock							
Employee compensation from stock options	—	—	—	—	3,759,650	—	3,759,650
Net loss for the year ended 2010	—	—	—	—	—	(18,552,102)	(18,552,102)
Balance, at December 31, 2010	5,389,998	\$4,122,245	91,297,883	\$91,298	\$92,836,053	\$(86,350,023)	\$6,577,328
Issuance of stock for services	—	—	75,000	75	66,925	—	67,000
Issuance of warrants for services	—	—	—	—	389,172	—	389,172
Exercise of warrants and stock options	—	—	3,679,332	3,679	3,411,831	—	3,415,510
Issuance of common stock and warrants pursuant to Regulation D	—	—	5,588,952	5,589	2,146,452	—	2,152,041
Preferred stock conversions into common stock and change in redemption value	(500,001 )	(384,813 )	499,999	500	384,313	—	384,813
Net loss for the three months ended March 31, 2011	—	—	—	—	—	(5,004,494 )	(5,004,494 )
Balance, at March 31, 2011	4,889,997	\$3,737,432	101,141,166	\$101,141	\$99,234,746	\$(91,354,517)	\$7,981,370

See accompanying notes to consolidated financial statements.

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

	Three Months Ended March 31, 2011	Three Months Ended March 31, 2010 (As Restated)	Cumulative Amounts from January 17, 2002 (Inception) through March 31, 2011
<b>Cash Flows From Operating Activities</b>			
Net loss	\$ (5,004,494 )	\$ (3,503,016 )	\$ (91,354,517 )
Adjustments to reconcile net loss to net cash used in operating activities			
Depreciation	1,868	2,606	434,311
Amortization of patents	167,780	167,780	5,615,037
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	—	—	(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	—	—	10,845,751
Compensation through issuance of stock	—	—	932,000
Issuance of stock for services	67,000	190,688	8,331,261
Issuance of warrants for services	389,172	528,953	4,128,599
Issuance of warrants for contractual obligations	—	—	985,010
Gain on sale of equipment	—	—	(55,075 )
Loss (gain) on change in fair value of warrant liability	811,095	634,999	(1,328,550 )
(Increase) decrease in assets			
Prepaid expenses and other current assets	(47,415 )	(328,628 )	(47,415 )
Increase (decrease) in liabilities			