PROVECTUS PHARMACEUTICALS INC
Form 10KSB/A
November 01, 2004

United States Securities And Exchange Commission
Washington, DC 20549

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FORM 10-KSB

Amendment No. 3

(Mark One)

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

For the fiscal year ended December 31, 2003; 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.
(Name of Small Business Issuer in Its Charter)

| Nevada | 90-0031917 |
|---|---|
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification Number) |
| 7327 Oak Ridge Highway, Suite A, Knoxville, Tennessee | 37931 |
| (Address of Principal Executive Offices) | (Zip Code) |

865/769-4011
(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 $.001 per share

(Title of Class)

Check whether the issuer: (1) 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 [X] No [_]

Check if there is no disclosure of delinquent filers in response to Item 405 of Regulation S-B contained in this form, and no disclosure will 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-KSB or any amendment to this Form 10-KSB. [_]

The issuer's revenues for the most recent fiscal year were $0.

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant as of March 15, 2004, was $9,694,102 (computed on the basis of $1.20 per share).

The number of shares outstanding of the issuer's stock, $0.001 par value per share, as of March 15, 2004 was 12,793,064.

Documents incorporated by reference in Part III hereof: Proxy Statement for 2004 Annual Meeting of Stockholders

Transitional Small Business Disclosure Format (check one): Yes [_] No [X]

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

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## PART I

### Item 1. Description of Business.

History

Provectus Pharmaceuticals, Inc., 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 treat 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 the Company. 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 had 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. We intend to continue product development and begin to market a line of personal sanitizing sprays and related products to be sold over the counter under the "Pure-ific" brand name.

Description Of Business

Overview

Provectus, and its two wholly owned subsidiaries, Xantech Pharmaceuticals, Inc. and Pure-ific Corporation, develop, license and 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

We manage Provectus, Xantech and Pure-ific on an integrated basis, and when we refer to "we" or "us" or "the Company" in this Annual Report on Form 10-KSB, we refer to all three corporations considered as a single unit. Our principal executive offices are located at 7327 Oak Ridge Highway, Suite A, Knoxville, Tennessee 37931, telephone 865/769-4011.

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 (including patented technologies for: (a) treatment of cancer; (b) novel therapeutic medical devices; (c) enhancing contrast in medical imaging; (d) improving signal processing during biomedical imaging; and (e) 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 license 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
- 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;



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

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 chronic skin irritation that accompanies the long-term use of disposable gloves has been characterized as an allergic-like reaction to the glove materials. Currently, physicians treat the condition using steroids and other immunosuppressive therapies. To avoid possible regulatory bars, we are marketing GloveAid as a means to increase users' comfort, not as a long-term therapy for treatment of chronic skin irritation. However, as we obtain data regarding people who have existing chronic skin irritation, we may seek regulatory approval of GloveAid to permit us to market it as a therapy for chronic skin problems associated with wearing of disposable gloves. If we decide to obtain this regulatory approval, we anticipate that our projected sales of GloveAid would increase significantly. Obtaining this approval would require the completion of glove viability tests required by the United States Food and Drug Administration, which we refer to as the "FDA," and responding to the FDA's comments relating to these tests. We estimate regulatory approval would cost approximately $300,000 and would take from two to three years to obtain.

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 6 hours. We have determined the effectiveness of Pure-rific 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, we identified and engaged sales and brokerage forces for Pure-ific. We emphasized getting sales in independent pharmacies and mass (chain store) 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 on-line sales of the antibacterial hand spray. We intend to continue developing our distribution network for these products and expect to expand the Pure-ific product line to include additional applications.

Dermatology

A number of dermatological conditions, including psoriasis, eczema, and acne, 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 psoriasis, eczema, and acne. Wherever possible, we intend to formulate these products to minimize or avoid significant regulatory bars that might adversely impact 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 the

pre-clinical or clinical trial stage.

Dermatology

Our most advanced prescription drug candidate for treatment of topical diseases on the skin is Xantryl, a topical gel. PV-10, the active ingredient in Xantryl, is "photoactive": it reacts to light of certain wavelengths, increasing its therapeutic effects. PV-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 PV-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. PV-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 Xantryl 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.

Acute psoriasis. 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. According to Roenigk and Maibach (Psoriasis, Third Edition, 1998), there are approximately five million people in the United States who suffer from psoriasis, with an estimated 160,000 to 250,000 new psoriasis cases each year. There is no known cure for the disease at this time. 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 Xantryl activated with green light offers a superior treatment for acute psoriasis 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, Xantryl 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 are continuing the required Food and Drug Administration reporting to support the active Investigational New Drug application for Xantryl's Phase 2 clinical trials on psoriasis. The required reporting includes the publication of results regarding the multiple treatment scenario of the active ingredient in Xantryl. We expect to conduct Phase 2 studies in the near future, in which we expect to assess the potential for remission of the disease using a regimen of weekly treatments similar to those used for PUVA.

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 use of Xantryl 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 with the predecessor company that was acquired in 2002. This study, involving 24 subjects, examined the safety profile of a single treatment using topical Xantryl with green light photoactivation; no significant safety concerns were identified. We are assessing the data from the study as a possible basis for further clinical development of Xantryl for AK.

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 Xantryl can be used as an advanced treatment for this disease. Pre-clinical studies show that the active ingredient in Xantryl readily kills bacteria associated with acne. This finding, coupled with our clinical experience in psoriasis and actinic keratosis, suggests that therapy with Xantryl 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 Xantryl 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 Provecta, a sterile injectible form of PV-10, 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, we have been working toward completion of the extensive scientific and medical materials necessary for filing an Investigational New Drug application for Provecta in anticipation of beginning Phase 1 clinical trials for breast and liver cancer.

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; 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 Provecta 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 are assessing strategies for initiation of clinical trials of Provecta for treatment of liver cancer.

Breast Cancer. Breast cancer afflicts over 200,000 U.S. citizens annually, leading to over 40,000 deaths. 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 Provecta 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 Provecta into the tumor, localized destruction of suspected tumors through direct injection of Provecta clearly has the potential of becoming a primary treatment. We are evaluating options for initiating clinical studies of direct injection of Provecta into breast tumors, and expect to formulate final plans based on results from clinical studies of



our indication for Provecta in liver cancer.

Prostate Cancer. Cancer of the prostate afflicts approximately 190,000 U.S. men annually, leading to over 30,000 deaths. 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 Provecta 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 Provecta can become a primary treatment. We are evaluating options for initiating clinical studies of direct injection of Provecta into prostate tumors, and expect to formulate final plans based on results from clinical studies of our indications for Provecta in the treatment of liver and breast cancer.

Medical Devices

We are developing medical devices 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 Xantryl other prescription drugs and non-surgical destruction of certain skin cancers.

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

Photoactivation. Our clinical tests of Xantryl 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 Xantryl; 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 dermatologic 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 continue to conduct 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 believed that our extremely successful results could be extrapolated to treatment of primary melanomas of the skin, which have an incidence of over 52,000 new cases annually in the U.S. and a 13% 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 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

While we continue to actively develop projects that are product directed, we have placed research activities for new product initiatives on hold as we attempt 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 supporting our OTC product launches, our current product development and maintaining our intellectual property portfolio. We are maintaining our research facilities in anticipation of a resumption of our research programs for new product initiatives.

Production

We have determined that the most efficient use of our capital in producing OTC products is to contract production with experienced entities having previous success in economically producing such products. We have ongoing relationships with two OTC product manufacturers, EXAL, Inc. and 220 Laboratories, Inc., and several other OTC service vendors that will manufacture, package, warehouse and ship our OTC products. We do not have written agreements with any of our manufacturers or vendors.

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 are commencing limited sales of GloveAid and Pure-ific. We sold small amounts of these products during 2003 but did not recognize the revenue from these sales because we do not consider these sales to be material as total sales of these products in 2003 was less than $1,000. 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.

In addition to developing and selling products ourselves, 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, including those identified in the following table:

| U.S. Patent No. | Title | Issue Date | Ex |
|---|---|---|---|
| 5,829,448 | Method for improved selectivity in photo-activation of molecular agents | November 3, 1998 | Oc |
| 5,832,931 | Method for improved selectivity in photo-activation and detection of molecular diagnostic agents | November 10, 1998 | Oc |
| 5,998,597 | Method for improved selectivity in photo-activation of molecular agents | December 7, 1999 | Oc |



| U.S. Patent No. | Title | Issue Date | Ex |
|---|---|---|---|
| 6,042,603 | Method for improved selectivity in photo-activation of molecular agents | March 28, 2000 | Oc |
| 6,331,286 | Methods for high energy phototherapeutics | December 18, 2001 | De |

| | | | |
|---|---|---|---|
| 6,451,597 | Method for enhanced protein stabilization and for production of cell lines useful for production of such stabilized proteins | September 17, 2002 | Ap |
| 6,468,777 | Method for enhanced protein stabilization and for production of cell lines useful for production of such stabilized proteins | October 22, 2002 | Ap |
| 6,493,570 | Method for improved imaging and photodynamic therapy | December 10, 2002 | De |
| 6,495,360 | Method for enhanced protein stabilization and for production of cell lines useful for production of such stabilized proteins | December 17, 2002 | Ap |
| 6,519,076 | Methods and apparatus for optical imaging | February 11, 2003 | Oc |
| 6,525,862 | Methods and apparatus for optical imaging | February 25, 2003 | Oc |
| 6,541,223 | Method for enhanced protein stabilization and for production of cell lines useful for production of such stabilized proteins | April 1, 2003 | Ap |

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: Xantryl(TM), Provecta(TM), GloveAid(TM), and Pure-ific(TM) (including Pure-ific(TM) and Pure-ific(TM) Kids). We also own the registered trademark PulseView(R). 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. We refer to this agreement in this report as the "Material Transfer Agreement." 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 can give you no assurance 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.

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(R) for treatment of several niche cancer indications, and has a second product, Visudyne(R), approved for treatment of certain forms of macular degeneration. Another competitor in this field, Dusa Pharmaceuticals, Inc. recently received FDA approval of its photodynamic product Levulan(R) Kerastik(R) 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.

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 our similar to our GloveAid and Pure-ific products. Further, proprietary protection of our products may help limit or prevent market erosion until our patents expire.

Federal Regulation of Therapeutic Products

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.



Personnel

Executive Officers

As of March 25, 2004, our executive officers are:

H. Craig Dees, Ph.D., 52, Chief Executive Officer. Dr. Dees has served as our Chief Executive Officer and as a member of our Board of Directors since we acquired PPI 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 (ORNL), 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 Ingelhem GmbH, an international chemical and pharmaceutical company headquartered in Germany. He has developed numerous products in a broad range of areas, including ethical vaccines, human diagnostics, cosmetics and OTC pharmaceuticals, and has set several regulatory precedents in licensing and developing biotechnology-derived products. For example, Dr. Dees developed and commercialized the world's first

live viral vaccine produced by recombinant DNA technologies and licensed the first recombinant antigen human diagnostic assay using a FDA Class II licensure. While at TechAmerica he developed and obtained USDA approval for the first in vitro assay for releasing "killed" viral vaccines. Dr. Dees also has licensed successfully a number of proprietary cosmetic products and formulated strategic planning for developing cosmetic companies. He earned a Ph.D. in Molecular Virology from the University of Wisconsin - Madison in 1984.

Timothy C. Scott, Ph.D., 46, President. Dr. Scott 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 as 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 ORNL. Dr. Scott has been involved in developing numerous high-tech innovations in a broad range of areas, including separations science, biotechnology, biomedical, and advanced materials. He has licensed several of his innovations to the oil and gas and biotechnology industries. As Director of the Bioprocessing R&D Center at ORNL, Dr. Scott achieved a national presence in the area of use of advanced biotechnology for the production of energy, fuels, and chemicals. He earned a Ph.D. in Chemical Engineering from the University of Wisconsin - Madison in 1985.

Eric A. Wachter, Ph.D., 41, Vice President - Pharmaceuticals. Dr. Wachter has served as our 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 ORNL. Starting during his affiliation with Photogen, Dr. Wachter has been extensively involved in pre-clinical development and clinical testing of pharmaceuticals and medical device systems, as well as with coordination and filing of patents. He earned a Ph.D. in Chemistry from the University of Wisconsin - Madison in 1988.

Peter R. Culpepper, CPA, MBA, 44, Chief Financial Officer. Mr. Culpepper was appointed to serve as our Chief Financial Officer 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 an MBA in Finance from the University of Maryland - College Park in 1992. He earned an



undergraduate degree from the College of William and Mary - Williamsburg, Virginia in 1982. He is a licensed Certified Public Accountant in both Tennessee and Maryland and is a faculty member with the University of Phoenix.

Employees

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

Available Information

Provectus Pharmaceuticals, Inc. is a "public company," and therefore we are subject to the informational requirements of the Securities Exchange Act of 1934, as amended, which we refer to as the "Exchange Act." To comply with those requirements, we file annual reports, quarterly reports, periodic reports and other reports and statements with the Securities and Exchange Commission, which we refer to as the "SEC." You may read and copy any materials that we file with the SEC at the SEC's Public Reference Room, at 450 Fifth Street, N.W., Washington, D.C. 20549. You can obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. In addition, the SEC maintains an Internet site at http://www.sec.gov, from which you can access electronic copies of materials we file with the SEC.

Our Internet address is http://www.pvct.com. We have made available, through a link to the SEC's Web site, electronic copies of the materials we file with the SEC (including our annual reports on Form 10-KSB, our quarterly reports on Form 10-QSB, our current reports on Form 8-K, the Section 16 reports filed by our executive officers, directors and 10% shareholders and amendments to those reports). To receive paper copies of our SEC materials, please contact us by U.S. mail, telephone, facsimile or electronic mail at the following address:

Provectus Pharmaceuticals, Inc.
Attention: President
7327 Oak Ridge Highway, Suite A
Knoxville, TN 37931
Telephone: 865/769-4011
Facsimile: 865/769-4013
Electronic mail: info@pvct.com

Item 2. Description of Property.

We currently lease approximately 4,000 square feet of space outside of Knoxville, Tennessee for our corporate office and operations. Our monthly rental charge for these offices is approximately $2,800 per month, and the lease is renewed on a month-to-month 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.

Item 4. Submission of Matters to a Vote of Security Holders.

During the three months ended December 31, 2003, we did not submit any matters to a vote of our stockholders.



Part II

Item 5. 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, 2002:

| 2002 | High | Low |
|---|---|---|
| First Quarter (January 1 to March 31) | $2.60 | $0.02 |
| Second Quarter (April 1 to June 30) | $10.01 | $0.30 |
| Third Quarter (July 1 to September 30) | $1.05 | $0.12 |
| Fourth Quarter (October 1 to December 31) | $0.55 | $0.07 |
| 2003 | | |
| First Quarter (January 1 to March 31) | $0.60 | $0.26 |
| Second Quarter (April 1 to June 30) | $ 1.01 | $0.21 |
| Third Quarter (July 1 to September 30) | $0.60 | $0.20 |
| Fourth Quarter (October 1 to December 31) | $2.00 | $0.22 |

The closing price for our common stock on March 25, 2004 was $1.69. 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 15, 2004, we had 1,899 shareholders of record of our common stock.

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

During the year ended December 31, 2003, we did not sell any securities which were not registered under the Securities Act of 1933, as amended, which we refer to as the "Securities Act," except as follows:

1. Pursuant to a letter agreement dated January 8, 2003 between us and Investor-Gate.com, we retained Investor-Gate to provide investor relations services. For these services, we agreed to pay Investor-Gate a monthly fee of $7,250 for the first three months of the agreement and a monthly fee of $6,000 per month thereafter. The monthly fee for the first three months was paid by the issuance and delivery to Investor-Gate of 29,000 shares of our common stock at an agreed-upon value of $0.75 per share. In addition, we agreed to grant Investor-Gate warrants for the purchase of additional shares of our common stock. As of the close of business on January 8, 2003, the value of our common stock was $0.40 per share.

   On February 28, 2003, we terminated the agreement with Investor-Gate

as a result of Investor-Gate's failure to perform the contracted-for investor relations services. Investor-Gate retained the 29,000 shares initially issued to it, as well as a warrant exercisable for the purchase of 25,000 shares of our common stock at an exercise price of $0.75 per share. In addition, we remained obligated to issue



additional warrants to Investor-Gate on the following terms:

| Number of Shares | Exercise Price | Issue Date | Termination Date |
|---|---|---|---|
| 25,000 shares | $2.00 | April 8, 2003 | September 8, 2004 |
| 25,000 shares | $5.00 | January 8, 2004 | July 8, 2005 |

We relied on an exemption from registration pursuant to Section 4(2) of the Securities Act, based on the sale of the shares and warrants, and the issuance of the shares of common stock issuable upon exercise of the warrants, to a single purchaser in a transaction not involving any general solicitation or general advertising.

2. Pursuant to a letter agreement dated January 31, 2003 between us and Gryffindor, we issued Gryffindor an Amended and Restated Senior Secured Convertible Note dated January 31, 2003 in the original principal amount of $1,025,959. The amended note bears interest at 8% per annum, payable quarterly in arrears, is due and payable in full on November 26, 2004, and amends and restated the original note in its entirety. As with the original note, our obligations under the amended note are secured by a first priority security interest in all of our assets, including the assets held by our Xantech and Pure-ific subsidiaries. Subject to certain exceptions, the amended note is convertible into shares of our common stock beginning on the November 26, 2003; the principal amount of the note is convertible at the rate of one share of common stock for each $0.73655655 of principal converted, while accrued but unpaid interest on the note is convertible at the rate of one share of common stock for each $0.55 of accrued but unpaid interest converted. We relied on an exemption from registration pursuant to Section 4(2) of the Securities Act, based on the issuance of the amended note, and the issuance of the shares of common stock issuable upon conversion of the amended note, to a limited number of purchasers in a transaction not involving any general solicitation or general advertising.

3. Pursuant to a letter agreement dated February 20, 2003 between us and Strategic Growth International, Inc., which we refer to as "SGI," we retained SGI as our investor relations consultant. For services under this agreement, we issued SGI warrants on the following terms:

| Number of Shares | Exercise Price | Issue Date | Termination Date |
|---|---|---|---|
| 120,000 shares | $0.25 | February 20, 2003 | February 20, 2008 |
| 120,000 shares | $0.35 | February 20, 2003 | February 20, 2008 |

| | | | |
|---|---|---|---|
| 120,000 shares | $0.50 | February 20, 2003 | February 20, 2008 |

In addition, at our option, during the first three months of the agreement we may elect to issue SGI 30,000 shares per month in lieu of payment of $3,000 of the monthly cash fee payable under the agreement. As of the close of business on February 18, 2003, the last day on which a trade was reported prior to the execution of the agreement with SGI, the value of our common stock was $0.26 per share. During the quarter ended March 31, 2003, we did not exercise our option to issue shares in lieu of payment of fees. We relied on an exemption from registration pursuant to Section 4(2) of the Securities Act, based on the sale of the shares and warrants, and the issuance of the shares of common stock issuable upon exercise of the warrants, to a single purchaser in a transaction not involving any general solicitation or general advertising.

4. Pursuant to a letter agreement dated March 27, 2003 between us and Josephberg Grosz & Co., Inc., which we refer to as "JGC," we issued JG Capital, Inc., an affiliate of JGC, 35,000 shares of common stock as consideration for JGC's agreement to assist us in obtaining additional capital. As of the close of business on March 21, 2003, the last day



on which a trade was reported prior to the execution of the agreement with JGC, the value of our common stock was $0.32 per share. We relied on an exemption from registration pursuant to Section 4(2) of the Securities Act, based on the sale of these shares to a single purchaser in a transaction not involving any general solicitation or general advertising.

5. Pursuant to Consulting Agreements dated September 2, 2003 between us, Phil Baker, George Matin and Bruce Cosgrove, we issued 200,000 shares of common stock and 100,000 warrants to each of Mssrs. Baker, Matin and Cosgrove as consideration for their agreement to provide consulting services to us. The warrants provide for the purchase of our common shares at any time prior to September 2, 2008 at a price of $0.75 per share. As of the close of business on August 29, 2003, the last day on which a trade was reported prior to the execution of the agreements with Mssrs. Baker, Matin and Cosgrove, the value of our common stock was $0.31 per share. We relied on an exemption from registration pursuant to Section 4(2) of the Securities Act, based on the sale of these shares to a single purchaser in a transaction not involving any general solicitation or general advertising.

6. In November 2003, we completed a short-term unsecured debt financing in the aggregate gross amount of $500,000. On November 19, 2003, we issued in a private placement to "accredited investors" under the Securities Act of 1933, as amended, (i) $500,000 in the aggregate principal amount of our 8% unsecured convertible debentures; (ii) warrants to purchase up to 500,000 shares of our common stock at an exercise price of $1.00 per share; and (iii) warrants to purchase up to 100,000 shares of our common stock at an exercise price of $1.25 per share. We used the proceeds of the offering to provide short-term working capital.

7. In December 2003, we commenced an offering for sale up to approximately $1 million of our restricted common stock. Net proceeds to us were initially expected to be approximately $400,000 to

$600,000. We have since increased this offering amount to $2 million and have received proceeds of $967,750 as of March 15, 2004 and have sold a total of 2,228,769 shares in this offering. We engaged a placement agent to assist us in the offering. Placement agent fees and related expenses totaled $1,446,607 as of March 15, 2004. If we are successful in selling the remaining shares, total net proceeds are expected to be approximately $1.0 million to $1.6 million. 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.

Item 6. Management's Discussion and Analysis or Plan of Operation.

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 Annual Report on Form 10-KSB. Historical results and percentage relationships set forth in the statement of operations, including trends which might appear, are not necessarily indicative of future operations.

Going Concern

In connection with their audit report on our consolidated financial statements as of December 31, 2003, BDO Seidman LLP, our independent certified public accountants, expressed substantial doubt about our ability to continue as a going concern because such continuance is dependent upon our ability to raise capital.

Our technologies are in early stages of development. We have not generated material revenues from sales or operations and we do not expect to generate



sufficient revenues to enable us to be profitable for several calendar quarters. At critical junctures during 2003 we obtained $40,000 in additional funding through loans from Eric A. Wachter, our Vice President - Pharmaceuticals, a member of our Board of Directors, and a major shareholder. These funds allowed us to complete our planned corporate reorganization and acquisitions, complete initial production runs for several of our OTC products, and maintain our facilities and intellectual property portfolio. As of December 31, 2003, we have borrowed a total of $149,000 from Dr. Wachter, including $109,000 borrowed in 2002. We require additional funding to continue initial production and distribution of OTC products in order to achieve meaningful sales volumes. In addition, we must raise substantial additional funds in order to fully implement our integrated business plan, including execution of the next phases in clinical development of our pharmaceutical products and full resumption of research programs for new research initiatives that are currently delayed.

Ultimately, we must achieve profitable operations if we are to be a viable entity. We intend to proceed as rapidly as possible with the development 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. Although we believe that there is a reasonable basis for our expectation that we will successfully raise the needed funds, we cannot assure

you that we will be able to raise sufficient capital to sustain operations 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.

Our current plans include continuing to operate with our four employees during the immediate future, but we anticipate adding some part-time employees during the next year. Our current plans also include minimal purchases of new property, plant and equipment, and limited research and development. We determined research and development expense incurred during 2003 through specific identification of expenses, as well as an allocation of salaries expense attributed to research and development.

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 OTC products and core intellectual properties. This combination represents the foundation for a successful operating company that we believe will provide both short-term profitability and long-term growth. In 2004, through careful control of expenditures, escalating sales of OTC products, and issuance of debt and equity, we plan to build on that foundation to increase shareholder value.

In the short term, we intend to develop our business by marketing, manufacturing, and distributing our existing OTC products, principally GloveAid and Pure-ific. In the longer term, we expect to continue the process of developing, testing and obtaining FDA approval of prescription drugs and medical devices. Additionally, we intend to restart our research programs that will identify additional conditions that our intellectual properties may be used to treat and additional treatments for those and other conditions.

We are in the planning phase for the major research and development projects, and therefore do not have estimated completion dates, completion costs and capital requirements for these projects. The reason we do not have this information available is because we have not completed our planning process. Since there is no defined schedule for completing these development projects, there are no defined consequences if they are not completed timely. The research and development costs comprising a total of $724,924 incurred in 2003, included depreciation expense of $218,082, consulting of $49,198, lab expense of $12,800, insurance of $10,153, legal expense of $130,271, office and other expense of $2,008, payroll of $252,042, rent and utilities of $38,057, and taxes and fees of $12,313. Research and development costs comprising a total of $50,714 for 2002 include lab expense of $250, insurance of $2,244, legal of $1,374, payroll of $38,996, and rent and utilities of $7,850.

Cash Flow

As of March 15, 2004, we held approximately $500,000 in cash. At our current cash expenditure rate, this amount will be sufficient to meet our needs



until the end of August 2004. We already have begun to reduce our expenditure rate by delaying some of our research programs for new research initiatives; in addition, we are seeking to improve our cash flow by increasing sales of OTC products. However, we cannot assure that we will be successful either in increasing sales of OTC products or in reducing expenditures. Moreover, even if we are successful in improving our current cash flow position, we nonetheless will require additional funds to meet our short-term and long-term needs. We anticipate these funds will come from the proceeds of private placements or

public offerings of debt or equity securities, but we cannot assure you that we will be able to obtain such funds.

Capital Resources

As noted above, our present cash flow is not sufficient to meet our short-term operating needs for initial production and distribution of OTC products in order to achieve meaningful sales volumes, much less to meet our longer-term needs for investment in our business through execution of the next phases in clinical development of our pharmaceutical products and resumption of our currently suspended research programs. We anticipate that the majority of the funds for our operating and development needs in 2004 will come from the proceeds of private placements or public offerings of debt or equity securities. We are currently in discussions with multiple funding sources and feel confident adequate operating funding and development funding will result. While we believe that we have reasonable basis for our expectation that we will be able to raise additional funds, we cannot give you an assurances that we will be able to do so on commercially reasonable terms. In addition, any such financing may result in significant dilution to shareholders.

Equity Transactions

From time to time we enter into consulting agreements with various providers. The nature of the consulting services include overall business strategy, the development and support of over-the-counter distribution agreements, general business development, public relations and investor relations.

In 2003, we issued 764,000 shares to consultants in exchange for services rendered, consisting of 29,000 shares issued in January, 35,000 shares issued in March and 700,000 shares issued in October. Consulting costs charged to operations were $95,133. At December 31, 2003, $144,667 has been classified as prepaid consulting expense as this amount represents payments for services to be provided in the future. The shares are fully vested and non-forfeitable.

In November and December 2003, we committed to issue 341,606 shares to consultants in exchange for services rendered. Consulting costs charged to operations were $49,517. At December 31, 2003, $231,983 has been classified as prepaid consulting expense as this amount represents payments for services to be provided in the future. The shares are fully vested and non-forfeitable.

We apply the recognition provisions of SFAS No. 123, "Accounting for Stock-Based Compensation," in accounting for stock options and warrants issued to nonemployees. In January 2003, we issued 25,000 warrants to a consultant for services rendered. In February 2003, we issued 360,000 warrants to a consultant 180,000 of which were fully vested and non-forfeitable at the issuance and the remaining 180,000 warrants were cancelled in August 2003 due to the termination of the consulting contract. In September 2003, we issued 200,000 warrants to two consultants in exchange for services rendered. In November 2003, we 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 ranged from $0.20 to $0.24. Consulting costs charged to operations were $101,312. At December 31, 2003, $44,167 has been classified as prepaid consulting expense as this amount represents payments for services to be provided in the future. The prepaid consulting expense relates to warrants which are fully vested and non-forfeitable.

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-KSB indicated below.



Forward-Looking Statements

This Annual Report on Form 10-KSB 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-KSB. 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-KSB 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.

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 Annual Report on Form 10-KSB. Any of these risks could materially adversely affect our business, operating results and financial condition:

Our independent auditors have expressed substantial doubt about our ability to continue as a going concern.

Our independent public accountants have expressed substantial doubt about our ability to continue as a going concern in their report on our December 31, 2003 financial statements. Currently, our continuance as a going concern is dependent upon our ability to raise capital or achieve profitable operations. Our technologies are in early stages of development. We have generated minimal initial revenues from sales and operations thus far in 2004, but we do not expect to generate sufficient revenues to enable us to be profitable for several calendar quarters. We require additional funding to continue initial production and distribution of OTC products in order to achieve meaningful sales volumes. In addition, we must raise substantial additional funds in order to fully



implement our integrated business plan, including execution of the next phases in clinical development of our pharmaceutical products and resumption of research programs currently suspended.

Ultimately, we must achieve profitable operations if we are to be a viable entity. We intend to proceed as rapidly as possible with the development 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 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 and continue as a going concern.

Because of our limited operations and the fact that we are currently generating limited revenue, we may be unable to pay our debts when they become due.

We currently have $1,674,959 in debt, net of a debt discount of $499,675 and $100,021 of accrued interest on our balance sheet, consisting of $1,025,959 in principal and $88,000 in accrued but unpaid interest owed to Gryffindor pursuant to the Note; $500,000 in principal and $4,590 in accrued interest owed to the holders of our debentures and $149,000 in principal and $7,431 in accrued interest owed to Dr. Wachter. The amounts due to Gryffindor and to the holders of are debentures are due in November 2004 and the amounts due to Dr. Wachter are due in 2009. Because of the convertible nature of the debt owed to Gryffindor and to the holders of the convertible debentures, we may not have to repay this debt if the debt is converted into shares of our common stock. However, we can not assure you that this debt will be converted into common stock and we may have to repay this indebtedness. We are trying to secure additional financing, but have not yet succeeded in doing so. Our ability to satisfy our current debt service obligations and any additional obligations we might incur will depend upon our future financial and operating performance, which, in turn, is subject to prevailing economic conditions and financial, business, competitive, legislative and regulatory factors, many of which are beyond our control. If our cash flow and capital resources continue to be insufficient to fund our debt service obligations, we may be forced to reduce or delay planned acquisitions, expansion and capital expenditures, sell assets, obtain additional equity capital or restructure our debt. Additionally, our creditors could accelerate our payment obligations, commence foreclosure proceedings against our assets or force us into bankruptcy or liquidation. In such events, any proceeds may not be sufficient to pay off our creditors. We cannot assure you that our operating results, cash flow and capital resources will be sufficient for payment of our debt service and other obligations in the

future.

We will need additional capital to conduct our operations and develop our products, and our ability to obtain the necessary funding is uncertain.

We will require substantial capital resources in order to conduct our operations and develop our products. We estimate that our existing capital resources will be sufficient to fund our current and planned operations only through August 31, 2004, and we may need additional capital at an earlier date. 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 and our independent auditors' going concern qualification may make it more difficult for us to obtain additional funding to meet our objectives. As discussed in more detail below, additional equity financing could result in significant dilution to shareholders. 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 shareholders may face dilution from our financing efforts



We must raise additional capital from external sources to execute our business plan. We plan to issue debt securities, capital stock, or a combination of these securities. 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.

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, Xantryl and Provecta, 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 or medical device products we are developing to be commercially available for at least 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 widely accepted in the marketplace or that we will have adequate capital to market and distribute these products which are an important factor in the future success of our business.

We recently have begun marketing GloveAid and Pure-ific, our first two OTC products, on a limited basis. We have not recognized any revenue from these products, as the sales of these products have not been material. In order for these products to become commercially successful, we must increase significantly our distribution of them. Increasing distribution of these products requires, in turn, that we or distributors representing us increase marketing of these products. In view of our limited financial resources, we may be unable to afford



increases in our marketing of our OTC products sufficient to improve our distribution of our products. Even if we can and do increase our marketing of our OTC products, we cannot give you any assurances that we can successfully increase our distribution of our products.

If we do begin increasing our distribution of our OTC products, we must increase our production of these products in order to fill our distribution channels. Increased production will require additional financial resources that we do not have at present. Additionally, we may succeed in increasing production without succeeding in increasing sales, which could leave us with excess, possibly unsaleable, inventory.

If we are unable to successfully introduce, market and distribute these products, our business, financial condition, results of operations and cash flows could be materially adversely affected.

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 out 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 also may 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 currently marketed products are generally established and commonly sold, they are subject to competition from products with similar qualities.

Our OTC product Pure-ific competes in the market with other hand sanitizing products, including in particular, the following hand sanitizers:

- Purell (manufactured by GOJO Industries),
- 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(R) disposable gloves (manufactured by Medline Industries) target the same market niche.

Since our prescription products Provecta and Xantryl have not yet been approved by 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 or 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 for us.

We also rely upon trade secrets, unpatented proprietary know-how and continuing technological innovation in order 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, or 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 are 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 Vice President - Pharmaceuticals; and
- Peter R. Culpepper, CPA, our Chief Financial 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 drug, medical device and OTC products. Also, as of December 31, 2003, we owe $352,500 in accrued but unpaid compensation to our employees, most of which is owed to Drs. Dees, Scott and Wachter. 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 executives if any of our key employees should choose to leave.

Because we have only four employees, 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 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 a part-time regulatory affairs officer, a part-time lab technician and a part-time office manager within the next year. 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 managements attention from the operation of our business.

Our common stock price can be volatile because of several factors, including a limited public float.

During the twelve-month period ended December 31, 2003, the sale price of our common stock fluctuated from $2.00 to $0.20 per share. We believe that our



common stock is subject to wide price fluctuations because of several factors, including:

- absence meaningful earnings and 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 markets 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.

We have raised substantial amounts of capital in private placements from time to time and if we have failed to comply with applicable laws and regulations applicable to these private placements, we could be required to repay this capital to investors and could be subject to legal action by the investors and by state and federal securities regulators .

We have offered and sold securities in private placements in reliance upon exemptions from the registration requirements of the SEC and state agencies. These exemptions are highly technical in nature and if we inadvertently failed to comply with the requirements of any of the exemptive provisions, investors might have the right to rescind their purchase of our securities or sue for damages. If one or more investors were to successfully seek rescission or prevail in any suit, we could face severe financial demands that could materially and adversely affect our financial position. Further, the SEC and state agencies could take action against us that could divert management's attention from the operation of our business, cause us to pay fines and penalties and cause us to have to repay investors their original investment, among other things.

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 Over the Counter Electronic 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.

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. For example, the initial conversion rate of the debentures issued during the fourth quarter of 2003 is equal to the lower of (i) 75% of the average market price of our common stock for the twenty (20) trading days ending on the twentieth trading day subsequent to the effective date of the registration statement or (ii) $0.75 per share. If the average market price of our common stock is so low that it causes the conversion rate on the debentures to fall below approximately $0.73, and if the debenture holders enforce this provision of our agreement with them, we will have to issue more shares to the debenture holders upon conversion of the debentures and the anti-dilutive provisions contained in our agreements with Gryffindor will become operative. If these anti-dilutive provisions become operative, we may be required to issue a significant number of shares of common stock to Gryffindor. We will not receive any additional proceeds from Gryffindor for the issuance of these shares of common stock. Other financings that we may obtain may contain similar provisions, and the existence of anti-dilutive provisions in some of our existing financings may make it more difficult for us to obtain financing in the future. These types of transactions which cause the issuance of our common stock in connection with the exercise or conversion of securities may result in substantial dilution to the remaining holders of our common stock.

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 need to maintain and expand our operations.

We have not had earnings, but if earnings were available, 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.

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

The information called for by this item is incorporated by reference to our Current Report on Form 8-K which was filed with the SEC on January 3, 2003, as amended on January 9, 2003 and March 25, 2004.

Item 8A. Controls and Procedures

(a) Evaluation of Disclosure Controls and Procedures. Our chief executive officer and chief financial officer have evaluated the effectiveness



of the design and operation of our "disclosure controls and procedures" (as that term is defined in Rule 13a-14(c) under the Exchange Act) as of the last day of the period covered by this Annual Report on Form 10-KSB. Based on that evaluation, the chief executive officer and chief financial officer have concluded that our disclosure controls and procedures are effective to ensure that material information relating to us and our consolidated subsidiaries is made known to such officers by others within these entities, particularly during the period this Annual Report on Form 10-KSB was prepared, in order to allow timely decisions regarding required disclosure.

(b) Changes in Internal Controls. There was no change in our internal control over financial reporting identified in connection with the evaluation during our fourth fiscal quarter that materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Part III

Item 9. Directors, Executive Officers, Promoters and Control Persons; Compliance with Section 16(a) of the Exchange Act.

Except as set forth below, the information called for by this item with respect to our executive officers as of March 25, 2004 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 May 27, 2004, 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 four 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 not adopted a formal Code of Ethics. Since our company only has four employees, we expect those employees to adhere to high standards of ethics without the need for 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 May 27, 2004, 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 May



27, 2004, 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 May 27, 2004, which will be filed with the SEC pursuant to Regulation 14A under the Exchange Act.

Item 13. Exhibits, List and Reports on Form 8-K.

(a) Exhibits. Exhibits required by Item 601 of Regulation S-B 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-KSB.

(b) Reports on Form 8-K. During the fiscal quarter ended December 31, 2003, we filed the following Current Reports on Form 8-K:

1. On December 2, 2003, we filed a Current Report on Form 8-K reporting that we had completed a short-term unsecured debt financing.

2. On December 15, 2003, we filed a Current Report on Form 8-K reporting an offering of up to $1 million of restricted common stock.

Item 14. 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 May 27, 2004, which will be filed with the SEC pursuant to Regulation 14A under the Exchange Act.



Signatures

In accordance with Section 13 or 15(d) of the Exchange Act, the Registrant caused this Amendment No. 3 to its annual report on From 10-KSB for the year ended December 31, 2003 to be signed on its behalf by the undersigned, thereunto duly authorized.

Provectus Pharmaceuticals, Inc.

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

Date: November 1, 2004



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, 2003 and 2002, and the related consolidated statements of operations, shareholders' equity and cash flows for the year ended December 31, 2003 and for the period from January 17, 2002 (inception) to December 31, 2002. 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 audit.

We conducted our audit 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. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides 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, 2003 and 2002 and the results of its operations and its cash flows for the year ended December 31, 2003 and for the period from January 17, 2002 (inception) to December 31, 2002, in conformity with accounting principles generally accepted in the United States.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the financial statements, the Company has reported accumulated losses of $10,221,449, which raises substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are described in Note 1. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

As discussed in Note 8, the consolidated financial statements have been restated to reflect the effect of a change in the valuation of the Company's patents upon their acquisition.

/s/ BDO Seidman, LLP

Chicago, Illinois
March 12, 2004, except for Note 8 which is as of September 29, 2004



Provectus Pharmaceuticals, Inc.
(A Development Stage Company)

Consolidated Balance Sheets

| | Restated (Note 8) December 2003 |
|---|---|

| | |
|---|---|
| Assets | |
| Current Assets | |
| Cash | $ 164,145 |
| Prepaid expenses | 26,227 |
| Inventory | 72,578 |
| Stock subscription receivable (Note 4) | 87,875 |
| Deferred loan costs (net of amortization of $19,569 (Note 6)) | 150,961 |
| Prepaid consulting expense (Note 4) | 420,817 |
| Total Current Assets | 922,603 |
| Equipment and Furnishings, less accumulated depreciation of $244,760 and $39,446 (Note 1) | 121,415 |
| Patents, net of amortization of $749,417 and $78,297 (Notes 1 and 2) | 10,966,028 |
| Other Assets | 27,000 |
| | $ 12,037,046 |
| Liabilities and Shareholders' Equity | |
| Current Liabilities | |
| Accounts payable - trade | $ 100,640 |
| Accrued compensation | 352,500 |
| Accrued expenses | 57,549 |
| Accrued interest | 100,021 |
| Short-term convertible debt (net of debt discount of $442,623 (Note 6)) | 57,377 |
| Current maturities of long-term convertible debt (net of debt discount of $57,052 (Note 6)) | 968,907 |
| Total Current Liabilities | 1,636,994 |
| Loan From Shareholder (Note 7) | 149,000 |
| Convertible Debt (net of debt discount of $120,344 (Note 6)) | - |
| Shareholders' Equity (Notes 2, 4, 5, and 6) | |
| Common stock; par value $.001 per share; 100,000,000 shares authorized; 10,867,509 and 9,423,689 shares issued and outstanding, respectively | 10,868 |
| Paid-in capital | 20,461,632 |
| Deficit accumulated during the development stage | (10,221,448) |
| Total Shareholders' Equity | 10,251,052 |
| | $ 12,037,046 |

See accompanying notes to financial statements.

Provectus Pharmaceuticals, Inc.
(A Development Stage Company)

Consolidated Statements of Operations

| | Restated (Note 8) Year Ended December 31, 2003 | Re (N For Janua (inc Dec 2 |
|---|---|---|
| Operating Expenses | | |
| Research and development | $ 724,924 | $ |
| General and administrative (including noncash stock and warrant compensation of $280,621 in 2003 and $6,436,000 in 2002) | 1,582,250 | |
| Amortization of patents | 671,120 | |
| Total operating loss | (2,978,294) | ( |
| Gain on sale of fixed assets | 55,000 | |
| Interest expense | (232,019) | |
| Net Loss Applicable to Common Shareholders | $ (3,155,313) | $ ( |
| Basic and Diluted Loss Per Common Share | $ (0.33) | $ |
| Weighted Average Number of Common Shares Outstanding - Basic and Diluted | 9,706,064 | |

See accompanying notes to financial statements.

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Provectus Pharmaceuticals, Inc.
(A Development Stage Company)

Consolidated Statements of Shareholders' Equity

| | Common Stock |
|---|---|

| | Number of Shares | Par Value | Pai Cap |
|---|---|---|---|
| Balance, at January 17, 2002 | - | $ - | $ |
| Issuance to founding shareholders | 6,000,000 | 6,000 | |
| Sale of stock | 50,000 | 50 | |
| Issuance of stock to employees | 510,000 | 510 | 9 |
| Issuance of stock for services | 120,000 | 120 | 3 |
| Net loss for the period from January 17, 2002 (inception) to April 23, 2002 (date of reverse merger) | - | - | |
| Balance, at April 23, 2002 | 6,680,000 | 6,680 | 1,3 |
| Shares issued in reverse merger | 265,763 | 266 | |
| Issuance of stock for services | 1,900,000 | 1,900 | 5,1 |
| Purchase and retirement of stock | (400,000) | (400) | ( |
| Stock issued for acquisition of Valley Pharmaceuticals | 500,007 | 500 | 12,2 |
| Exercise of warrants | 452,919 | 453 | |
| Warrants issued in connection with convertible debt | - | - | 1 |
| Stock and warrants issued for acquisition of Pure-ific | 25,000 | 25 | |
| Net loss for the period from April 23, 2002 (date of reverse merger) to December 31, 2002 | - | - | |
| Balance, at December 31, 2002 | 9,423,689 | 9,424 | 18,7 |



| | Common Stock | | |
|---|---|---|---|
| | Number of Shares | Par Value | Pai Cap |
| Balance, at December 31, 2002 | 9,423,689 | $ 9,424 | $18,7 |
| Issuance of stock for services | 764,000 | 764 | 2 |
| Issuance of warrants for services | - | - | 1 |
| Stock to be issued for services | - | - | 2 |
| Employee compensation from stock options | - | - | |
| Issuance of stock pursuant to Regulation S | 679,820 | 680 | 3 |
| Issuance of convertible debt with warrants | - | - | 6 |
| Net loss for the year ended December 31, 2003 | - | - | |
| Balance, at December 31, 2003 | 10,867,509 | $ 10,868 | $20,4 |

See accompanying notes to financial statements.

Provectus Pharmaceuticals, Inc.
(A Development Stage Company)

Consolidated Statements of Cash Flows

| | Restated (Note 8) | Resta (Note |
|---|---|---|
| | Year Ended December 31, 2003 | For the January (incept December |
| Cash Flows From Operating Activities | | |
| Net loss | $ (3,155,313) | $ (7,066 |
| Adjustments to reconcile net loss to net cash used in operating activities | | |
| Depreciation | 228,315 | 39 |
| Amortization of patents | 671,120 | 78 |
| Amortization of original issue discount | 120,669 | 6 |
| Amortization of deferred loan costs | 19,569 | |
| Compensation through issuance of stock | - | 932 |
| Compensation through issuance of stock options | 34,659 | |
| Issuance of stock for services | 144,650 | 5,504 |
| Issuances of warrants for services | 101,312 | |
| Gain on sale of fixed assets | (55,000) | |
| (Increase) decrease in assets net of acquisitions | | |
| Prepaid expenses | 9,254 | (35 |
| Inventory | (72,578) | |
| Increase (decrease) in liabilities | | |
| Accounts payable | 1,766 | 95 |
| Accrued expenses | 432,289 | 77 |
| Net cash used in operating activities | (1,519,288) | (368 |
| Cash Flows From Investing Activities | | |
| Proceeds from sale of fixed asset | 180,000 | |
| Capital expenditures | (3,301) | |
| Net cash provided by investing activities | 176,699 | |
| Cash Flows From Financing Activities | | |
| Proceeds from loans from shareholder | 40,000 | 109 |
| Proceeds from convertible debt | 525,959 | 1,000 |
| Proceeds from sale of common stock | 292,472 | 25 |
| Proceeds from exercise of warrants | - | |
| Cash paid for deferred loan costs | (69,530) | |
| Purchase and retirement of common stock | - | (48 |
| Net cash provided by financing activities | 788,901 | 1,086 |

(Cont'd)

Provectus Pharmaceuticals, Inc.
(A Development Stage Company)

Consolidated Statements of Cash Flows

| | Year Ended December 31, 2003 | Fo Jan ( Dece |
|---|---|---|
| Net Change in Cash | $ (553,688) | $ |
| Cash, at beginning of period | 717,833 | |
| Cash, at end of period | $ 164,145 | $ |

Supplemental Schedule of Noncash Investing and Financing Activities

2003

Issuance or commitment to issue stock and warrants for prepaid services of $666,779.

Stock subscription receivable recorded of $87,875.

Discount on convertible debt with warrants of $500,000.

Deferred loan costs through the issuance of warrants of $101,000.

2002

Acquisition of Valley Pharmaceuticals, Inc. through the issuance of 500,007 shares of the Company's common stock. The value of the assets purchased was $12,226,320.

Acquisition of Pure-ific through the issuance of common stock valued at $12,500 and warrants valued at $14,500. Assets valued at $27,000 were acquired.

Discount recorded on convertible debt with warrants of $126,587.

See accompanying notes to 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, cancer, and certain laser device technology. Through a previous acquisition, the Company also intends to develop, manufacture, and distribute over-the-counter pharmaceuticals. To date the Company has no material revenues.

Liquidity and Basis of Presentation

The Company will continue to require additional capital to develop its products and develop sales and distribution channels for its products. However, the Company believes it may not have sufficient working capital to fund operations for the entire fiscal year ending December 31, 2004. Management believes there are a number of potential alternatives available to meet the Company's continuing capital requirements, including proceeding as rapidly as possible with the development of over-the-counter products that can be sold with a minimum of regulatory compliance and developing revenue sources through licensing of the existing intellectual property portfolio. In addition, the Company is pursuing actively additional debt and/or equity capital in order to support ongoing operations. There can be no assurance that the Company will be able to obtain sufficient additional working capital on commercially reasonable terms or conditions, or at all.

The accompanying financial statements have been prepared assuming the Company will continue as a going concern. Continuing as a going concern is dependent upon successfully obtaining additional working capital as described above. The financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets and amounts and classifications of liabilities that might result from the outcome of this uncertainty.

Principles of Consolidation

Intercompany balances and transactions have been eliminated in consolidation.



Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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.

Inventory

Inventory, consisting principally of finished goods, is stated at the lower

of cost or market. Cost is determined using a first-in, first-out method.

Deferred Loan Costs

The costs related to the issuance of the convertible debt, including lender fees, legal fees, due diligence costs, escrow agent fees and commissions, have been recorded as deferred loan costs and are being 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.

Equipment and Furnishings

Equipment and furnishings acquired through the acquisition of Valley Pharmaceuticals, Inc. (Note 2) have been stated at carry over basis. 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. Depreciation expense was $228,315 in 2003 and $39,446 in 2002.

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.

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, 2003 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 12-16 years. Annual amortization of the patents is expected to be approximately $671,000 per year for the next five years.

Research and Development

Research and development costs are charged to expense when incurred. An allocation of payroll expenses was 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, insurance, legal - patents, office supplies, payroll expenses, rental - building, repairs, software, taxes and fees, and utilities. The total research and development expenses incurred in 2003 are $724,924. The total research and development expenses incurred in 2002 are $50,714.

Income Taxes

The Company recognizes deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the tax basis and financial reporting basis of certain assets and liabilities based upon currently enacted tax rates expected to be in effect when such amounts are realized or settled.

Since inception of the Company on January 17, 2002, the Company has generated tax net operating losses of approximately $2.7 million, expiring in 2022 and 2023. The Company has not recorded an income tax benefit for the net operating losses as the Company is in the development stage and realization of the losses is not considered more likely than not. An income tax valuation allowance has been provided for the losses realized to date.



The amortization of patents and noncash stock compensation is not deductible for tax purposes. In addition, the Company may have 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.

Basic and Diluted Loss Per Common Share

Basic and diluted loss per common share and diluted loss per common share is computed based on the weighted Per Common Share average number of common shares outstanding. Loss per share excludes the impact of outstanding options, warrants, and convertible debt as they are antidilutive. Potential common shares excluded from the calculation at December 31, 2003 are 356,250 options, 905,000 warrants and 2,218,741 shares issuable upon the conversion of convertible debt and accrued interest. Additionally, the Company is committed to issue 80,000 warrants. Included in the weighted average number of common shares outstanding are 416,606 shares committed to be issued but not outstanding at December 31, 2003.

Financial Instruments

The carrying amounts reported in the consolidated balance sheets for cash, accounts payable and accrued expenses approximate fair value because of the short-term nature of these amounts. The Company believes the fair value of its fixed-rate borrowings approximates the market value.

Stock Options

The Company has adopted the disclosure-only provisions of Statement of Financial Accounting Standards No. 123, "Accounting for Stock Based Compensation" (SFAS No. 123), but applies the intrinsic value method where compensation expense, if any, is recorded as the difference between the exercise price and the market price, as set forth in Accounting Principles Board Opinion No. 25 for stock options granted to employees and directors. Options granted to non-employees are accounted for under SAS 123. SAS 123 requires options to be accounted for based on their fair value.

On May 29, 2003, the Company issued 452,000 stock options to employees and directors. The options vest over three years with 188,000 options vesting on the date of grant. The exercise prices range from $0.26 to $0.60. The exercise price for 352,000 options granted was less than the market price on the date of grant. Accordingly, compensation



expense of $34,659 has been recorded in 2003.

For stock options granted to employees during 2003, the Company has estimated the fair value of each option granted using the Black-Scholes option pricing model with the following assumptions:

| | 2003 |
|---|---|
| Weighted average fair value per options granted * | $ 0.60 |
| Significant assumptions (weighted average) | |
| Risk-free interest rate at grant date | 2.0% |
| Expected stock price volatility | 150% |
| Expected option life (years) | 10 |

* The weighted average fair value for both the options less than market price at date of grant and options equal to market price at date of grant was $0.60.

If the Company had elected to recognize compensation expense based on the fair value at the grant dates, consistent with the method prescribed by SFAS No. 123, net loss per share would have been changed to the pro forma amount indicated below:

| | Year Ended December 31, 2003 | For the Period January 17, 2002 (inception) to December 31, 2002 |
|---|---|---|
| Net loss, as reported | $ (3,155,313) | $ (7,066,135) |
| Add stock-based employee compensation expense included in reported net loss | 34,659 | - |
| Less total stock-based employee compensation expense determined under the fair value based method for all awards | (132,663) | - |
| Pro forma net loss | $ (3,253,317) | $ (7,066,135) |
| Basic and diluted loss per common share, as reported | $ (0.33) | $ (0.89) |
| Basic and diluted loss per common share, pro forma | $ (0.34) | $ (0.89) |

Reclassifications

Certain 2002 amounts have been reclassified to conform with the 2003 presentation.

Recent Accounting Pronouncements

In January 2003, FASB issued Interpretation No. 46, Consolidation of Variable Interest Entities ("FIN 46"). In general, a variable interest entity is a corporation, partnership, trust or any other legal structure used for business purposes that either (a) does not have equity investors with voting rights or (b) has equity investors that do not provide sufficient financial resources for the entity to support its activities.

FIN 46 requires certain variable interest entities to be consolidated by



the primary beneficiary of the entity if the investors do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. The consolidation requirements of FIN 46 apply immediately to variable interest entities created after January 31, 2003. The Company adopted the provisions of FIN 46 effective February 1, 2003 and such adoption did not have a material impact on its consolidated financial statements since it currently has no variable interest entities. In December 2003, the FASB issued FIN 46R with respect to variable interest entities created before January 31, 2003, which among other things, revised the implementation date to the first fiscal year or interim period ending after March 15, 2004, with the exception of Special Purpose Entities ("SPE"). The consolidation requirements apply to all SPE's in the first fiscal year or interim period ending after December 15, 2003. The Company adopted the provisions of FIN 46R effective December 31, 2003 and such adoption did not have a material impact on its consolidated financial statements since it currently has no SPE's.

In April 2003, FASB issued Statement of Financial Accounting Standards No. 149, Amendment of Statement 133 on Derivative Instruments and Hedging Activities ("SFAS 149"). SFAS 149 amends and clarifies accounting for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities under SFAS 133. SFAS 149 is effective for contracts and hedging relationships entered into or modified after June 30, 2003. The Company adopted the provisions of SFAS 149 effective June 30, 2003 and such adoption did not have a material impact on its consolidated financial statements since the Company has not entered into any derivative or hedging transactions.

In May 2003, FASB issued Statement of Financial Accounting Standards No. 150, Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity ("SFAS 150"). SFAS 150 establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both debt and equity and requires an issuer to classify the following instruments as liabilities in its balance sheet:

- a financial instrument issued in the form of shares that is mandatorily redeemable and embodies an unconditional obligation that requires the issuer to redeem it by transferring its assets at a specified or determinable date or upon an event that is certain to occur;

- a financial instrument, other than an outstanding share, that embodies an obligation to repurchase the issuer's equity shares, or is indexed to such an obligation, and requires the issuer to settle the obligation by transferring assets; and

- a financial instrument that embodies an unconditional obligation that the issuer must settle by issuing a variable number of its equity shares if the monetary value of the obligation is based solely or predominantly on (1) a fixed monetary amount, (2) variations in something other than the fair value of the issuer's equity shares, or (3) variations inversely related to changes in the fair value of the issuer's equity shares.

In November 2003, FASB issued FASB Staff Position No. 150-3 ("FSS 150-3") which deferred the effective dates for applying certain provisions of SFAS 150 related to mandatorily redeemable financial instruments of certain non-public entities and certain mandatorily redeemable non-controlling interests for public and non-public companies. For public entities, SFAS 150 is effective for mandatorily redeemable financial instruments entered into or modified after May 31, 2003 and is effective for all other financial instruments as of the first interim period beginning after June 15, 2003. For mandatorily redeemable non-controlling interests that would not have to be classified as liabilities by a subsidiary under the exception in paragraph 9 of SFAS 150, but would be classified as liabilities by the parent, the classification and measurement provisions of SFAS 150 are deferred indefinitely. The measurement provisions of SFAS 150 are also deferred indefinitely for other mandatorily redeemable non-controlling interests that were issued before November 4, 2003. For those instruments, the measurement guidance for redeemable shares and non-controlling interests in other literature shall apply during the deferral period. The adoption of FAS 150 did not have a material impact on the consolidated financial statements of the Company.

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 Pharmeceuticals, 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

At December 31, 2003, the Company leases office and laboratory space in Knoxville, Tennessee, on a month-by-month basis. The Company also has equipment operating leases.

Minimum future rental payments under noncancellable equipment operating leases are as follows:

| Year ending December 31, | Leases |
|---|---|
| 2004 | $ 15,214 |
| 2005 | 1,242 |
| Total | $ 16,456 |

Total rental expense charged to operations for 2003 and 2002 was $36,400 and $10,200, respectively.

4. Equity Transactions

(a) During 2002, the Company issued 2,020,000 shares of 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.

(b) During 2002, the Company issued 510,000 shares of 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.

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

(d) In June 2002, the Company issued a warrant to a consultant for the purchase of 100,000 shares at $2.29 per share. The warrant is only exercisable upon the successful introduction of the Company to a designated pharmaceutical company.

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

(f) 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 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, 2003, none of these targets have been met and accordingly, no costs have been recorded.

(g) In 2003, the Company issued 764,000 shares to consultants in exchange for services rendered, consisting of 29,000 shares issued in January, 35,000 shares issued in March and 700,000 shares issued in October. Consulting costs charged to operations were $95,133. At December 31, 2003, $144,667 has been classified as prepaid consulting expense as this amount represents payments for services to be provided in the future. The shares are fully vested and non-forfeitable.

(h) In November and December 2003, the Company committed to issue 341,606 shares to consultants in exchange for services rendered. Consulting costs charged to operations were $49,517. At December 31, 2003, $231,983 has been classified as prepaid consulting expense as this amount represents payments for services to be provided in the future. The shares are fully vested and non-forfeitable.



(i) The Company applies the recognition provisions of SFAS No. 123, "Accounting for Stock-Based Compensation," in accounting for stock options and warrants issued to nonemployees. 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 ranged from $0.20 to $0.24. Consulting costs charged to operations were $101,312. At December 31, 2003, $44,167 has been classified as prepaid consulting expense as this amount represents payments for services to be provided in the future. The prepaid consulting expense relates to warrants which are fully vested and non-forfeitable.

(j) 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 has received net proceeds of $292,472 and has 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 has engaged a placement agent to assist 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. Subsequent to December 31, 2003, an additional 1,353,898 shares have been issued in the Regulation S offering with proceeds to the Company of $587,403.

5. Stock Incentive Plan

The Company maintains one long-term incentive compensation plan, the Provectus Pharmaceuticals, Inc. 2002 Stock Plan, which provides for the issuance of up to 2,000,000 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.

The following table summarizes the options granted, exercised and outstanding as of December 31, 2003. There were no options issued in 2002.

| | Shares | Exercise Price Per Share |
|---|---|---|
| Outstanding at January 1, 2003 | - | - |
| Granted * | 452,000 | $0.26 - $0.60 |
| Exercised | - | - |
| Forfeited | (95,750) | $0.26 - $0.32 |
| Outstanding at December 31, 2003 | 356,250 | $0.26 - $0.60 |
| Options exercisable at December 31, 2003 | 187,500 | $0.26 - $0.60 |

* Includes 352,000 options granted at less than market price with a weighted average exercise price of $0.31 and 100,000 options granted at a price equal to market price with a weighted average exercise price of $0.60.

The following table summarizes information about stock options outstanding at December 31, 2003.

| | Options Outstanding | Options Exercisable |
|---|---|---|

| Exercise Price | Number Outstanding at December 31, 2003 | Weighted Average Remaining Contractual Life | Weighted Average Exercise Price | Number Exercisable at December 31, 2003 | Weighted Average Exercise Price |
|---|---|---|---|---|---|
| $0.26 | 12,500 | 9.58 years | $0.26 | 12,500 | $0.26 |
| $0.32 | 243,750 | 9.58 years | 0.32 | 75,000 | 0.32 |
| $0.60 | 100,000 | 9.58 years | 0.60 | 100,000 | 0.60 |
| | 356,250 | 9.58 years | $0.40 | 187,500 | $0.47 |



The following table summarizes the warrants granted, exercised and outstanding as of December 31, 2003.

| | Warrants | Exercise Price Per Warrant | Weig Ave Exer Pr |
|---|---|---|---|
| Outstanding at January 1, 2003 (Note 4(d)) | 100,000 | $2.29 | $ |
| Granted | 1,285,000 | $0.25 - $1.25 | $ |
| Exercised | (200,000) | $0.75 | $ |
| Forfeited | (180,000) | $0.25 - $0.50 | $ |
| Outstanding at December 31, 2003 | 1,005,000 | $0.25 - $2.29 | $ |
| Warrants exercisable at December 31, 2003 | 905,000 | $0.25 - $1.25 | $ |

At December 31, 2003 there were 80,000 warrants committed but not issued.

The following table summarizes information about warrants outstanding at December 31, 2003.

| | Warrants Outstanding | | | Warrants Exercisable | |
|---|---|---|---|---|---|
| Exercise Price | Number Outstanding at December 31, 2003 | Weighted Average Remaining Contractual Life | Weighted Average Exercise Price | Number Exercisable at December 31, 2003 | Weighted Average Exercise Price |

| | | | | | |
|---|---|---|---|---|---|
| $0.25 | 60,000 | 4.17 | $0.25 | 60,000 | $0.25 |
| $0.35 | 60,000 | 4.17 | $0.35 | 60,000 | $0.35 |
| $0.50 | 60,000 | 4.17 | $0.50 | 60,000 | $0.50 |
| $0.75 | 125,000 | 4.02 | $0.75 | 125,000 | $0.75 |
| $1.00 | 500,000 | 1.92 | $1.00 | 500,000 | $1.00 |
| $1.25 | 100,000 | 2.92 | $1.25 | 100,000 | $1.25 |
| $2.29 | 100,000 | 0.50 | $2.29 | - | - |
| | 1,005,000 | 3.29 | $1.01 | 905,000 | $0.87 |

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 bears interest at 8% per annum, payable quarterly in arrears, and is due and payable in



full on November 26, 2004. Subject to certain exceptions, the Note is convertible into shares of the Company's common stock on or after November 26, 2003, at which time the principal amount of the Note is 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 is 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 are 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 are guaranteed by Xantech, and Xantech's guarantee is 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 is being amortized over the life of the debt using the effective interest method. Amortization of $63,294 and $6,243 has been recorded as additional interest expense as of December 31, 2003 and 2002, respectively.

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

(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 are due in full on November 19, 2004. The notes are 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. The warrants expire 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 is being amortized over the life of the debt using the effective interest method. Amortization of $57,377 has been recorded as additional interest expense as of December 31, 2003.

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 have been recorded as a current asset and are being amortized over the life of the debt. Amortization of $19,569 has been recorded as additional interest expense as of December 31, 2003.

7. Loan From Shareholder

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. Interest on the loan is 5%, compounded monthly. Principal is due on December 31, 2009 and interest is payable quarterly in arrears beginning on June 30, 2003. Accrued interest and interest expense at 12/31/03 was $7,431. There was no accrued interest or interest expense at 12/31/02.

8. Restatement

During 2004, the Company restated its historical financial statements to revise the value of its patents acquired from Valley Pharmaceuticals, Inc. on November 19, 2002. During a detailed review of the accounting literature applicable to the valuation of the patents upon acquisition, the Company determined that the guidance under Accounting Principles Board Opinion No. 29, "Accounting for Nonmonetary Transactions" ("APB 29") was more appropriate than the guidance under Statement of Financial Accounting Standard No. 141, "Business Combinations"("SFAS 141"), which had originally been used by the Company. Under SFAS 141, the Company used the date that

the transaction was entered into to value the shares given up in exchange for the assets acquired compared to using the date the transaction was completed as required under APB 29. Under APB 29, the restated value of the patents upon acquisition is $11,715,445 compared to the $20,037,560 value initially used by the Company. The accompanying financial statements and notes reflect the restated amounts. The following tables detail the effects of the restatement:

| | Year Ended December 31, 2003 | | For the Period January 17, 2002 (inception) to December 31, 2002 | |
|---|---|---|---|---|
| | As Previously Reported | As Restated | As Previously Reported | As Restated |
| Income Statement Data: | | | | |
| Amortization | $ 1,147,853 | $ 671,120 | $ 133,916 | $ 78,297 |
| Total Operating Loss | (3,455,027) | (2,978,294) | (7,107,576) | (7,051,957) |
| Net Loss | (3,632,046) | (3,155,313) | (7,121,754) | (7,066,135) |
| Basic and Diluted Loss Per Common Share | (0.37) | (0.33) | (0.89) | (0.89) |

| | At December 31, 2003 | | At December 31, 2002 | |
|---|---|---|---|---|
| | As Previously Reported | As Restated | As Previously Reported | As Restated |
| Balance Sheet Data: | | | | |
| Patents, net of amortization | 18,755,791 | 10,966,028 | 19,903,644 | 11,637,148 |
| Total Assets | 19,826,809 | 12,037,046 | 21,155,387 | 12,888,891 |
| Stockholders' Equity | 18,040,815 | 10,251,052 | 19,990,076 | 11,723,580 |



EXHIBIT INDEX

| Exhibit No. | Description |
|---|---|

2.1* Agreement and Plan of Reorganization dated April 23, 2002, among Provectus Pharmaceutical, Inc., a Nevada corporation ("Provectus"), Provectus Pharmaceuticals, Inc., a Tennessee corporation ("PPI"), and the stockholders of PPI identified therein, incorporated herein by reference to Exhibit 99 to the Company's Current Report on Form 8-K dated April 23, 2002, as filed with the SEC on April 24, 2002.

2.2* Agreement and Plan of Reorganization dated as of November 15, 2002 among the Company, PPI, Valley Pharmaceuticals, Inc., a Tennessee corporation formerly known as Photogen, Inc., H. Craig Dees, Ph.D., Dees Family Foundation, Walter Fisher, Ph.D., Fisher Family Investment Limited Partnership, Walt Fisher 1998 Charitable Remainder Unitrust, Timothy C. Scott, Ph.D., Scott Family Investment Limited Partnership, John T. Smolik, Smolik Family LLP, Eric A. Wachter, Ph.D., and Eric A. Wachter 1998 Charitable Remainder Unitrust, incorporated herein by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K dated November 19, 2002, as filed with the SEC on November 27, 2002.

2.3* Asset Purchase Agreement dated as of December 5, 2002 among Pure-ific Corporation, a Nevada corporation ("Pure-ific"), Pure-ific, L.L.C., a Utah limited liability company, and Avid Amiri and Daniel Urmann, incorporated herein by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K dated December 5, 2002, as filed with the SEC on December 20, 2002.

2.4* Stock Purchase Agreement dated as of December 5, 2002 among the Company, Pure-ific, and Avid Amiri and Daniel Urmann, incorporated herein by reference to Exhibit 2.2 to the Company's Current Report on Form 8-K dated December 5, 2002, as filed with the SEC on December 20, 2002.

3.1 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 fiscal quarter ended June 30, 2003, as filed with the SEC on August 14, 2003.

3.2 Bylaws of Provectus, incorporated herein by reference to Exhibit 3.2 to the Company's Quarterly Report on Form 10-QSB for the fiscal quarter ended March 31, 2003, as filed with the SEC on May 9, 2003.

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 fiscal year ended December 31, 2002, as filed with the SEC on April 15, 2003.

4.2.1+ Convertible Secured Promissory Note and Warrant Purchase Agreement dated as of November 26, 2002 between the Company and Gryffindor Capital Partners I, L.L.C. ("Gryffindor").

4.2.2 Letter Agreement dated January 31, 2003 between the Company and Gryffindor, incorporated by reference to Exhibit 4.2.2 to the Company's Quarterly Report on Form 10-QSB for the quarter ended March 31, 2003, as filed with the SEC on May 9, 2003.

4.3 Amended and Restated Convertible Secured Promissory Note of the Company dated January 31, 2003, issued to Gryffindor, incorporated herein by reference to Exhibit 4.3 to the Company's Quarterly Report on Form 10-QSB dated March 31, 2003, as filed with the SEC on May 9, 2003.

4.4 Common Stock Purchase Warrant dated November 26, 2002, issued to Gryffindor, incorporated herein by reference to Exhibit 4.3 to the Company's Current Report on Form 8-K dated November 26, 2002, as filed with the SEC on December 10, 2002.

4.5 Common Stock Purchase Warrant dated November 26, 2002, issued to Stuart Fuchs, incorporated herein by reference to Exhibit 4.4 to the Company's Current Report on Form 8-K dated November 26, 2002, as filed with the SEC on December 10, 2002.



4.6+ Stock Pledge Agreement dated as of November 26, 2002 between the Company and Gryffindor.

4.7 Guaranty dated November 26, 2002 from Xantech Pharmaceuticals, Inc., a Tennessee corporation and a wholly owned subsidiary of Provectus ("Xantech"), to Gryffindor, incorporated herein by reference to

Exhibit 4.6 to the Company's Current Report on Form 8-K dated November 26, 2002, as filed with the SEC on December 10, 2002.

4.8 Form of Security Agreement between the Company and Gryffindor, incorporated herein by reference to Exhibit 4.7 to the Company's Current Report on Form 8-K dated November 26, 2002, as filed with the SEC on December 10, 2002.

4.9 Form of Patent and License Security Agreement between the Company and Gryffindor, incorporated herein by reference to Exhibit 4.8 to the Company's Current Report on Form 8-K dated November 26, 2002, as filed with the SEC on December 10, 2002.

4.10 Form of Trademark Collateral Assignment and Security Agreement between the Company and Gryffindor, incorporated herein by reference to Exhibit 4.9 to the Company's Current Report on Form 8-K dated November 26, 2002, as filed with the SEC on December 10, 2002.

4.11 Form of Copyright Security Agreement between the Company and Gryffindor, incorporated herein by reference to Exhibit 4.10 to the Company's Current Report on Form 8-K dated November 26, 2002, as filed with the SEC on December 10, 2002.

4.12 Registration Rights Agreement dated as of November 26, 2002 between the Company and Gryffindor, incorporated herein by reference to Exhibit 4.11 to the Company's Current Report on Form 8-K dated November 26, 2002, as filed with the SEC on December 10, 2002.

4.13 Shareholders' Agreement dated as of November 26, 2002 among Provectus, Gryffindor, H. Craig Dees, Ph.D., Dees Family Foundation, Walter Fisher, Ph.D., Fisher Family Investment Limited Partnership, Walt Fisher 1998 Charitable Remainder Unitrust, Timothy C. Scott, Ph.D., Scott Family Investment Limited Partnership, John T. Smolik, Smolik Family LLP, Eric A. Wachter, Ph.D., and Eric A. Wachter 1998 Charitable Remainder Unitrust, incorporated herein by reference to Exhibit 4.12 to the Company's Current Report on Form 8-K dated November 26, 2002, as filed with the SEC on December 10, 2002.

4.14 Warrant Agreement dated as of December 5, 2002 among Provectus, Avid Amiri and Daniel Urmann, incorporated herein by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K dated December 5, 2002, as filed with the SEC on December 20, 2002.

4.15 Form of Warrant issuable pursuant to the Warrant Agreement, incorporated herein by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K dated December 5, 2002, as filed with the SEC on December 20, 2002.

4.16 Promissory Note of the Company dated December 31, 2002, issued to Eric A. Wachter, incorporated herein by reference to Exhibit 4.16 to the Company's Annual Report on Form 10-KSB for the fiscal year ended December 31, 2002, as filed with the SEC on April 15, 2003.

4.17+Common Share Purchase Warrant dated January 29, 2003, issued to Investor-Gate.com.

4.18 Form of 8% Convertible Debenture incorporated herein by reference to Annex I to Exhibit 10.16 to the Company's Registration Statement on Form S-2, as filed with the SEC on February 12, 2004.

4.19 Form of Warrant incorporated herein by reference to Annex IV to Exhibit 10.16 to the Company's Registration Statement on Form S-2, as

filed with the SEC on February 12, 2004.

4.20 Registration Rights Agreement dated as of November 19, 2003 by and among the Company and the investors named therein incorporated by reference to Annex IV to Exhibit 10.16 to the Company's Registration Statement on Form S-2, as filed with the SEC on February 12, 2004.



4.21 Registration Rights Agreement dated as of September 4, 2003 by and among the Company and Bruce A. Cosgrove and George F. Martin, incorporated herein by reference to Exhibit 4.4 to the Company's Registration Statement on Form S-2, as filed with the SEC on February 12, 2004.

4.22 Form of Warrant issued to selling shareholders other than holders of 8% Convertible Debentures, incorporated herein by reference to Exhibit 4.5 to the Company's Registration Statement on Form S-2, as filed with the SEC on February 12, 2004.

4.23 Registration Rights Agreement dated as of December 26, 2003 by and between the Company and The Research Foundation of State University of New York, incorporated herein by reference to Exhibit 4.6 to the Company's Registration Statement on Form S-2, as filed with the SEC on February 12, 2004.

10.1 Consultant Compensation Agreement dated April 23, 2002 among Provectus and Russell Ratliff, Justeene Blankenship, Michael L. Labertew, and Phillip Baker, incorporated herein by reference to Exhibit 99.1 to the Company's Registration Statement on Form S-8 (Registration No. 333-86896), as filed with the SEC on April 24, 2002.

10.2** 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 10QSB for the fiscal quarter ended June 30, 2003, as filed with the SEC on August 14, 2003.

10.3 Consulting Agreement dated August 15, 2002 between Provectus and Numark Capital Corporation ("Numark"), incorporated herein by reference to Exhibit 10.3 to the Company's Annual Report on Form 10-KSB for the fiscal year ended December 31, 2002, as filed with the SEC on April 15, 2004.

10.4 Consulting Agreement dated August 28, 2002 between Provectus and Robert S. Arndt, incorporated herein by reference to Exhibit 4.1 to the Company's Registration Statement on Form S-8 (Registration No. 333-99639), as filed with the SEC on September 17, 2002.

10.5 Consulting Agreem ent dated August 28, 2002 between Provectus and Nunzio Valerie, Jr., incorporated herein by reference to Exhibit 4.2 to the Company's Registration Statement on Form S-8 (Registration No. 333-99639), as filed with the SEC on September 17, 2002.

10.6+ Letter Agreement dated June 7, 2002 between Provectus and Nace Pharma, LLC.

10.7 Letter Agreement dated August 29,2002 between Provectus and Nace Resources, Inc., incorporated herein by reference to Exhibit 10.7 to the Company's Annual Report on Form 10-KSB for the fiscal year ended December 31, 2002, as filed with the SEC on April 15, 2004.

10.8 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 fiscal year ended December 31, 2002, as filed with the SEC on April 15, 2004.

10.9 Confidentiality, Inventions and Non-competition Agreement between the Company and Timothy C. Scott, incorporated herein by reference to Exhibit 10.9 to the Company's Annual Report on Form 10-KSB for the fiscal year ended December 31, 2002, as filed with the SEC on April 15, 2004.

10.10 Confidentiality, Inventions and Non-competition Agreement between the Company and Eric A. Wachter, incorporated herein by reference to Exhibit 10.10 to the Company's Annual Report on Form 10-KSB for the fiscal year ended December 31, 2002, as filed with the SEC on April 15, 2004.

10.11.1 Letter Agreement dated January 8, 2003 between the Company and Investor - Gate.com, incorporated herein by reference to Exhibit 10.11.1 to the Company's Quarterly Report on Form 10-QSB for the fiscal quarter ended March 31, 2003, as filed with the SEC on May 9, 2003.



10.11.2 Termination Letter dated February 28, 2003 from the Company to Investor-Gate.com, incorporated herein by reference to Exhibit 10.11.2 to the Company's Quarterly Report on Form 10-QSB for the fiscal quarter ended March 31, 2003, as filed with the SEC on May 9, 2003.

10.12 Letter Agreement dated February 20, 2003 between the Company and SGI, incorporated herein by reference to Exhibit 10.12 to the Company's Quarterly Report on Form 10-QSB for the fiscal quarter ended March 31, 2003, as filed with the SEC on May 9, 2003.

10.13 Letter Agreement dated March 27, 2003 between the Company and Josephberg Grosz & Co., Inc., incorporated herein by reference to Exhibit 10.13 to the Company's Quarterly Report on Form 10-QSB for the fiscal quarter ended March 31, 2003, as filed with the SEC on May 9, 2003.

10.14 Settlement Agreement dated as of June 16, 2003 among Kelly Adams, Justeene Blankenship, Nicholas Julian, and pacific Management Services, Inc.; and Provectus and Xantech, incorporated herein by reference to Exhibit 10.14 to the Company's Current Report on Form 8-K dated June 16, 2003, as filed with the SEC on June 26, 2003.

10.15***+ Material Transfer Agreement dated as of July 31, 2003 between Schering-Plough Animal Health Corporation and Provectus, incorporated herein by reference to Exhibit 10.15 to the Company's Quarterly Report on Form 10-QSB for the fiscal quarter ended June 30, 2003, as filed with the SEC on August 14, 2003.

10.16 Securities Purchase Agreement dated as of November 19, 2003 by and among the Company and the lenders named therein, incorporated herein by reference to Exhibit 10.16 to the Company's Registration Statement on Form S-2, as filed with the SEC on February 12, 2004

21.1 List of Subsidiaries.

23.1 Consent of BDO Seidman, LLP.

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+ Certification Pursuant to 18 U.S.C. ss. 1350.

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* The Company agrees by this filing to supplementally furnish to the SEC, upon request, a copy of the exhibits and/or schedules to this agreement.

** Management compensation contract or plan.

*** Portions of the exhibits to this agreement have been omitted pursuant to a request for confidential treatment. The omitted information has been filed separately with the SEC.

\+ Filed herewith.



Exhibit 4.2.1

Convertible Secured Promissory Note and Warrant
Purchase Agreement

This CONVERTIBLE SECURED PROMISSORY NOTE AND WARRANT PURCHASE AGREEMENT (the "Agreement") is made as of the 26th day of November, 2002 by and among PROVECTUS PHARMACEUTICALS, INC., a Nevada corporation ("Provectus"), GRYFFINDOR CAPITAL PARTNERS I, L.L.C., a Delaware limited liability company ("Gryffindor") and Eric Wachter, The Eric A. Wachter 1998 Charitable Remainder Trust, Craig Dees, The Dees Family Foundation, Timothy C. Scott, The Scott Family Investment Limited Partnership, Walter Fisher, The Fisher Family Investment Limited Partnership, The Walt Fisher 1998 Charitable Remainder Trust, John T. Smolik and The Smolik Family LLP (the "Shareholders").

RECITALS

WHEREAS, Photogen Technologies, Inc. ("Technologies") and its wholly-owned subsidiary Photogen, Inc. ("Photogen") have been involved in two lines of businesses since May of 1997, namely the Therapeutic Business (defined in the Separation Agreement) and the Diagnostic Business (defined in the Separation Agreement);

WHEREAS, the Shareholders are or were shareholders, directors and/or officers of Technologies and Photogen;

WHEREAS, the Shareholders, Technologies and Photogen have entered into that certain Separation Agreement, dated as of July 29, 2002, a copy of which is attached hereto as Exhibit A (the "Separation Agreement"), pursuant to which the Shareholders obtained all of the capital stock of Photogen, which entity holds all of the rights, title and interests in and to the assets and other intellectual property rights described on Schedule 1 to this Agreement (the "Assets");

WHEREAS, pursuant to the Separation Agreement, Technologies required that Photogen change its name to Valley Pharmaceuticals, Inc. ("Valley");

WHEREAS, pursuant to (a) an Agreement and Plan of Reorganization dated as of November 15, 2002 among Provectus, Provectus Pharmaceuticals, Inc., a Tennessee corporation and the wholly owned subsidiary of Provectus (the

"Subsidiary"), Valley and the Shareholders and (b) an Agreement and Plan of Merger dated as of November 15, 2002 among Provectus, the Subsidiary and Valley (collectively, the "Reorganization Agreement"), the following transactions took place: (i) the Subsidiary merged with and into Valley (the "Merger"), such that Valley became a wholly owned subsidiary of Provectus, (ii) Valley, as the surviving corporation in that merger, changed its name to Xantech Pharmaceuticals, Inc. ("Xantech"), and (iii) upon the Merger, by operation of law, Xantech, as a wholly owned subsidiary of Provectus, held all of the right, title and interest in and to the Assets;

WHEREAS, based on such representation and the other representations made herein, Gryffindor and Provectus desire to enter into: (a) a convertible secured promissory note in the original principal amount of $1,000,000, a copy of which is attached hereto as Exhibit B (the "Note"), which Note shall be secured by, among other things, the Assets and the capital stock of Xantech, and (b) a warrant(s) to purchase shares of Provectus' common stock, a copy of which is attached hereto as Exhibit C (the "Warrant"), all in accordance with the terms and conditions set forth herein and in the Transaction Documents (defined in Section 2.02(i)).

NOW, THEREFORE, in consideration of the foregoing, the mutual covenants contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Gryffindor and Provectus hereby agree as follows:

## ARTICLE I

## DEFINITIONS

1.01 Definitions. In addition to the terms defined elsewhere herein, when used herein, the following capitalized terms have the meanings indicated:



"Act of Bankruptcy" means the occurrence of any of the following with respect to Provectus: (a) an assignment for the benefit of its creditors; (b) an admission in writing of its inability to pay its debts as they become due; (c) filing of a voluntary petition in bankruptcy; (d) an adjudication a bankruptcy or insolvency; (e) filing any petition or answer seeking for itself any reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief under any present or future applicable law pertinent to such circumstances; (f) filing any answer admitting or not contesting the material allegations of a bankruptcy, insolvency or similar petition filed against Provectus; (g) seeking or consenting to, or acquiescing in, the appointment of any trustee, receiver, or liquidator of Provectus; (h) 60 days elapse after the commencement of an action against Provectus seeking reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief under any present or future applicable law without such action being dismissed or without all orders or proceedings thereunder affecting the operations or the business of Provectus being stayed, or if a stay of any such order or proceedings is thereafter set aside and the action setting it aside is not timely appealed; or (i) 60 days elapse after the appointment, without the consent or acquiescence of Provectus of any trustee, receiver or liquidator thereof or of all or any substantial part of the assets and properties of Provectus without such appointment being vacated.

"Act of Dissolution" means the occurrence of any action initiating, or any event that results in, the dissolution, liquidation, winding-up or termination of Provectus.

"Assets" means the assets and other intellectual property rights described on Schedule 1 to this Agreement.

"Closing" means delivery by Provectus of the Note and Warrant in exchange for delivery by Gryffindor of the related purchase amount following satisfaction or waiver of all conditions precedent to Gryffindor's obligation to invest, as set forth in Section 2.02.

"Financing Statements" means all UCC-1 Financing Statements delivered in connection with this Agreement and any other financing statement needed to perfect a security interest in Intellectual Property Rights (as defined in Section 3.14) in the U.S. Patent and Trademark Office.

"GAAP" means the generally accepted accounting principles in the United States of America as in effect from time to time.

"Governmental Authority(ies)" when used in the singular, means any federal, state or local governmental or quasi-governmental instrumentality, agency, board, commission or department or any regulatory agency, bureau, commission or authority and, when used in the plural, means all such entities.

"Key Employees" means Eric A. Wachter, Ph.D, Craig Dees, Ph.D., and Timothy Scott, Ph.D.

"Licenses" means, collectively, all rights, licenses, permits and authorizations now or hereafter issued by any Governmental Authority in connection with the operation or conduct of Provectus' Business.

"Lien" means any pledge, hypothecation, assignment, deposit arrangement, lien, security interest, easement or encumbrance, or preference, priority or other security agreement or preferential arrangement of any kind or nature whatsoever (including, without limitation, any lease intended as security or any title retention agreement, any financing lease having substantially the same economic effect as any of the foregoing, and the filing of, or agreement to give, any financing statement perfecting a security interest under the Code or comparable law of any jurisdiction).

"Material Adverse Effect" means, subject to any applicable cure or grace periods, a material adverse effect upon any of (a) the financial condition, operations, business or properties of Provectus or its Subsidiaries, (b) the ability of Provectus and its Subsidiaries to perform its material obligations under this Agreement or any of the Transaction Documents or (c) the legality, validity or enforceability of this Agreement, the Note, the Warrant or the other Transaction Documents.

"Obligations" means, collectively, all of Provectus' indebtedness, liabilities and obligations arising under this Agreement, the Transaction



Documents and any renewals, modifications, and extensions thereof, including, but not limited to, the principal, interest, late charges and other sums due and owing under the Note.

"Person" shall mean any individual, sole proprietorship, partnership, joint venture, trust, unincorporated organization, association, corporation, limited liability company, limited liability partnership, institution, public benefit corporation, entity or government (whether Federal, state, county, city, municipal or otherwise, including, without limitation, any instrumentality, division, agency, body or department thereof).

"Provectus' Business" means the owning and operating of the business currently operated by Provectus and its Subsidiaries including, without limitation, the Therapeutic Business.

"Provectus Constituent Documents" means, Provectus' and each of its Subsidiaries' certificate of incorporation, by-laws and all amendments and supplements thereto, together with good standing certificates from each jurisdiction in which Provectus and each of its Subsidiaries are required to maintain good standing issued by the Secretary of State of such jurisdiction no earlier than ten (10) calendar days prior to the Closing.

"Securities Act" means the Securities Act of 1933, as amended.

"Shares" means the shares of capital stock of Provectus issuable upon conversion of the Note, exercise of the Warrant and the conversion of any other convertible security held by Gryffindor, its assigns or successors.

"Subsidiary" means with respect to any Person, any corporation, association or other entity of which securities or other ownership interests representing more than twenty percent (20%) of the ordinary voting power are, at the time as of which any determination is being made, owned or controlled by such Person or one or more Subsidiaries of such Person or by such Person and one or more Subsidiaries of such Person. For the avoidance of doubt, the term "Subsidiary" shall include the Xantech Subsidiary.

"Xantech Subsidiary" means the wholly-owned subsidiary of Provectus that contains the Therapeutic Business.

## ARTICLE II

## TERMS OF NOTE AND WARRANT PURCHASE

2.01 The Closing. The purchase and sale of the Note and Warrant hereunder shall take place at a closing (the "Closing") on November 26, 2002 (the "Closing Date"). The Closing shall be held at the offices of Piper Rudnick, 203 N. LaSalle Street, Chicago, IL, at 10:00 a.m. Central Time on the Closing Date, or at such other time and place upon which Provectus and Gryffindor shall agree. If, at the Closing, any of the conditions specified in Section 2.02 shall not have been fulfilled, Gryffindor, at its election, shall be relieved of all of its obligations under this Agreement without thereby waiving any other rights it may have by reason of such failure or such non-fulfillment.

2.02 Conditions Precedent To Gryffindor's Obligations. The obligation of Gryffindor to purchase the Note and Warrant on the date hereof is subject to the fulfillment, or in its sole discretion the waiver, by Gryffindor, of the following conditions on or before the Closing Date:

(a) Accuracy of Representations and Warranties. Each of the representations and warranties contained in this Agreement must be true and accurate as of the Closing Date, and Provectus must have performed all of its obligations hereunder, including execution and delivery of all of the documents, instruments, and certificates required by this Agreement in such forms and substances as are satisfactory to Gryffindor and Gryffindor's counsel;

(b) Closing of the Photogen/Valley Transactions. The transactions contemplated by the Separation Agreement and the Reorganization Agreement shall have been completed, and Provectus shall have delivered to Gryffindor evidence of the completion of such transactions, which evidence shall be reasonably satisfactory to Gryffindor and shall include evidence that, as of the Closing

Date (i) Xantech is a wholly owned subsidiary of Provectus, (ii) certificate(s) of name change and/or any other documents required by the United States Patent



and Trademark Office have been filed to evidence the ownership by Xantech of the Assets, and (iii) 500,007 shares of Common Stock of Provectus, in the aggregate, have been transferred to the Shareholders in connection with the Merger.

(c) Proprietary Information, Confidentiality, Assignment of Inventions and Non-Compete Agreements. Each of the Key Employees shall have executed the form of Proprietary Information, Confidentiality, Assignment of Inventions and Non-Compete Agreement with Provectus attached hereto as Exhibit D (the "Confidentiality Agreements"), and Provectus shall have delivered such Confidentiality Agreements to Gryffindor duly executed by the Key Employees and Provectus.

(d) Board of Directors; Observer Rights. Upon the Closing, the authorized size of the Board of Directors of Provectus shall be no less than three but no greater than five directors, and of the Xantech Subsidiary shall be no less than three but no greater than five directors, and Provectus, the Xantech Subsidiary and their respective Boards of Directors and, as applicable, shareholders shall have granted one representative of Gryffindor to observe all meetings of the Board of Directors of each of Provectus and the Xantech Subsidiary. Upon securing directors' and officers' insurance in accordance with Section 5.02 of this Agreement, the Major Shareholders shall cause Provectus and the Xantech Subsidiary to vote all of their Shares to elect one representative of Gryffindor to the Board of Directors of each of Provectus and Xantech, as more fully set forth in the Shareholders' Agreement by and between the Company and the Shareholders.

(e) Budget. Provectus shall have delivered to Gryffindor a budget reasonably satisfactory to Provectus and Gryffindor, which shall be attached hereto as Schedule 2 (the "Budget").

(f) Certificates and Resolutions. Provectus shall have delivered to Gryffindor and counsel to Gryffindor:

(i) Provectus Constituent Documents as in effect at Closing, by the Secretary of Provectus and the applicable Subsidiaries;

(ii) Resolutions of the Board of Directors of Provectus, authorizing and approving all matters in connection with this Agreement, the Transaction Documents and the transactions contemplated hereby and thereby, certified by the Secretary of Provectus as of the date hereof;

(iii) Resolution of the Board of Directors of Provectus, authorizing and reserving for issuance the Common Shares issuable upon conversion of the Note and the Common Shares exercisable under the Warrant; and

(iv) A certificate, executed by the President of Provectus, certifying to the fulfillment of the conditions set forth in Section 2.02 except for the condition under subsections (h), (j), (l) and (m).

(g) Transaction Documents. Provectus shall have delivered to Gryffindor and counsel to Gryffindor:

(i) the Note and Warrant, duly executed by Provectus;

(ii) the Shareholders' Agreement, duly executed by Provectus, and each of the Shareholders, a copy of which is attached hereto as Exhibit E;

(iii) the Registration Rights Agreement, duly executed by Provectus, a copy of which is attached hereto as Exhibit F;

(iv) the Security Agreement, duly executed by Provectus, a copy of which is attached hereto as Exhibit G;

(v) the Trademark Collateral Security Agreement, duly executed by Provectus, a copy of which is attached hereto as Exhibit H;

(vi) the Patent and License Security Agreement, duly executed by Provectus, a copy of which is attached hereto as Exhibit I;

(vii) the Copyright Security Agreement, duly executed by Provectus, a copy of which is attached hereto as Exhibit J;

(viii) the Guaranty, duly executed by Xantech, a copy of which is attached hereto as Exhibit K;



(ix) the Security Agreement, duly executed by Xantech, a copy of which is attached hereto as Exhibit L;

(x) the Trademark Collateral Security Agreement, duly executed by Xantech, a copy of which is attached hereto as Exhibit M;

(xi) the Patent and License Security Agreement, duly executed by Xantech, a copy of which is attached hereto as Exhibit N;

(xii) the Copyright Security Agreement, duly executed by Xantech, a copy of which is attached hereto as Exhibit O;

(xiii) the Stock Pledge Agreement, duly executed by Provectus, a copy of which is attached hereto as Exhibit P;

(xiv) the Financing Statements, duly executed by Provectus; and

(xv) the Confidentiality Agreements and such other agreements and documents necessary to consummate the transactions contemplated hereunder.

(collectively, the "Transaction Documents").

(h) Opinion of Counsel. Gryffindor shall have received an opinion from Baker, Donelson, Bearman & Caldwell, counsel for Provectus, dated as of the Closing Date, addressed to Gryffindor, in form and substance reasonably satisfactory to Gryffindor.

(i) Absence of Material Adverse Effect. No events and/or changes as represented in Section 3.23 and Section 3.25 shall have occurred since September 30, 2002, except as otherwise permitted pursuant to Section 3.23 and Section 3.25.

(j) Due Diligence. Gryffindor shall have completed its due diligence review of Provectus and its Subsidiaries including, without limitation, review of: (a) Provectus' and its Subsidiaries' financial and accounting records; (b) Provectus' and its Subsidiaries' corporate structure and corporate records; (c) correspondence with existing and prospective customers; (d) material contracts, leases and license agreements; and (e) intellectual property, including without limitation all patents, copyrights and trademarks.

(k) Authorizations. As of the Closing, all notices and authorizations, approvals or permits of, or filings with, any Governmental Authority that are required by law in connection with the lawful consummation of the transactions contemplated herein and in the Transaction Documents shall have been duly obtained by Provectus and shall be effective on and as of the Closing.

(l) Fees and Expenses. At the Closing, Provectus shall pay (or reimburse Gryffindor for) the fees and expenses of Gryffindor that are payable in accordance with Section 6.01 of this Agreement.

(m) Other Matters. All corporate and other proceedings in connection with the transactions contemplated by this Agreement, the Transaction Documents and all documents and instruments incident to such transactions shall be reasonably satisfactory in substance and form to Gryffindor and to its counsel, and Gryffindor and its counsel shall have received all such counterpart originals or certified or other copies of such documents as they may reasonably request.

2.03 Conditions To The Obligations Of Provectus. The obligations of Provectus under this Agreement are subject to fulfillment, on or before the Closing Date, of each of the following conditions:

(a) Accuracy of Representations and Warranties. The representations and warranties of Gryffindor contained in Article IV shall be true on and as of the Closing Date.

(b) Loan Amount. Gryffindor shall have delivered to Provectus the amount to be loaned under the Note.

## ARTICLE III

## REPRESENTATIONS AND WARRANTIES OF PROVECTUS



To induce Gryffindor to enter into this transaction, Provectus and each of the Shareholders, jointly and severally, represents and warrants to Gryffindor, as of the date hereof, as follows (which representations and warranties shall survive the execution and delivery of this Agreement and the Transaction Documents and the funding of the original principal amount of the Note):

3.01 Organization; Good Standing. Provectus and each of its Subsidiaries are corporations duly formed, validly organized and in good standing in the their respective states of incorporation and in good standing in every state in which Provectus and each of its Subsidiaries are required to maintain good standing unless failure to do so will not have a Material Adverse Effect. Provectus has delivered to Gryffindor true and correct copies of Provectus Constituent Documents, which documents have not been amended and are in full force and effect as of the date hereof.

3.02 Power and Authority. Provectus and each of the Shareholders have full power and authority to enter into this Agreement and the Transaction Documents to which each is a party, to incur the Obligations as contemplated hereby, and to carry out the provisions of this Agreement and the Transaction Documents to which each is a party. Provectus and each of the Shareholders have taken all action necessary for the execution and delivery of this Agreement and the Transaction Documents and for the performance by Provectus of each of its obligations hereunder and thereunder.

3.03 Enforceability. Upon execution and delivery by each of the parties hereto and thereto, this Agreement and each of the Transaction Documents shall be the legal, valid and binding obligations of Provectus, its Subsidiaries and the Shareholders and shall be enforceable against Provectus, its Subsidiaries and the Shareholders each in accordance with its terms except as such enforceability may be limited by bankruptcy, insolvency or similar laws and by equitable principles.

3.04 Litigation. Neither Provectus nor any of its Subsidiaries has been made a party to or threatened by any suits, actions, claims, investigations by Governmental Authorities or legal, administrative, arbitration or mediation proceedings. Provectus does not know of any reasonable basis or grounds for any such suit, action, claim, investigation or proceeding.

3.05 Orders; Decrees; Judgments. There are no outstanding orders, judgments, writs, injunctions or decrees of any court, Governmental Authority or arbitration or mediation panel or tribunal against Provectus, its Subsidiaries or any of the properties, assets or business of Provectus or its Subsidiaries.

3.06 Non-Contravention. To the best of its knowledge, neither Provectus nor any of its Subsidiaries is in breach of, in default under, or in violation of, in any manner that could reasonably be expected to have a Material Adverse Effect: (a) any applicable law, decree, or order, or (b) any deed, lease, loan agreement, commitment, bond, note, deed of trust, restrictive covenant, license, indenture, contract, or other agreement, instrument or obligation to which Provectus or its Subsidiaries is a party or by which Provectus or its Subsidiaries is bound or to which any of their respective assets are subject. Neither the execution and delivery of this Agreement, the Transaction Documents nor the performance by Provectus or its Subsidiaries of the obligations hereunder and thereunder will cause any such breach, default or violation or will require the consent, approval or notification of any court or Governmental Authority.

3.07 Taxes. Provectus and each of its Subsidiaries have filed all federal, state and local tax returns which are required to be filed, and Provectus and each of its Subsidiaries have duly paid or fully reserved for all taxes or installments thereof (including any interest or penalties) as and when due pursuant to the filed returns or pursuant to any levy or assessment received by Provectus or any of its Subsidiaries unless the failure to do so will not have a Material Adverse Effect. Proper and accurate amounts have been withheld by Provectus from its employees for all periods in full and complete compliance with the tax, social security and unemployment withholding provisions of applicable federal, state, local and foreign law, and such withholdings have been timely paid to the respective Governmental Authorities. Provectus and its Subsidiaries have provided to Gryffindor copies of all of each entity's Federal tax returns for the last three (3) years, if any. Federal income tax returns of Provectus and its Subsidiaries have not been audited by the Internal Revenue Service, and no controversy with respect to taxes of any type is pending or, to the knowledge of Provectus, threatened. Neither Provectus, its Subsidiaries nor



any of its stockholders (or the stockholders of any Subsidiary) have ever filed (a) an election pursuant to Section 1362 of the Internal Revenue Code of 1986, as amended (the "Code"), that Provectus or its Subsidiaries be taxed as an S Corporation or (b) a consent pursuant to Section 341(f) of the Code relating to collapsible corporations.

3.08 Licenses. Provectus and each of its Subsidiaries have good title to all of the Licenses currently needed to properly operate Provectus' Business.

3.09 Capitalization.

(a) The authorized capital stock of Provectus consists of 100,000,000 shares of common stock, par value $0.001 per share (the "Common Stock") of which 8,945,770 shares of Common Stock are issued and outstanding. Of the 8,945,770 shares of Common Stock that are issued and outstanding, 7,773,694 are restricted and 1,172,076 are unrestricted. The authorized capital stock of Xantech consists of: (i) 10,000,000 shares of common stock, no par value, of which 6,680,000 shares are issued and outstanding, all of which are owned by Provectus; and (ii) 5,000,000 shares of common stock, no par value, of which none are issued and outstanding.

(b) All of the issued and outstanding shares of Common Stock have been duly authorized and validly issued and are fully paid and nonassessable. Except as set forth on Schedule 3.09, (i) no subscription, warrant, option, convertible security or other right (contingent or otherwise) to purchase or acquire any shares of capital stock of Provectus is authorized or outstanding, (ii) there is no commitment of Provectus to issue any subscription, warrant, option, convertible security or other such right or to issue or distribute to holders of any shares of its capital stock any evidences of indebtedness or assets of Provectus, and (iii) Provectus has no obligation (contingent or otherwise) to purchase, redeem or otherwise acquire any shares of its capital stock or any interest therein or to pay any dividend or make any other distribution in respect thereof. No person or entity is entitled to any preemptive or similar right with respect to the issuance of any capital stock of Provectus, or any rights with respect to the registration of any capital stock of Provectus under the Securities Act. All of the issued and outstanding shares of Common Stock have been offered, issued and sold by Provectus in compliance with applicable Federal and state securities laws. To the best of Provectus' knowledge, no stockholder of Provectus has granted options or other rights to purchase any shares of Common Stock from such stockholder.

(c) All of the issued and outstanding shares of capital stock of the Xantech Subsidiary are owned by Provectus free and clear of any and all Liens and other encumbrances.

3.10 Stockholder List and Agreements. Attached hereto as Schedule 3.10 is a true and complete list of: (a) those equity holders of Provectus and each of its Subsidiaries that own five percent (5%) or more of the issued and outstanding capital stock of Provectus and each Subsidiary as of the Closing; and (b) those equity holders of Provectus and each of its Subsidiaries that are officers and/or directors of Provectus and each of its Subsidiaries, as applicable, in each case under (a) and (b), showing the number of shares of Common Stock or other securities (or rights to purchase the Common Stock or other securities) of Provectus and each Subsidiary held by each such stockholder as of the date of this Agreement. Except as contemplated by this Agreement, there are no agreements, written or oral, between Provectus or a Subsidiary and any holder of its capital stock, or, to the best knowledge of Provectus, among any holders of its capital stock, relating to the acquisition (including, without limitation, rights of first refusal or preemptive rights), disposition or voting of the capital stock of Provectus or one of its Subsidiaries.

3.11 Minute Books. The minute books of Provectus and each of its Subsidiaries contain complete and correct summaries of all meetings of the Board of Directors of Provectus and its Subsidiaries, their respective committees and their respective stockholders since 1995 with respect to Provectus and since the time of incorporation with respect to each of its Subsidiaries, as applicable.

3.12 Shares. The Shares have been reserved by Provectus, will be validly issued, fully paid and non-assessable at such time as they are issued to Gryffindor and will constitute a portion of the capital stock authorized by Provectus. Upon conversion of the Note or exercise of the Warrant, Provectus

shall convey to Gryffindor all of the Shares free and clear of any and all Liens or other encumbrances or charges of any kind not created by any action of Gryffindor.



3.13 Property and Assets. Schedule 3.13 sets forth all of the material assets and Intellectual Property Rights necessary to operate Provectus' Business. Provectus and its Subsidiaries have good title to all of their material properties and assets, including the Assets and all properties and assets reflected in the Financial Statements, except those disposed of since the date thereof in the ordinary course of business, and none of such properties or assets is subject to any Lien other than those the material terms of which are described in the Financial Statements or in Schedule 3.13. Set forth on Schedule 3.13 is a true and complete list of all leases to which Provectus and its Subsidiaries are a party, and Provectus and its Subsidiaries have provided to Gryffindor copies of all such leases. Provectus and each Subsidiary is in compliance with all material terms of each lease to which it is a party.

3.14 Patents and Trademarks.

(a) Set forth on Schedule 3.14 is a complete and accurate list of all patents, patent applications, trademarks, service marks, trademark and service mark applications, trade names, copyrights, licenses, internet domain names and registrations presently owned or held by Provectus and each of its Subsidiaries or necessary for the conduct of Provectus' Business as conducted and as currently proposed to be conducted, as well as any agreement under which Provectus or any of its Subsidiaries has access to any confidential information used by Provectus or its Subsidiaries in their respective businesses (the "Intellectual Property Rights"). Provectus and its Subsidiaries own, or have the right to use, free and clear of all Liens, charges, claims and restrictions, under the agreements and upon the terms described in Schedule 3.14, all of the Intellectual Property Rights. Except as set forth on Schedule 3.14, there are no outstanding options, licenses or agreements of any kind relating to the foregoing, nor is Provectus or its Subsidiaries bound by or a party to any options, licenses or agreements of any kind with respect to the patents, trademarks, service marks, trade names, copyrights, trade secrets, licenses, information and other proprietary rights and processes of any other person or entity other than such licenses or agreements arising from the purchase of "off the shelf" or standard products. Except as set forth on Schedule 3.14, neither Provectus nor any of its Subsidiaries has received any communications alleging that Provectus or any of its Subsidiaries has violated or, by conducting their respective businesses as currently proposed, would violate any of the patents, trademarks, service marks, trade names, copyrights, licenses, trade secrets or other proprietary rights of any other person or entity ("Third-Party Intellectual Property Rights"), and to the best of Provectus' knowledge, Provectus' Business shall not cause Provectus or its Subsidiaries to infringe or violate any Third Party Intellectual Property Rights. Provectus is not aware of any violation by any third party of any Intellectual Property Rights of Provectus or its Subsidiaries or of any defects therein or in the title thereto. No Person or entity (including, without limitation, any prior employer of any employee of Provectus or its Subsidiaries) has any right to or interest in any Intellectual Property Rights, inventions, improvements, discoveries or other information assigned to Provectus or its Subsidiaries by any employee, consultant or contractor.

(b) Provectus and each of its Subsidiaries has taken reasonable security measures to protect the secrecy, confidentiality and value of all Intellectual Property Rights and all Inventions (as defined below). Each of Provectus' and its Subsidiaries' employees and other Persons or entities who, either alone or in concert with others, developed, invented, discovered,

derived, programmed or designed Intellectual Property Rights or Inventions, or who have knowledge of or access to information about Intellectual Property Rights or Inventions, have entered into a written agreement with Provectus or its Subsidiaries that provides that (i) these Intellectual Property Rights, other information and Inventions are proprietary to Provectus and are not to be divulged, misused or misappropriated, and (ii) these Intellectual Property Rights, other information and Inventions are to be disclosed by such employees and such persons to Provectus and transferred by them to Provectus, without any further consideration being given therefor by Provectus, together with all of such employee's or other person's right, title and interest in and to such Intellectual Property Rights, other information and Inventions and all patents, trademarks, service marks, trade names, copyrights, licenses and rights with respect to such Intellectual Property Rights, other information and Inventions. As used herein, "Inventions" means all inventions, developments and discoveries which during the period of an employee's or other person's service to Provectus or a Subsidiary he or she makes or conceives of, either solely or jointly with others, that relate to any subject matter with which his or her work for Provectus or a Subsidiary may be concerned, or relate to or are connected with the business, products, services or projects of Provectus or a Subsidiary, or relate to the actual or demonstrably anticipated research or development of



Provectus or a Subsidiary or involve the use of Provectus' or a Subsidiary's time, material, facilities or trade secret information.

(c) Each of the Shareholders have assigned to Xantech all of his/its right, title and interest in and to the technologies and other intellectual property rights associated with the Therapeutic Business (as defined in the Separation Agreement) as set forth in Schedule B to the Separation Agreement.

3.15 Interested Party Transactions. No officer, director or stockholder of Provectus, its Subsidiaries or any affiliate or "associate" (as this term is defined in Rule 405 of the Securities and Exchange Commission under the Securities Act) of any such person or Provectus or its Subsidiaries has or has had, either directly or indirectly, (a) an interest in any person or entity which (i) furnishes or sells services or products which are furnished or sold or are proposed to be furnished or sold by Provectus or its Subsidiaries, or (ii) purchases from or sells or furnishes to Provectus or its Subsidiaries any goods or services, or (b) except as set forth on Schedule 3.15, a beneficial interest in any transaction, contract or agreement to which Provectus or one of its Subsidiaries is a party or by which it may be bound or affected.

3.16 Financial Statements. Provectus has furnished to Gryffindor a complete and correct copy of the unaudited balance sheet of Provectus and its Subsidiaries (the "Balance Sheet") as of September 30, 2002 (the "Balance Sheet Date") and the related statements of income and cash flows for the period then ended, compiled by Provectus (collectively, the "Financial Statements"). The Financial Statements have been prepared in accordance with generally accepted accounting principles, except that the Financial Statement may not contain all footnotes required by generally accepted accounting principles, and are subject to normal year-end audit adjustments that in the aggregate will not be material. The Financial Statements present fairly the financial condition and results of operations of Provectus and its Subsidiaries, as at the dates and for the periods indicated therein.

3.17 Business Plan. The Business Plan of Provectus and its Subsidiaries provided to Gryffindor is a complete and correct statement of the existing business plans of Provectus and its Subsidiaries as of the Closing Date.

3.18 Compliance. To Provectus' knowledge, Provectus and its Subsidiaries have, in all material respects, complied with all laws, regulations and orders applicable to its business and have all material permits and licenses required thereby. There is no term or provision of any material mortgage, indenture, contract, agreement or instrument to which Provectus or a Subsidiary is a party or by which it is bound, or, to the best of Provectus' knowledge, of any state or Federal judgment, decree, order, statute, rule or regulation applicable to or binding upon Provectus, that materially adversely affects the business, prospects, condition, affairs or operations of Provectus, its Subsidiaries or any of their respective properties or assets. To Provectus' knowledge, no employee of Provectus or a Subsidiary is in violation of any contract or covenant (either with Provectus, a Subsidiary or with another entity) relating to employment, patent, other proprietary information disclosure, non-competition, or non-solicitation.

3.19 Subsidiaries. Except for the Xantech Subsidiary and as otherwise set forth on Schedule 3.19, Provectus has no Subsidiaries and does not own or control, directly or indirectly, shares of capital stock of any other corporation, or any interest in any partnership, joint venture or other non-corporate business entity or enterprise.

3.20 Officers and Directors. Schedule 3.20 sets forth a complete and accurate list of all officers and directors of Provectus and each of its Subsidiaries.

3.21 Debt Owed by Provectus. Except as set forth on Schedule 3.21, neither Provectus nor any of its Subsidiaries owe any debt, including any outstanding interest, to any Person or to any members of management, directors, officers, principals, founders, or employees of Provectus or any Subsidiary, other than that debt occurring in the ordinary course of business. Provectus and its Subsidiaries are not in default on all the indebtedness set forth on Schedule 3.22.

3.22 Absence of Liabilities. Except as disclosed in Schedule 3.22, Provectus and its Subsidiaries did not have, as of September 30, 2002, any liabilities of any type which in the aggregate exceed $5,000, whether absolute



or contingent, which were not fully reflected on the Financial Statements. Since September 30, 2002, Provectus and its Subsidiaries have not incurred or otherwise become subject to any liabilities or obligations (contingent or otherwise). Provectus and its Subsidiaries are current on all debts, accounts payable and lease obligations.

3.23 Material Contracts and Obligations. Set forth on Schedule 3.23 is a true and complete list of all of the following written and material oral contractual obligations of Provectus and its Subsidiaries:

(a) All employment and consulting agreements, employee benefit, bonus, pension, profit-sharing, stock option, stock purchase and similar plans and arrangements;

(b) All agreements relating to the Intellectual Property Rights;

(c) All contractual obligations under which Provectus or its Subsidiaries is or may become obligated to pay any legal, accounting, brokerage, finder's or similar fees or expenses in connection with, or has incurred any severance pay or special compensation obligations that would become payable by reason of, this Agreement or the consummation of the transactions contemplated hereby;

(d) All contractual obligations to sell or otherwise dispose of any assets of Provectus and its Subsidiaries having a value in excess of $5,000, except in the ordinary course of Provectus' or a Subsidiary's business;

(e) All material agreements with any stockholder, officer or director of Provectus or its Subsidiaries, or any "affiliate" or "associate" of such persons (as such terms are defined in the Securities Act), including, without limitation, any agreement or other arrangement providing for the furnishing of services by, rental or real or personal property from, or otherwise requiring payments to, any such person or entity;

(f) All contractual obligations under which Provectus or its Subsidiaries have any liability or obligation constituting or giving rise to a guarantee of any liability or obligation of any person or entity, or under which any person or entity has any liability or obligation constituting or giving rise to a guarantee of any liability or obligation of Provectus or its Subsidiaries (including, without limitation, partnership and joint venture agreements);

(g) All contractual obligations under which Provectus or its Subsidiaries are or may become obligated to pay any amount in respect of indemnification obligations, purchase price adjustment or otherwise in connection with any (i) acquisition or disposition of assets or securities, (ii) merger, consolidation or other business combination, or (iii) series or group of related transactions or events of a type specified in subclauses (i) and (ii);

(h) All material distributorship agreements, agreements with sales representatives and all other contractual obligations and oral agreements (other than purchase orders and sales orders entered into in the ordinary course of business) with distributors, suppliers, vendors, or other suppliers of goods or services;

(i) All purchase obligations (whether or not in the ordinary course of business) that require minimum purchases by Provectus or its Subsidiaries in excess of $5,000;

(j) All non-terminable contractual obligations involving consideration to or liabilities of Provectus or its Subsidiaries in excess of $5,000; and

(k) All contractual obligations not required to be listed on Schedule 3.23 pursuant to clauses (a) through (j) above that individually involve liabilities of Provectus or its Subsidiaries in excess of $5,000.

Provectus has delivered to Gryffindor and counsel for Gryffindor a true and complete copy of each of the contracts and agreements listed on Schedule 3.23, including, without limitation, all amendments thereto (the "Listed Contracts"). All of the Listed Contracts are valid, binding and in full force and effect. There are no written or oral "side agreements" with any individual or business whereby Provectus or any Subsidiary has agreed to do anything beyond the requirements of formal written contracts executed by Provectus and its Subsidiaries.



Each contractual obligation in respect of the Listed Contracts is, and after giving effect to the Closing hereunder and the consummation of the transactions contemplated hereby will be, enforceable by Provectus and its Subsidiaries except for such failures to be so enforceable as do not and will not, individually or in the aggregate, have a Material Adverse Effect. No breach or default by Provectus or any Subsidiary under any of the contractual obligations in respect of the Listed Contracts has occurred and is continuing,

and no event has occurred that with notice or lapse of time would constitute such a breach or default or permit termination, modification or acceleration by any other person or entity under any of the contractual obligations, other than such breaches, defaults and events as have not had and will not have, individually or in the aggregate, a Material Adverse Effect. To the knowledge of Provectus, no breach or default by any other person or entity under any of the contractual obligations has occurred and is continuing, and no event has occurred that with notice or lapse of time would constitute such a breach or default or permit termination, modification or acceleration by Provectus or any Subsidiary under any of such contractual obligations, other than breaches, defaults and events that have not had and will not have, individually or in the aggregate, a Material Adverse Effect.

3.24 Absence of Changes. Except as set forth on Schedule 3.24, since September 30, 2002, there has not been:

(a) Any change in the assets, liabilities, financial condition or operations of Provectus or any Subsidiary, other than changes occurring in the ordinary course of business, none of which has had or is expected to have a Material Adverse Effect;

(b) Any damage, destruction or loss, whether or not covered by insurance, which has, or could have a Material Adverse Effect;

(c) Any waiver by Provectus or any Subsidiary of a valuable right or of a material debt owed to it;

(d) Any direct or indirect loans made by Provectus or any Subsidiary to any shareholder, employee, officer or director of Provectus or any Subsidiary, other than advances made in the ordinary course of business;

(e) Any material change in any compensation arrangement or agreement with any employee, officer, director or shareholder;

(f) Any declaration or payment of any dividend or other distribution of the assets of Provectus;

(g) Any satisfaction or discharge of any lien, claim or encumbrance or payment of any obligation of Provectus or any Subsidiary, except in the ordinary course of business;

(h) Any debt, obligation or liability incurred, assumed or guaranteed by Provectus or any Subsidiary, except those for immaterial amounts and for current liabilities incurred in the ordinary course of business;

(i) Any sale, assignment or transfer of any patents, trademarks, copyrights, trade secrets or other intangible assets;

(j) Any change or amendment to any material agreement to which Provectus or a Subsidiary is a party or by which it is bound;

(k) To Provectus' knowledge, any other event or condition of any character that, either individually or cumulatively, has, or could have a Material Adverse Effect; or

(l) Any arrangement or commitment by Provectus or any Subsidiary to do any of the acts described in Section 3.24(a) through (k) above.

3.25 erisa. Provectus and its Subsidiaries do not have or otherwise contribute to or participate in any employee benefit plan subject to the Employee Retirement Income Security Act of 1974 other than a medical benefit plan and a 401(k) plan, with respect to which all required contributions have

been made and all applicable laws have been complied with.

3.26 Conduct. Within the past five (5) years, none of the members of management, directors, officers, principals, founders, key employees of



Provectus or any Subsidiary have been arrested, charged or convicted of any felony or other crime of moral turpitude or plead guilty or plead nolo contendere to any felony or other crime of moral turpitude, nor are they engaged in criminal activity, nor have any of them been bankrupt or an officer or director of a bankrupt company.

3.27 Environmental Matters. To Provectus' knowledge, neither Provectus nor its Subsidiaries are in violation of any applicable Environmental Law (as defined below) or any applicable statute, law or regulation relating to occupational health and safety, and, to its knowledge, no material expenditures are or will be required in order to comply with any such existing statute, law or regulation or Environmental Law. Except as set forth on Schedule 3.27, no Hazardous Materials (as defined below) are used or have been used, stored, or disposed of by Provectus or any Subsidiary or, to Provectus' knowledge, by any other person or entity on any property owned, leased or used by Provectus or any Subsidiary. For purposes of this Agreement, "Environmental Law" means any federal, state or local law, statute, rule or regulation or the common law relating to the protection of human health or the environment, including, without limitation, CERCLA (as defined below), the Resource Conservation and Recovery Act of 1976, any statute, regulation or order pertaining to (i) treatment, storage, disposal, generation and transportation of industrial, toxic or hazardous materials or substances or solid or hazardous waste; (ii) air, water and noise pollution; (iii) groundwater and soil contamination; (iv) the release or threatened release into the environment of industrial, toxic or hazardous materials or substances, or solid or hazardous waste, including without limitation, emissions, discharges, injections, spills, escapes or dumping of pollutants, contaminants, chemicals; (v) the protection of wild life, marine life and wetlands, including without limitation all endangered and threatened species; (vi) storage tanks vessels, abandoned or discarded barrels, containers and other closed receptacles; (vii) health and safety of employees and other persons; and (viii) manufacture, processing, use, distribution, treatment, storage, disposal, transportation or handling of pollutants, contaminants, toxic or hazardous materials or substances or oil or petroleum products or solid or hazardous waste. For the purposes of the preceding sentence, "Hazardous Materials" shall mean (a) materials which are listed or otherwise defined as "hazardous" or "toxic" under any Environmental Law or (b) any petroleum products or nuclear materials. As used in this Section 3.28, the terms "release" and "environment" shall have the meaning set forth in the federal Comprehensive Environmental Response, Compensation and Liability Act of 1980 ("CERCLA").

3.28 Real Property. Neither Provectus nor its Subsidiaries own any real property. Except as provided on Schedule 3.28, neither Provectus nor its Subsidiaries lease any real property or hold any leasehold interest in any real property. To the extent Provectus or its Subsidiaries lease any real property or hold any leasehold interest in any real property, neither Provectus nor its Subsidiaries are in breach of any agreement with respect to such real property or leasehold interest.

3.29 No Brokers. No broker or finder acting on behalf of Provectus or its Subsidiaries brought about the obtaining, making or closing of the transactions contemplated by this Agreement and the Transaction Documents, and neither Provectus nor its Subsidiaries have any obligation to any Person in respect of any finder's or brokerage fees in connection with the transactions contemplated

by this Agreement and the Transaction Documents.

3.30 Disclosures; No Untrue Statements Or Material Omissions. Provectus has provided Gryffindor with all information requested in writing by Gryffindor in connection with its decision to enter into the transactions contemplated by this Agreement and the Transaction Documents, including all information Provectus believes is reasonably necessary to make such investment decision. Neither this Agreement, the Schedules and Exhibits hereto, the Transaction Documents nor any other document delivered by Provectus to Gryffindor or its attorneys or agents in connection herewith or therewith or with the transactions contemplated hereby or thereby, contain any untrue statement of a material fact nor omit to state a material fact necessary in order to make the statements contained herein or therein not misleading. To Provectus' knowledge following due inquiry, there are no facts (individually or in the aggregate) that would have a Material Adverse Effect that have not been set forth in the Agreement, the Schedules and Exhibits hereto, the Transaction Documents or in other documents delivered to Gryffindor or its attorneys or agents in connection herewith.

ARTICLE IV

X-16

REPRESENTATIONS & WARRANTIES OF GRYFFINDOR

Gryffindor hereby represents and warrants to Provectus as follows:

4.01 Organization; Good Standing. Gryffindor is duly formed, validly organized and in good standing in the State of Delaware and in good standing in every state in which Gryffindor is required to maintain good standing unless failure to do so will not have a Material Adverse Effect.

4.02 Authority. Gryffindor has full power and authority to enter into and to perform this Agreement in accordance with its terms. Gryffindor represents that it has not been organized, reorganized or recapitalized specifically for the purpose of investing in Provectus.

4.03 Enforceability. Upon execution and delivery by each of the parties hereto and thereto, this Agreement and each of the Transaction Documents shall be the legal, valid and binding obligations of Gryffindor and shall be enforceable against Gryffindor each in accordance with its terms except as such enforceability may be limited by bankruptcy, insolvency or similar laws and by equitable principles.

4.04 Acquisition of the Shares

(a) Gryffindor is acquiring the Note, the Warrant and the Shares issuable upon conversion of the Note and the exercise of the Warrant for Gryffindor's own account for investment and not with a view to, or for sale in connection with, any distribution thereof, nor with any present intention of distributing or selling the same; and Gryffindor has no present or contemplated agreement, undertaking, arrangement, obligation, indebtedness or commitment providing for the disposition thereof.

(b) Gryffindor has reviewed carefully the representations concerning Provectus, its Subsidiaries and their business contained in this Agreement, has made detailed inquiry concerning Provectus, its Subsidiaries, their business and their personnel; the officers of Provectus have made available to Gryffindor any and all written information which they have requested and have answered to Gryffindor's satisfaction all inquiries made by Gryffindor or any of its

representatives; and Gryffindor has sufficient knowledge and experience in investing in companies similar to Provectus so as to be able to evaluate the risks and merits of its investment in Provectus and is able financially to bear the risks thereof. Gryffindor is an "accredited investor" as that term is defined in Rule 501(a) of Regulation D promulgated by the Securities and Exchange Commission under the Securities Act of 1933, as amended.

ARTICLE V

COVENANTS

Until such time as (i) all principal and interest due and owing under the Note is paid in full or (ii) the Shares issued upon conversion of the Note (including any accrued but unpaid interest) and the Shares issued upon exercise of the Warrant are registered, and for as long as Gryffindor owns at least ten percent (10%) of the Shares issued upon conversion of the Note (including any accrued but unpaid interest), Provectus and the Shareholders shall take such steps, and shall cause each of its Subsidiaries to take such steps, as appropriate to do the following:

5.01 Notice Of Defaults Or Judgments. Provide to Gryffindor, within fifteen (15) calendar days of receipt thereof, a copy of notice of any (a) defaults under any of the Transaction Documents, (b) Act of Bankruptcy or Act of Dissolution with respect to Provectus or any Subsidiary, (c) default that is declared (after giving effect to any applicable notice and/or grace periods) under any material loan, lease, debt or obligation of Provectus or any Subsidiary, including but not limited to the Obligations, and the failure to cure such default could reasonably be expected to have a Material Adverse Effect, or (d) judgment obtained against Provectus or any Subsidiary that, singly, or in the aggregate, exceeds $20,000 and remains unpaid for over sixty (60) days without Provectus obtaining a stay of execution, release, discharge or appropriate surety bond.

5.02 Insurance. Within thirty (30) calendar days following the Closing Date, obtain for Provectus and each of its Subsidiaries and, thereafter,



maintain in full force and effect, one or more policies of insurance issued by insurers of recognized responsibility, insuring Provectus, its Subsidiaries and their respective properties and businesses against losses and risks, including, but not limited to, directors' and officers', comprehensive general liability, product liability, automobile and errors and omissions insurance coverage in amount(s) and on terms and conditions reasonably satisfactory to Gryffindor.

5.03 Access To Information. Permit Gryffindor, or any authorized representative thereof, to visit and inspect the properties of Provectus and each of its Subsidiaries, including their respective corporate and financial records, to make copies and abstracts thereof and to discuss their respective business and finances with officers, employees and independent accountants of Provectus and its Subsidiaries, during normal business hours following reasonable notice and as often as may be reasonably requested.

5.04 Maintain Existence. Preserve and keep in full force and effect Provectus' and its Subsidiaries' respective corporate existences in good standing and their respective rights to conduct their respective businesses in a prudent and lawful manner in all jurisdictions in which it conducts business except to the extent that the failure to do so would not have a Material Adverse Effect on Provectus.

5.05 Licenses. Keep all Licenses needed to properly operate Provectus' Business valid and in full force and effect.

5.06 Non-Disclosure, Developments and Non-Competition Agreement. Require all persons now or hereafter employed by Provectus or any of its Subsidiaries to enter into the form of Proprietary Information, Confidentiality, Assignment of Inventions and Non-Compete Agreement with Provectus attached hereto as Exhibit D. Provectus will not make any material change to such form or such agreements signed by the Shareholders without the prior written consent of Gryffindor, which consent shall not be unreasonably withheld.

5.07 Expenses of Directors. Promptly reimburse in full each Gryffindor Director for all of his or her reasonable out-of-pocket expenses incurred in attending each meeting of the Board of Directors of Provectus and/or its Subsidiaries or any committee thereof or incurred in connection with any other travel requested by or on behalf of Provectus and/or its Subsidiaries, which expenses shall be consistent with the travel policies of Provectus.

5.08 Reservation of Common Stock. Reserve and maintain a sufficient number of shares of Provectus Common Stock for issuance upon conversion of all of the outstanding Shares.

5.09 Board of Directors Meetings. Initially require the Board of Directors to meet monthly until such time as the Board of Directors unanimously votes to schedule such meetings less frequently, provided that the Board of Directors shall meet at least twice each quarter unless waived by Gryffindor Director. Provectus and each of its Subsidiaries shall provide Gryffindor with advance written notice of all meetings of their respective Boards of Directors and committees thereof and copies of all meeting minutes thereto, regardless of whether Gryffindor is represented on the applicable Board of Directors.

5.10 Auditor. Retain a firm of certified public accountants acceptable to Provectus' board of directors (including Gryffindor Director) to audit its books and records at least annually.

5.11 No Liens. Upon conversion of the Note or exercise of the Warrant, convey to Gryffindor all of the applicable Shares free and clear of any and all Liens or other encumbrances or charges of any kind not created by any action of Gryffindor.

5.12 Financial Statements and Other Information.

(a) Provectus shall maintain books and records of account in which full and correct entries shall be made of all of its business transactions pursuant to a system of accounting established and administered in accordance with GAAP consistently applied, and shall set aside on its books all such proper accruals and reserves as shall be required under GAAP, consistently applied.

(b) Provectus shall deliver to Gryffindor:

(i) within sixty (60) calendar days after the end of each fiscal quarter, unaudited consolidated financial statements of Provectus (including



balance sheet, statement of earnings, stockholder's equity and cash flows) for such quarter, year-to-date and compared to budget and the comparable period of the prior year, prepared in accordance with GAAP, with the exception that no notes need be attached to such statements and year-end audit adjustments may not have been made;

(ii) within ninety (90) calendar days after the fiscal year's end, audited annual consolidated financial statements prepared by a nationally recognized independent public accounting firm or such other independent public accounting firm reasonably acceptable to Gryffindor and prepared in accordance with GAAP, consistently applied;

(iii) not less than sixty (60) calendar days prior to the beginning of each fiscal year an annual operating plan and budget, prepared on a monthly basis for the ensuing fiscal year, and on a basis consistent with prior periods (including, among other items, appropriate reserves, accruals and provisions for income taxes) and representing the best estimate of Provectus based upon available information. Provectus also shall furnish to Gryffindor, within a reasonable time of its preparation, amendments to the annual budget, if any. Such budget shall include underlying assumptions and a brief qualitative description of Provectus' plan by the Chief Executive Officer or Chief Financial Officer in support of that budget;

(iv) within forty-five (45) days of the close of any fiscal year a revised/updated three (3)-year business plan of Provectus;

(v) any management letters and other any reports to management of Provectus by accounting firms concerning internal controls or operating procedures; and

(vi) such other information respecting Provectus' business, financial condition or prospects as Gryffindor may reasonably request from time to time.

(c) The foregoing financ ial statements shall be prepared on a consolidated basis if Provectus then has any Subsidiaries.

(d) The financial statements delivered pursuant to subsections(b)(i) and (ii) shall be accompanied by a certificate of Provectus' Chief Executive Officer and Chief Financial Officer stating that such statements have been prepared in accordance with GAAP consistently applied (except as noted) and fairly present the financial condition and results of operations of Provectus and its Subsidiaries at the date thereof and for the periods covered thereby.

(e) If Provectus fails to provide the reports or financial statements required by this Section 5.12, within thirty (30) days after written request therefore, Gryffindor shall have the right and authority, at Provectus' sole expense, to request an audit by an accounting firm of its or their choice, such that the reports or financial statements are produced to its or their sole satisfaction.

5.13 Material Adverse Changes. Provectus shall notify Gryffindor, as soon as practicable, and in any event within ten (10) days of discovery, of: (a) any event (including pending or threatened litigation) which could reasonably be expected to involve an amount in excess of $10,000 or could have a Material Adverse Effect; (b) a material default or any event or occurrence which with the lapse of time or notice or both could become a default under any of Provectus' Material Agreements; (c) a default or any event or occurrence which with the lapse of time or notice or both could become a default under the Purchase Agreement; and (d) any change in any material fact or circumstance represented or warranted in this Agreement. Such notice shall contain a reasonably detailed statement outlining such default or event, and Provectus' proposed response.

5.14 Directors' Liability and Indemnification. Provectus' and its Subsidiaries' Certificate of Incorporation and Bylaws shall provide for: (a) elimination of the liability of directors to the maximum extent permitted by law; and (b) indemnification of directors for acts on behalf of Provectus to the

maximum extent permitted by law.

5.15 Compliance with Law. Provectus shall (and shall cause each of its Subsidiaries, if any) to comply with all federal, state and local laws and regulations applicable to it, including, without limitation, ERISA, those regarding the collection, payment and deposit of employees' income, unemployment and Social Security taxes and those relating to environmental matters where the



failure to comply could reasonably be expected to have a Material Adverse Effect.

5.16 Agreements. Provectus shall and shall cause each of its Subsidiaries to perform, within any required time period (after giving effect to any applicable grace periods), all of its obligations and enforce all of its rights under each agreement to which it is a party, including, without limitation, collective bargaining agreements and leases to which any such company is a party, where the failure to so perform and enforce could reasonably be expected to have a Material Adverse Effect. Provectus shall not and shall cause each of its Subsidiaries not to terminate or modify in any manner adverse to any such company any provision of any agreement to which it is a party which termination or modification could reasonably be expected to have a Material Adverse Effect.

5.17 Payment of Taxes. Provectus agrees to pay or cause to be paid all taxes, assessments and other governmental charges levied upon any of its assets or those of its Subsidiaries or in respect of its or their respective franchises, businesses, income or profits, all trade accounts payable in accordance with usual and customary business terms, and all claims for work, labor or materials, which if unpaid might become a Lien upon any asset of Provectus or any Subsidiary, before the same become delinquent, except that (unless and until foreclosure, sale or other similar proceedings shall have been commenced) no such charge need be paid if being contested in good faith and by appropriate measures promptly initiated and diligently conducted if (a) such reserve or other appropriate provision, if any, as shall be required by sound accounting practice consistent with GAAP shall have been made therefor and (b) such contest does not have a Material Adverse Effect.

5.18 Preservation of Intellectual Property Rights. Possess and maintain all material Intellectual Property Rights necessary to the conduct of their respective businesses and own all right, title and interest into and to, or have a valid license for, all material Intellectual Property Rights used by Provectus and its Subsidiaries in the conduct of their respective businesses. Provectus will not take any action or fail to take any action, and will prevent each of its Subsidiaries from taking any action or failing to take any action, which would result in the invalidity, abuse, misuse or unenforceability of such Intellectual Property Rights or which would infringe upon any rights of other Persons.

5.19 Use of Proceeds. Use the net proceeds received from the loan under the Note in accordance with the terms set forth in the Note.

## ARTICLE VI

## FEES, EXPENSES AND INDEMNIFICATION

6.01 Fees And Expenses Of Provectus and Gryffindor. Provectus and the Shareholders, jointly and severally, shall pay, and hold Gryffindor and all subsequent holders of the Note, the Warrant and the Shares harmless against

liability for the payment of (a) the reasonable fees and out-of-pocket expenses of Piper Rudnick, counsel to Gryffindor, arising in connection with the negotiation and execution of this Agreement and the consummation of the transactions contemplated by this Agreement, which shall be payable at the Closing to the extent then known; provided, however, that Provectus shall not be required to pay more than an aggregate of $10,000; and (b) stamp and other taxes which may be payable in respect of the execution and delivery of this Agreement or the issuance, delivery or acquisition of any Shares pursuant to this Agreement, the Transaction Documents or any Common Stock upon conversion of the Shares.

6.02 Indemnification by Provectus and the Shareholders. Provectus and the Shareholders, jointly and severally, shall defend (at Gryffindor Indemnified Parties' sole option and at Provectus' sole expense), indemnify and hold Gryffindor, its officers, directors, members, managers, employees, agents, representatives, successors and assigns (collectively the "Gryffindor Indemnified Parties") harmless from and against any and all losses, claims, damages, liabilities and related expenses, including reasonable attorney's fees and expenses, incurred by the Indemnified Parties arising out of or relating to: (a) any action or inaction of Provectus or a Subsidiary that gives rise to or results in the occurrence of any claim; (b) any breach of any representation or warranty made by Provectus and/or the Shareholders in or pursuant to this Agreement, the Transaction Documents or any other certificate or document delivered by them pursuant to this Agreement; (c) any breach or default by the



Provectus and/or the Shareholders of any covenant or obligation of them in this Agreement or any of the Transaction Documents; (d) any claim or proceeding of any kind whatsoever, whether instituted or commenced prior to or after the date hereof, which relates to, arises from, or occurs in connection with facts or circumstances relating to (i) the Separation Agreement, (ii) the Assets, or (iii) the conduct of Provectus' business, or its assets, or any services provided on or prior to the date hereof; (e) any liabilities of Provectus and/or the Shareholders; or (f) any violations of, or obligations under any laws relating to acts, omissions, circumstances or conditions existing on or prior to the date hereof, whether or not such acts, omissions, circumstances or conditions constituted a violation of such laws, as then in effect; provided, however, any such indemnity shall not apply to any such losses, claims, damages, liabilities or related expenses arising from the gross negligence or willful misconduct of the Gryffindor Indemnified Parties.

6.03 Indemnification By Gryffindor. Gryffindor shall defend (at the Provectus Indemnified Parties' sole option and at Gryffindor's sole expense), indemnify and hold Provectus, its officers, directors, members, managers, shareholders (including the Shareholders), employees, agents, representatives, successors and assigns (collectively the "Provectus Indemnified Parties") harmless from and against any and all losses, claims, damages, liabilities and related expenses, including reasonable attorney's fees and expenses, incurred by the Indemnified Parties arising out of or relating to: (a) any breach of any representation or warranty made by Gryffindor in or pursuant to this Agreement, the Transaction Documents or any other certificate or document delivered by Gryffindor pursuant to this Agreement; or (b) any breach or default by Gryffindor of any covenant or obligation of them in this Agreement or any of the Transaction Documents; provided, however, any such indemnity shall not apply to any such losses, claims, damages, liabilities or related expenses arising from the gross negligence or willful misconduct of the Provectus Indemnified Parties.

ARTICLE VII
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MISCELLANEOUS

7.01 Non-Waiver. No course of dealing between Gryffindor and any other party hereto or any failure or delay on the part of Gryffindor in exercising any rights or remedies under this Agreement, the Note or the Warrant operates as a waiver of any rights or remedies of Gryffindor under any Agreement, the Note or the Warrant. No single or partial exercise of any rights or remedies hereunder operates as a waiver or precludes the exercise of any other rights or remedies hereunder.

7.02 Successors and Assigns. Except as otherwise expressly provided herein, all covenants and agreements contained in this Agreement by or on behalf of any of the parties hereto will bind and inure to the benefit of the respective successors and assigns of the parties hereto, whether so expressed or not, provided, however, that Provectus shall not assign (by operation of law or otherwise) this Agreement, the Transaction Documents or any part hereof or thereof or any obligation hereunder or thereunder without the prior written consent of Gryffindor. Gryffindor may assign, transfer, sell or otherwise convey or hypothecate all or any portion of the Note, the Warrant or the Shares in Gryffindor's (or such other holder's) sole and absolute discretion subject to compliance with the applicable securities laws. In addition, and whether or not any express assignment has been made, the provisions of this Agreement which are for the benefit of Gryffindor or any holder of all or any part of the Note, the Warrant or the Shares are also for the benefit of, and enforceable by, any subsequent holders of all or any part of the Note, the Warrant or the Shares.

7.03 Remedies Non-Exclusive. None of Gryffindor's rights, remedies, privileges or powers expressly provided for herein are exclusive, but each of them is cumulative with, and in addition to, every other right, remedy, privilege and power now or hereafter existing in Gryffindor's favor, whether pursuant to this Agreement, the Transaction Documents, at law or in equity, by statute or otherwise.

7.04 Notices. All notices, requests, demands and other communications required or permitted under this Agreement or by law shall be in writing and given to the parties at the address listed below (or to such other address as shall at any time be designated by any party in writing to the other parties): (a) by certified U.S. mail, return receipt requested, postage prepaid; (b) by facsimile transmission (provided confirmation of the receipt thereof is



obtained); (c) by recognized overnight courier service (e.g., Federal Express); or (d) by hand-delivery:

| | |
|---|---|
| To Gryffindor: | Gryffindor Capital Partners I, L.L.C.<br>150 North Wacker Drive, Suite 800<br>Chicago, Illinois 60606<br>Facsimile: (312) 499-1935<br>Attention: Stuart Fuchs |
| with a copy to: | Piper Rudnick<br>203 N. LaSalle Street<br>Suite 1800<br>Chicago, IL 60504<br>Attn: Deborah Gersh |
| To Provectus: | Provectus Pharmaceuticals, Inc.<br>7327 Oak Ridge Highway, Suite A |

Knoxville, TN 37931
Attention: Timothy C. Scott, Ph.D., President

with a copy to: Baker, Donelson, Bearman & Caldwell
2200 Riverview Tower
900 South Gay Street
Knoxville, TN 37902
Attn: David L. Morehous

All such notices shall be deemed effective (a) when actually delivered or when sent by facsimile (upon electronic confirmation of receipt), (b) three days after being deposited in the United States mail, first class, postage prepaid, or (c) one day after being delivered to a reputable overnight delivery service.

7.05 Entire Agreement; Integration Clause. This Agreement and the Transaction Documents set forth the entire agreements and understandings of the parties hereto with respect to this transaction, and any prior agreements are hereby merged herein and terminated. The recitals appearing at the beginning of this Agreement are hereby incorporated herein by this reference.

7.06 No Oral Modification Or Waivers. The terms of this Agreement may not be modified or waived orally, but only by an instrument in writing signed by the party against which enforcement of the modification or waiver (as the case may be) is sought.

7.07 Governing Law. The laws of the State of Illinois (other than its conflicts of law principles) govern this Agreement and the Transaction Documents except with respect to the following matters which will be governed by the state of incorporation of Provectus and/or its Subsidiaries as applicable: due incorporation and qualifications for good standing, the issuance of Common Stock and other capital stock of Provectus and its Subsidiaries and the Board of Directors of Provectus and its Subsidiaries.

7.08 Headings. The headings of the paragraphs and sub-paragraphs of this Agreement and the Transaction Documents are inserted for convenience only and do not constitute a part of this Agreement or the Transaction Documents.

7.09 Severability. To the extent any provision herein violates any applicable law, that provision shall be considered void and the balance of this Agreement shall remain unchanged and in full force and effect.

7.10 Counterparts. This Agreement may be executed in counterparts. The signature of, or on behalf of, each party does not need to appear on each counterpart, so long as it appears on one or more of the counterparts. All counterparts shall collectively constitute one original document.



IN WITNESS WHEREOF, the undersigned have executed and delivered this Agreement as of the date first above written.

GRYFFINDOR CAPITAL PARTNERS I, L.L.C.
By:

By:/s/ Stuart Fuchs
---

Name:Stuart Fuchs
Title:Managing Principal

PROVECTUS PHARMACEUTICALS, INC.

a Nevada corporation

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

/s/ Craig Dees
---
Craig Dees, Ph.D.

THE DEES FAMILY FOUNDATION

By:/s/ Craig Dees
---
Name: Craig Dees
Its:President

/s/ Eric A. Wachter
---
Eric A. Wachter, Ph.D.

THE ERIC A. WACHTER 1998
CHARITABLE REMAINDER UNITRUST

By:/s/ Eric A. Wachter
---
Name:/s/ Eric A. Wachter
---
Its: Trustee

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/s/ Timothy C. Scott
---
Timothy C. Scott, Ph.D.

THE SCOTT FAMILY INVESTMENT
LIMITED PARTNERSHIP

By: /s/ Timothy C. Scott
---
Name: Timothy C. Scott
Its: General Partner

/s/ Walter Fisher
---

Walter Fisher, Ph.D.

THE FISHER FAMILY INVESTMENT
LIMITED PARTNERSHIP

By: /s/ Walter Fisher
---
Name: Walter Fisher
Its: General Partner

THE WALT FISHER 1998
CHARITABLE REMAINDER UNITRUST

By: /s/ Walter Fisher
---
Name: Walter Fisher
Its: Trustee

/s/ John T. Smolik
---
John T. Smolik

THE SMOLIK FAMILY LLP

By: /s/ John T. Smolik
---
Name: John T. Smolik
Its: General Partner



SCHEDULE 3.09

CONVERTIBLE SECURITIES AND COMMITMENTS

1. Note and Warrants to be issued pursuant to the Purchase Agreement.

2. 2,000,000 shares of Common Stock have been reserved for issuance upon the exercise of options to be granted pursuant to Provectus's employee stock option plan (the "Plan"). No options have been granted pursuant to the Plan; however, Provectus plans to grant options to employees as shown in the "Employee Stock Options Schedule" beginning on the following page. Grants are expected to be made annually in the spring following the release of Provectus's audited annual financial statements for the preceding fiscal year, with the first grants to be made in the spring of 2003.

3. Upon the consummation of the pending acquisition of Pure-ific, L.L.C. ("Pure-ific"), Provectus will issue the following securities to the members of Pure-ific:

a. 25,000 shares of Common Stock, which will not be registered under the Securities Act; and
b. Warrants for the purchase of an aggregate of 80,000 shares of Common Stock.



Employee Stock Options Schedule

Options Awarded

| Position | Year 1 | Year 2 | Year 3 | Year 4 | Yea |
|---|---|---|---|---|---|
| Senior Execs. | | | | | |
| CEO | 75,000 | 75,000 | 75,000 | 75,000 | 75 |
| President | 75,000 | 75,000 | 75,000 | 75,000 | 75 |
| Vice President-Research | 75,000 | 75,000 | 75,000 | 75,000 | 75 |
| CFO | 75,000 | 75,000 | 75,000 | 75,000 | 75 |
| Administration | | | | | |
| AP Clerk | 2,000 | 2,000 | 2,000 | 2,000 | 2 |
| Secretary | 2,000 | 2,000 | 2,000 | 2,000 | 2 |
| Marketing & Sales | | | | | |
| VP Marketing Sales | 15,000 | 15,000 | 15,000 | 15,000 | 15 |
| Sales Manager | | 5,000 | 5,000 | 5,000 | 5 |
| Sales Specialist | | 2,000 | 2,000 | 2,000 | 2 |
| Sales Specialist | | 2,000 | 2,000 | 2,000 | 2 |
| Sales Specialist | | 2,000 | 2,000 | 2,000 | 2 |
| Product Manager | | 2,000 | 2,000 | 2,000 | 2 |
| Product Manager | | 2,000 | 2,000 | 2,000 | 2 |
| Product Manager | | 2,000 | 2,000 | 2,000 | 2 |
| Product Manager | | 2,000 | 2,000 | 2,000 | 2 |
| Secretary | | 2,000 | 2,000 | 2,000 | 2 |
| Secretary | | 2,000 | 2,000 | 2,000 | 2 |
| Secretary | | | 2,000 | 2,000 | 2 |
| Secretary | | | | 2,000 | 2 |
| Clerk | | 2,000 | 2,000 | 2,000 | 2 |
| Clerk | | 2,000 | 2,000 | 2,000 | 2 |
| Clerk | | | 2,000 | 2,000 | 2 |
| Clerk | | | | 2,000 | 2 |
| Research/Reg Affairs | | | | | |
| Secretary | 2,000 | 2,000 | 2,000 | 2,000 | 2 |
| Secretary | | | 2,000 | 2,000 | 2 |
| Reg Affairs Director | | 5,000 | 5,000 | 5,000 | 5 |
| Scientist | | 5,000 | 5,000 | 5,000 | 5 |
| Scientist | | | 5,000 | 5,000 | 5 |
| Scientist | | | 5,000 | 5,000 | 5 |
| Technician | | 3,000 | 3,000 | 3,000 | 3 |
| Technician | | | 3,000 | 3,000 | 3 |
| Technician | | | 3,000 | 3,000 | 3 |

SCHEDULE 3.10

STOCKHOLDER LIST

| Stockholder Name | Number of Shares | |
|---|---|---|
| Blankenship, Justeene | | 493,666 |
| Dees, H. Craig (2) | 1,397,323 | |
| Dees Family Foundation | 536 | |
| Dees total: | | 1,397,859 |
| Fisher, Walter G. | 831,880 | |
| Fisher Family Investment Limited Partnership | 55,577 | |
| Walt Fisher 1998 Charitable Remainder Unitrust | 9,734 | |
| Fisher total: | | 897,191 |
| Hamilton, Daniel R. (2) | | 300,000 |
| Scott, Timothy C. (2) | 1,341,553 | |
| Scott Family Investment Limited Partnership | 55,966 | |
| Scott total: | | 1,397,519 |
| Smolik, John T. | 848,673 | |
| Smolik Family LLP | 48,666 | |
| Smolik total: | | 897,339 |
| Wachter, Eric A. (2) | 1,405,232 | |
| Eric A. Wachter 1998 Charitable Remainder Unitrust | 4,867 | |
| Wachter total: | | 1,410,099 |
| Depository Trust Company (CEDE & Co.) (3) | | 566,283 |

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(1) Calculated by dividing the total number of shares by 8,945,770, the number of shares out
Section 3.09 of the Purchase Agreement.

(2) Ownership shown for Messrs. Dees, Hamilton, Scott and Wachter does not include options t
them pursuant to the Plan. See Item 2 of Schedule 3.09.

(3) Provectus does not believe that any single person who holds shares in "street name," for
holder, holds more than 5% of the Common Stock.

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SCHEDULE 3.13

PROPERTY AND ASSETS

1. Intellectual Property Rights are identified on Schedule 3.14.

2. Tangible assets are identified on Annex 3.13a attached hereto.

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SCHEDULE 3.14

INTELLECTUAL PROPERTY RIGHTS

1. Intellectual Property Rights

a. Patents, patent applications, drafts, and disclosures, US and international:

i. PHO-0001 Method for Improved Selectivity in Photo-Activation of Molecular Agents (Fisher, Wachter and Dees), including the following US patents: A. 5,829,448 B. 5,998,597 C. 6,042,603

ii. PHO-0002 Method for Improved Selectivity in Photo-Activation and Detection of Molecular Diagnostic Agents (Wachter, Fisher and Dees), including the following US patents: A. 5,832,931

iii. PHO-0003 Method and Apparatus for Treating Biological Contaminants in the Blood Supply (Dees, Smolik and Wachter). Prepared as a first draft in 1998; not forwarded since.

iv. PHO-101 Universal Activator for Laser Medical Treatment (Wachter, Smolik and Fisher). Prepared as a first draft in 1997; not forwarded since.

v. PHO-102 Treatment of Pigmented Tissues Using Optical Energy (Dees and Wachter)

vi. PHO-103 Injectable Collagen and Protein Gels Containing Photoactive Agents (Dees). Prepared as a first draft in 1998; not forwarded since.

vii. PHO-104 Improved Methods and Apparatus for Multi-Photon Photo-Activation of Therapeutic Agents (Wachter, Fisher and Smolik)

viii. PHO-105 Improved Method for Targeted Topical Treatment of Disease (Dees, Scott, Smolik, Wachter and Fisher) ix. PHO-106 Method for Improved Imaging and Photodynamic Therapy (Dees and Scott) x. PHO-107 High Energy Phototherapeutic Agents (Dees, Scott, Smolik and Wachter), including the following US patents: A. 6,331,286

xi. PHO-108 Method and Agents for Improved Radiation Therapy (Wachter, Smolik and Dees); abandoned April 15, 2002

xii. PHO-109 Improved Methods and Apparatus for Multi-photon Photo-activation and Detection of Molecular Agents (Fisher, Wachter, Smolik and Dees)

xiii. PHO-110 Method for Enhanced Protein Stabilization and for Production of Cell Lines Useful for Production of such Stabilized Proteins (Dees and Smolik), including the following US patents: A. 6,451,597, issued September 17, 2002 B. 6,468,777, issued October 22, 2002

xiv. PHO-113 Improved Topical Medicaments and Methods for Photodynamic Treatment of Disease (Dees, Scott, Smolik, Wachter and Fisher)

xv. PHO-119 Improved Intracorporeal Medicaments for Photodynamic Treatment of Disease (Dees, Scott, Wachter, Fisher and Smolik)

xvi. PHO-120 Improved Intracorporeal Medicaments for High Energy Phototherapeutic Treatment of Disease (Dees, Scott, Wachter, Fisher and Smolik)

xvii. PHO-121 Improved Methods and Apparatus for Optical Imaging (Fisher and Wachter)

xviii. PHO-122 Improved Medicaments for Chemotherapeutic Treatment of Disease (Scott and Dees)

xix. PHO-123 Phototherapeutic Vaccination and Immunotherapy Against Tumors (Dees, Scott and Wachter)

xx. PRO-201 Combination Antiperspirant and Antimicrobial Compositions (Dees)

xxi. Method and Apparatus for Permanent Hair Removal (Wachter and Dees)

xxii. Treatment for Colon Cancer (Dees)

xxiii. Spatially-Localized Sequential Two-Photon PDT and Imaging (Fisher, Wachter and Smolik)

xxiv. Method for Delivery of Ultrashort Pulses through an Optical Fiber (Wachter and Fisher)

xxv. Biospecific Targeting of Molecules (Dees)

xxvi. A Macromolecular Carrier to Preferentially Deliver Imaging Agents (Dees)

xxvii. Materials and Method for Localizing Immunomodulation (Dees)

xxviii. Treatment of Autoimmune Disorders (Dees)



xxix. Iodinated and Esterified Rhodamine Derivatives (Dees and Besharat)

xxx. Ultrasound Contrast Using Halogenated Xanthenes (Dees, Scott and Wachter)

b. Trademarks, service marks and applications for same; trade names:

i. PHO-118 PulseView

c. Copyrights:

i. None

d. Licenses:
None pursuant to which Provectus or Xantech have acquired Intellectual Property Rights

e. Internet domain names and registrations:

i. www.provectuscorp.com

2. Pursuant to the Patent and Know How License Agreement identified in Item 3 of Schedule 3.24, Photogen Technologies has rights to use the following Intellectual Property Rights in connection with "the research, development, manufacture and commercialization of nanoparticulate x-ray, CT and/or MRI diagnostic imaging agents using radio-opaque molecules containing Iodine that passively target to lymph nodes involved in a disease state following parenteral administration to a mammal to locate, diagnose, and/or treat cancer or other diseases":

a. PHO-106; see Item a.ix. above.

b. PHO-107; see Item a.x. above.

c. PHO-108; see Item a.xi. above.

d. PHO-120; see Item a.xvi. above.

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SCHEDULE 3.16

INTERESTED PARTY TRANSACTIONS

1. Pursuant to the Stock Ownership and Agency Agreement dated as of November 15, 2002 (the "Ownership Agreement")among Valley, H. Craig Dees, Ph.D., Dees Family Foundation, Walter Fisher, Ph.D., Fisher Family Investment Limited Partnership, Walt Fisher 1998 Charitable Remainder Unitrust, Timothy C. Scott, Ph.D., Scott Family Investment Limited Partnership, John T. Smolik, Smolik Family LLP, Eric A. Wachter, Ph.D., and Eric A. Wachter 1998 Charitable Remainder Unitrust (the "Valley Shareholders"), the issued and outstanding stock of Valley was held by Timothy C. Scott, Ph.D. as Agent for the Valley Shareholders. Upon the consummation of the Merger, Provectus issued an aggregate of 500,007 shares of its Common Stock to the Valley Shareholders, in the following amounts:

| Name of Valley Shareholder | Number of Provectus Shares Issue |
|---|---|
| Craig Dees, Ph.D. | 97,323 |
| Dees Family Foundation | 536 |
| Walter Fisher, Ph.D. | 31,880 |
| Fisher Family Investment Limited Partnership | 55,577 |
| Walt Fisher 1998 Charitable Remainder Unitrust | 9,734 |
| Timothy C. Scott, Ph.D. | 41,553 |
| Scott Family Investment Limited Partnership | 55,966 |

| | |
|---|---|
| John T. Smolik | 48,673 |
| Smolik Family LLP | 48,666 |
| Eric A. Wachter, Ph.D. | 105,232 |
| Eric A. Wachter 1998 Charitable Remainder Unitrust | 4,867 |
| Total for All Valley Shareholders: | 500,007 |

H. Craig Dees is the Chief Executive Officer of Provectus. Timothy C. Scott is the President of Provectus. Eric A. Wachter is the Executive Vice President of Provectus.



SCHEDULE 3.20

SUBSIDIARIES

| | Name | Jurisdiction | % Ownership |
|---|---|---|---|
| 1. | Xantech Pharmaceuticals, Inc. | Tennessee | 100% |



SCHEDULE 3.21

OFFICERS AND DIRECTORS

1. Directors and officers of Provectus:

| Name | Title | Member of Board? |
|---|---|---|
| H. Craig Dees | Chief Executive Officer | Yes |
| Timothy C. Scott | President | Yes |
| Daniel R. Hamilton | Chief Financial Officer | No |
| Eric A. Wachter | Executive Vice President | Yes |

2. Directors and officers of Xantech:

| Name | Title | Member of Board? |
|---|---|---|

| | | |
|---|---|---|
| H. Craig Dees | Chief Executive Officer | Yes |
| Timothy C. Scott | President | Yes |
| Daniel R. Hamilton | Chief Financial Officer | No |
| Eric A. Wachter | Executive Vice President | Yes |



SCHEDULE 3.22

DEBT OWED BY PROVECTUS

Nothing other than debts identified on the Financial Statements.



SCHEDULE 3.23

UNDISCLOSED LIABILITIES

None.

SCHEDULE 3.24

MATERIAL CONTRACTS AND OBLIGATIONS

1. Consulting and financial services agreements:

Financial Consulting Services Agreement dated April 23, 2002 between Provectus and Phillip C. Baker
Consulting Agreement dated as of August 15, 2002 between Provectus and Numark Capital Corp.
Consulting Agreement dated as of August 15, 2002 between Provectus and Nunzio Valerie.
Consulting Agreement dated as of August 28, 2002 between Provectus and Robert S. Arndt.

2. Marketing and distribution agreements:

Consulting Contract dated June 1, 2002 between Provectus and Avid Amiri.
Consulting Agreement dated June 7, 2002 between Provectus and Nace Pharma, L.L.C
Financial Services Agreement dated August 29, 2002 between Provectus and Nace Resources, Inc.
Marketing Agreement dated as of November 15, 2002 between Provectus and Vertical Investments Corp.

3. The Separation Agreement (as defined in the Purchase Agreement), and the following agreements entered into in connection therewith:

In connection with the Separation Agreement, Xantech assumed the obligation to pay certain royalties to Dr. Wolf pursuant to Section 4.1 of the Settlement Agreement and Mutual Release of Claims dated as of June 13, 2002 among Photogen Technologies, Inc., a Nevada corporation ("Technologies"), Photogen, Inc., a Tennessee corporation (now known as Xantech Pharmaceuticals, Inc. ("Xantech")), The General Hospital Corporation d/b/a Massachusetts General Hospital, and Gerald L. Wolf, Ph.D.

Patent and Know How License Agreement dated as of November 12, 2002 between Technologies and Xantech.
Non-Competition Agreement dated as of November 12, 2002 among Xantech, Craig Dees, Eric A. Wachter, Timothy C. Scott, Walter Fisher, and John T. Smolik (collectively, the "Tennessee Stockholders"), and Technologies, pertaining to the "Therapeutic Business" (as defined in the Separation Agreement).

Non-Competition Agreement dated as of November 12, 2002 among Xantech, the Tennessee Stockholders, and Technologies, pertaining to PH-10.

4. The Reorganization Agreement (as defined in the Purchase Agreement).



SCHEDULE 3.25

MATERIAL CHANGES

None.



SCHEDULE 3.28

ENVIRONMENTAL MATTERS

In the ordinary course of its business, Provectus operates a laboratory and similar research facilities. In the course of these operations, Provectus handles chemicals which may be classified as Hazardous Materials. Chemicals presently in Provectus's inventory are identified on Annex 3.13a to Schedule 3.13; some of these chemicals may be classified as Hazardous Materials. Provectus handles all chemicals, including Hazardous Materials, in compliance with all applicable Environmental Laws and other legal requirements. Provectus has not 1. entered into or been subject to any consent decree, compliance order, or administrative order with respect to any environmental or health and safety matter relating to its business or any of its currently or formerly owned, operated or managed properties or facilities, 2. received notice under the citizen suit provision of any Environmental Law in connection with its business or any of its currently or formerly owned, operated or managed properties or facilities, 3. received any written request for information, demand letter, administrative inquiry, or formal or informal complaint or claim with respect to any environmental or health and safety matter relating to its business or any of its properties or facilities or 4. been subject to any governmental or citizen enforcement action with respect to any environmental or health and safety matter relating to its business or any of its properties or facilities, and has no knowledge that any matters described in clauses 1-4 above will be forthcoming; in any such case as would have or reasonably be expected to have a material adverse effect on Provectus or its operations.



SCHEDULE 3.29

LEASEHOLD INTERESTS IN REAL PROPERTY

Provectus leases its offices at 7327 Oak Ridge Highway, Suite A, Knoxville, Tennessee 37932 from the owner of the property pursuant to a verbal agreement providing for a month-to-month lease at a rent of $2800 per month.



Exhibit 4.6

STOCK PLEDGE AGREEMENT

STOCK PLEDGE AGREEMENT, dated as of November 26, 2002, between PROVECTUS PHARMACEUTICALS, INC. (the "Pledgor"), and GRYFFINDOR CAPITAL PARTNERS I, L.L.C. ("Lender").

W I T N E S S E T H:

WHEREAS, Pledgor is the record and beneficial owner of all of the issued and outstanding shares of stock of Xantech Pharmaceuticals, Inc. ("Xantech") and the other stock described in Schedule I hereto (the "Pledged Shares") issued by the corporations named therein; and

WHEREAS, Pledgor has entered into a Senior Secured Convertible Note, dated as of even date herewith (as at any time amended, modified or supplemented, the "Note") with Lender pursuant to which Lender has agreed to make a loan to Pledgor (the "Loan"), the proceeds of which are to be used as set forth in the Note; and

WHEREAS, in connection with the making of the Loan as evidenced by the Note and as security for all of the Obligations of Pledgor under the Note, the Lender is requiring that Pledgor shall have executed and delivered this Stock Pledge Agreement and granted the security interest contemplated hereby;

NOW, THEREFORE, in consideration of the premises and the covenants hereinafter contained and to induce Lender to make the Loan evidenced by the Note, it is agreed as follows:

1. Definitions. Unless otherwise defined herein, terms defined in the Note are used herein as therein defined, and the following shall have (unless otherwise provided elsewhere in this Stock Pledge Agreement) the following respective meanings (such meanings being equally applicable to both the singular and plural form of the terms defined):

"Act" shall have the meaning assigned to such term in Section 8(d) hereof.

"Agreement" shall mean this Stock Pledge Agreement, including all amendments, modifications and supplements and any exhibits or schedules to any of the foregoing, and shall refer to the Agreement as the same may be in effect at the time such reference becomes operative.

"Default" shall mean an Event of Default under the Note or any other Transaction Document.

"Pledged Collateral" shall have the meaning assigned to such term in Section 2 hereof.

"Pledged Shares" shall have the meaning assigned to such term in the first "Whereas" clause hereof.

"Secured Obligations" shall have the meaning assigned to such term in Section 3 hereof.

"Stock" shall mean all shares, options, interests, participations or other equivalents (howsoever designated) of or in a corporation, whether voting or non-voting, including without limitation, common stock, warrants, preferred stock, convertible debentures and all agreements, instruments and documents convertible, in whole or in part, into any one or more or all of the foregoing.

"Subsidiaries" means with respect to any Person, any corporation association or other entity of which securities or other ownership interest representing more than twenty percent (20%) of the ordinary voting power are, at the time as of which any determination is being made, owned or controlled by such Person or one or more Subsidiaries of such Person or by such person and one or more Subsidiaries of such Person.



2. Pledge. Pledgor hereby pledges and grants to Lender a first priority security interest in all of the following (the "Pledged Collateral"), except as otherwise provided in Section 7(b):

(a) the Pledged Shares and the certificates representing the Pledged Shares, and all dividends, cash instruments and other property or proceeds from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all of the Pledged Shares;

(b) all additional shares of stock of any issuer of the Pledged Shares from time to time acquired by Pledgor in any manner (which shares shall be deemed to be part of the Pledged Shares) and the certificates representing such shares, and all dividends, cash, instruments and other property or proceeds from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all of such shares; and

(c) all shares of any Person who, after the date of this Agreement, becomes, as a result of any occurrence, a directly owned Subsidiary of Pledgor (which shares shall be deemed to be part of the Pledged Shares) and the certificates representing such shares, and all dividends, cash, instruments and other property or proceeds from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all of such shares.

3. Security for Obligations. This Agreement secures, and the Pledged Collateral is security for, the prompt payment in full when due, whether at stated maturity, by acceleration or otherwise, and performance of the Obligations, whether for principal, premium, interest, fees, costs and expenses,

and all obligations of Pledgor now or hereafter existing under this Agreement and under the Note (collectively, the "Secured Obligations").

4. Delivery of Pledged Collateral. All certificates representing or evidencing the Pledged Shares shall be delivered to and held by or on behalf of Lender pursuant hereto and shall be accompanied by duly executed instruments of transfer or assignment in blank, all in form and substance satisfactory to Lender. Subject to Section 7 hereof, Lender shall have the right, at any time in its discretion and without notice to the Pledgor, to transfer to or to register in the name of Lender or any of its nominees any or all of the Pledged Shares. In addition, also subject to Section 7 hereof, Lender shall have the right at any time to exchange certificates or instruments representing or evidencing Pledged Shares for certificates or instruments of smaller or larger denominations.

5. Representations and Warranties. Pledgor represents and warrants to Lender that:

(a) Pledgor is, and at the time of delivery of the Pledged Shares to Lender pursuant to Section 4 hereof will be, the sole holder of record and the sole beneficial owner of the Pledged Collateral pledged by Pledgor free and clear of any lien thereon or affecting the title thereto except for the lien created by this Agreement.

(b) All of the Pledged Shares have been duly authorized, validly issued and are fully paid and non-assessable.

(c) Pledgor has the right and requisite corporate authority to pledge, assign, transfer, deliver, deposit and set over the Pledged Collateral pledged by Pledgor to Lender as provided herein.

(d) None of the Pledged Shares has been issued or transferred in violation of the securities registration, securities disclosure or similar laws of any jurisdiction to which such issuance or transfer may be subject.

(e) The authorized Stock of each of the issuers listed on Schedule I hereto consists of the number of shares of common and preferred stock, with the number of shares issued and outstanding, that are described in Schedule I hereto. As of the date hereof, there are no existing options, warrants, calls or commitments of any character whatsoever relating to any Stock of any of such issuers.

(f) No consent, approval, authorization or other order of any Person and no consent, authorization, approval, or other action by, and no notice to or filing with, any governmental authority or regulatory body is required either (i) for the pledge by Pledgor of the Pledged Collateral pursuant to this Agreement or for the execution, delivery or performance of this Agreement by Pledgor or (ii) for the exercise by Lender of the voting or other rights



provided for in this Agreement or the remedies in respect of the Pledged Collateral pursuant to this Agreement, except as may be required in connection with such disposition by laws affecting the offering and sale of securities generally.

(g) The pledge, assignment and delivery of the Pledged Collateral pursuant to this Agreement will create a valid first priority lien on and a first priority perfected security interest in the Pledged Collateral pledged by Pledgor, and the proceeds thereof, securing the payment of the Secured Obligations.

(h) This Agreement has been duly authorized, executed and delivered by Pledgor and constitutes a legal, valid and binding obligation of Pledgor enforceable in accordance with its terms.

(i) The Pledged Shares constitute one hundred percent (100%) of the issued and outstanding shares of Stock of the issuers thereof.

The representations and warranties set forth in this Section 5 shall survive the execution and delivery of this Agreement.

6. Covenants. Pledgor covenants and agrees that until the Obligations under the Note have been repaid in full or Lender has otherwise converted all of the outstanding Obligations thereunder in accordance with the terms set forth therein:

(a) Without the prior written consent of Lender, Pledgor will not sell, assign, transfer, pledge, or otherwise encumber any of its rights in or to the Pledged Collateral pledged by Pledgor or any unpaid dividends or other distributions or payments with respect thereto or grant a lien in any therein except as otherwise permitted by the Note.

(b) Pledgor will, at its expense, promptly execute, acknowledge and deliver all such instruments and take all such action as Lender from time to time may request in order to ensure to Lender the benefits of the liens in and to the Pledged Collateral intended to be created by this Agreement.

(c) Pledgor has and will defend the title to the Pledged Collateral and the liens of Lender thereon against the claim of any Person and will maintain and preserve such liens.

(d) Pledgor will, upon obtaining any additional shares of any Subsidiaries or of any new indirectly owned Subsidiary, which shares are not already Pledged Collateral, promptly (and in any event within three (3) Business Days) deliver to Lender a Pledge Amendment, duly executed by Pledgor, in substantially the form of Schedule II hereto (a "Pledge Amendment"), in respect of the additional Pledged Shares which are to be pledged pursuant to this Agreement. Pledgor hereby authorizes Lender to attach each such Pledge Amendment to this Agreement and agrees that all Pledged Shares listed on any Pledge Amendment delivered to Lender shall for all purposes hereunder be considered Pledged Collateral.

7. Pledgors' Rights. As long as no Default shall have occurred and be continuing and until written notice shall be given to Pledgor in accordance with Section 8(a) hereof:

(a) Pledgor shall have the right, from time to time, to vote and give consents with respect to the Pledged Collateral or any part thereof for all purposes not inconsistent with the provisions of this Agreement, the Note, and any other agreement except as otherwise provided in the Purchase Agreement of any of the other Transaction Documents (defined in the Purchase Agreement); provided, however, that no vote shall be cast, and no consent shall be given or action taken, which would have the effect of impairing the position or interest of Lender in respect of the Pledged Collateral or which would authorize or effect (i) the dissolution or liquidation, in whole or in part, of any of its Subsidiaries, (ii) the consolidation or merger of Xantech with any other Person, (iii) the sale, disposition or encumbrance of all or substantially all of the assets of any of its Subsidiaries, (iv) any change in the authorized number of shares, the stated capital or the authorized share capital of any of its Subsidiaries or the issuance of any additional shares of its Stock, or (v) the alteration of the voting rights with respect to the Stock of any of its Subsidiaries;

(b) (i)) Pledgor shall be entitled, from time to time, to collect and receive for its own use all cash dividends paid in respect of the Pledged Shares



to the extent not in violation of the Note other than any and all (A) dividends paid or payable other than in cash in respect of, and instruments and other property received, receivable or otherwise distributed in respect of, or in exchange for, any Pledged Collateral, (B) dividends and other distributions paid or payable in cash in respect of any Pledged Collateral in connection with a partial or total liquidation or dissolution, and (C) cash paid, payable or otherwise distributed in redemption of, or in exchange for, any Pledged Collateral; provided, however, that until actually paid all rights to such dividends shall remain subject to the lien created by this Agreement; and (ii) all dividends (other than such cash dividends as are permitted to be paid to Pledgor in accordance with clause (i) above) and all other distributions in respect of any of the Pledged Shares of Pledgor, whenever paid or made, shall be delivered to Lender to hold as Pledged Collateral and shall, if received by Pledgor, be received in trust for the benefit of Lender, be segregated from the other property or funds of Pledgor, and be forthwith delivered to Lender as Pledged Collateral in the same form as so received (with any necessary endorsement).

8. Defaults and Remedies.

(a) Upon the occurrence of a Default and during the continuation of a Default (provided that such Default is not waived by Lender) and following written notice to Pledgor, Lender (personally or through an agent) is hereby authorized and empowered, to transfer and register in its name or in the name of its nominee the whole or any part of the Pledged Collateral, to exercise the voting rights with respect thereto, to collect and receive all cash dividends and other distributions made thereon, to sell in one or more sales after ten (10) days' notice of the time and place of any public sale or of the time after which a private sale is to take place (which notice Pledgor agrees is commercially reasonable), but without any previous notice or advertisement, the whole or any part of the Pledged Collateral and to otherwise act with respect to the Pledged Collateral as though Lender was the outright owner thereof, Pledgor hereby irrevocably constituting and appointing Lender as the proxy and attorney-in-fact of Pledgor, with full power of substitution to do so; provided, however, Lender shall not have any duty to exercise any such right or to preserve the same and shall not be liable for any failure to do so or for any delay in doing so. Any sale shall be made at a public or private sale at Lender's place of business, or at any public building in Chicago or elsewhere to be named in the notice of sale, either for cash or upon credit or for future delivery at such price as Lender may deem fair, and Lender may be the purchaser of the whole or any part of the Pledged Collateral so sold and hold the same thereafter in its own right free from any claim of such Pledgor or any right of redemption. Each sale shall be made to the highest bidder, but Lender reserves the right to reject any and all bids at such sale which, in its discretion, it shall deem inadequate. Demands of performance, except as otherwise herein specifically provided for, notices of sale, advertisements and the presence of property at sale are hereby waived and any sale hereunder may be conducted by an auctioneer or any officer or agent of Lender.

(b) If, at the original time or times appointed for the sale of the whole or any part of the Pledged Collateral, the highest bid, if there be but one sale, shall be inadequate to discharge in full all the Secured Obligations, or if the Pledged Collateral be offered for sale in lots, if at any of such sales, the highest bid for the lot offered for sale would indicate to Lender, in its discretion, the unlikelihood of the proceeds of the sales of the whole of

the Pledged Collateral being sufficient to discharge all the Secured Obligations, Lender may, on one or more occasions and in its discretion, postpone any of said sales by public announcement at the time of sale or the time of previous postponement of sale, and no other notice of such postponement or postponements of sale need be given, any other notice being hereby waived; provided, however, that any sale or sales made after such postponement shall be after ten (10) days' notice to Pledgor.

(c) In the event of any sales hereunder, Lender shall, after deducting all costs or expenses of every kind (including reasonable attorneys' fees and disbursements) for care, safekeeping, collection, sale, delivery or otherwise, apply the residue of the proceeds of the sales to the payment or reduction, either in whole or in part, of the Secured Obligations in accordance with the agreements and instruments governing and evidencing the Secured Obligations, returning the surplus, if any, to Pledgor.

(d) If, at any time when Lender shall determine to exercise its rights to sell the whole or any part of the Pledged Collateral hereunder, such Pledged Collateral or the part thereof to be sold shall not, for any reason whatsoever, be effectively registered under the Securities Act of 1933, as amended (or any



similar statute then in effect) (the "Act"), Lender may, in its discretion (subject only to applicable requirements of law), sell such Pledged Collateral or part thereof by private sale in such manner and under such circumstances as Lender may deem necessary or advisable, but subject to the other requirements of this Section 8, and shall not be required to effect such registration or to cause the same to be effected. Without limiting the generality of the foregoing, in any such event Lender in its discretion (i) may, in accordance with applicable securities laws, proceed to make such private sale notwithstanding that a registration statement for the purpose of registering such Pledged Collateral or part thereof could be or shall have been filed under the Act (or similar statute), (ii) may approach and negotiate with a single possible purchaser to effect such sale, and (iii) may restrict such sale to a purchaser who will represent and agree that such purchaser is purchasing for its own account, for investment and not with a view to the distribution or sale of such Pledged Collateral or part thereof. In addition to a private sale as provided above in this Section 8, if any of the Pledged Collateral shall not be freely distributable to the public without registration under the Act (or similar statute) at the time of any proposed sale pursuant to this Section 8, then Lender shall not be required to effect such registration or cause the same to be effected but, in its discretion (subject only to applicable requirements of law), may require that any sale hereunder (including a sale at auction) be conducted subject to restrictions (iv) as to the financial sophistication and ability of any Person permitted to bid or purchase at any such sale, (v) as to the content of legends to be placed upon any certificates representing the Pledged Collateral sold in such sale, including restrictions on future transfer thereof, (vi) as to the representations required to be made by each Person bidding or purchasing at such sale relating to that Person's access to financial information about Pledgor and such Person's intentions as to the holding of the Pledged Collateral so sold for investment, for its own account, and not with a view of the distribution thereof, and (vii) as to such other matters as Lender may, in its discretion, deem necessary or appropriate in order that such sale (notwithstanding any failure so to register) may be effected in compliance with the Code and other laws affecting the enforcement of creditors' rights and the Act and all applicable state securities laws.

(e) Pledgor acknowledges that notwithstanding the legal availability of a private sale or a sale subject to the restrictions described above in paragraph (d), Lender may, in its discretion, elect to register any or all the

Pledged Collateral under the Act (or any applicable state securities law) in accordance with its rights hereunder. Pledgor, however, recognizes that Lender may be unable to effect a public sale of any or all the Pledged Collateral and may be compelled to resort to one or more private sales thereof. Pledgor also acknowledges any such private sale (conducted in a commercially reasonable manner for private sales) may result in prices and other terms less favorable to the seller than if such sale were a public sale and, notwithstanding such circumstances, agrees that any such private sale shall be deemed to have been made in a commercially reasonable manner. Lender shall be under no obligation to delay a sale of any of the Pledged Collateral for the period of time necessary to permit the registrant to register such securities for public sale under the Act, or under applicable state securities laws, even if Pledgor or issuer of the Pledged Collateral would agree to do so.

(f) Pledgor agrees that following the occurrence and during the continuance of a Default it will not at any time plead, claim or take the benefit of any appraisal, valuation, stay, extension, moratorium or redemption law now or hereafter in force in order to prevent or delay the enforcement of this Agreement, or the absolute sale of the whole or any part of the Pledged Collateral or the possession thereof by any purchaser at any sale hereunder, and Pledgor waives the benefit of all such laws to the extent it lawfully may do so. Pledgor agrees that it will not interfere with any right, power and remedy of Lender provided for in this Agreement or now or hereafter existing at law or in equity or by statute or otherwise, or the exercise or beginning of the exercise by Lender of any one or more of such rights, powers, or remedies. No failure or delay on the part of Lender to exercise any such right, power or remedy and no notice or demand which may be given to or made upon Pledgor by Lender with respect to any such remedies shall operate as a waiver thereof, or limit or impair Lender's right to take any action or to exercise any power or remedy hereunder, without notice or demand, or prejudice its rights as against Pledgor in any respect.

(g) Pledgor further agrees that a breach of any of the covenants contained in this Section 8 will cause irreparable injury to Lender, that Lender has no adequate remedy at law in respect of such breach and, as a consequence, agrees that each and every covenant contained in this Section 8 shall be specifically enforceable against Pledgor, and Pledgor hereby waives and agrees



not to assert any defenses against an action for specific performance of such covenants except for a defense that the Secured Obligations are not then due and payable in accordance with the agreements and instruments governing and evidencing such obligations.

9. Application of Proceeds. Any cash held by Lender as Pledged Collateral and all cash proceeds received by Lender in respect of any sale of, liquidation of, or other realization upon all or any part of the Pledged Collateral shall be applied by Lender as follows:

(a) First, to the payment of the costs and expenses of such sale, including reasonable compensation to Lender and its agents and counsel, and all expenses, liabilities and advances made or incurred by Lender in connection therewith;

(b) Next, to the payment of the Secured Obligations; and

(c) Finally, after payment in full of all Secured Obligations, to the payment to Pledgor, or its successors or assigns, or to whomsoever may be lawfully entitled to receive the same or as a court of competent jurisdiction may direct, of any surplus then remaining from such proceeds.

10. Waiver. No delay on Lender's part in exercising any power of sale, lien, option or other right hereunder, and no notice or demand which may be given to or made upon Pledgor by Lender with respect to any power of sale, lien, option or other right hereunder, shall constitute a waiver thereof, or limit or impair Lender's right to take any action or to exercise any power of sale, lien, option, or any other right hereunder, without notice or demand, or prejudice Lender's rights as against Pledgor in any respect.

11. Assignment. Lender may assign, indorse or transfer any instrument evidencing all or any part of the Secured Obligations as provided in, and in accordance with, the Note, and the holder of such instrument shall be entitled to the benefits of this Agreement.

12. Termination. Immediately following the payment of all Secured Obligations, Lender shall deliver to Pledgor the Pledged Collateral pledged by Pledgor at the time subject to this Agreement and all instruments of assignment executed in connection therewith, free and clear of the liens hereof, and any assignment required to be executed by Lender to effect such redelivery and, except as otherwise provided herein, all of Pledgor's obligations hereunder shall at such time terminate.

13. Lien Absolute. All rights of Lender hereunder, and all obligations of Pledgor hereunder, shall be absolute and unconditional irrespective of:

(a) any lack of validity or enforceability of the Note, any Security Document or any other agreement or instrument governing or evidencing any Secured Obligations;

(b) any change in the time, manner or place of payment of, or in any other term of, all or any part of the Secured Obligations, or any other amendment or waiver of or any consent to any departure from the Note, any Transaction Document or any other agreement or instrument governing or evidencing any Secured Obligations;

(c) any exchange, release or non-perfection of any other collateral, or any release or amendment or waiver of or consent to departure from any guaranty, for all or any of the Secured Obligations; or

(d) any other circumstance which might otherwise constitute a defense available to, or a discharge of, Pledgor.

14. Release. Pledgor consents and agrees that Lender may at any time, or from time to time, in its discretion exchange, release and/or surrender all or any of the Pledged Collateral, or any part thereof, by whomsoever deposited, which is now or may hereafter be held by Lender in connection with all or any of the Secured Obligations; all in such manner and upon such terms as Lender may deem proper, and without notice to or further assent from Pledgor, it being hereby agreed that Pledgor shall be and remain bound upon this Agreement, irrespective of the existence, value or condition of any of the Pledged Collateral, and notwithstanding any such change, exchange, settlement, compromise, surrender, release, renewal or extension, and notwithstanding also that the Secured Obligations may, at any time exceed the aggregate principal amount thereof set forth in the Note, or any other agreement governing any



Secured Obligations. Pledgor hereby waives notice of acceptance of this Agreement, and also presentment, demand, protest and notice of dishonor of any and all of the Secured Obligations, and promptness in commencing suit against any party hereto or liable hereon, and in giving any notice to or of making any

claim or demand hereunder upon such Pledgor. No act or omission of any kind on Lender's part shall in any event affect or impair this Agreement.

15. Indemnification. Pledgor agrees to indemnify and hold Lender harmless from and against any taxes, liabilities, claims and damages, including reasonable attorney's fees and disbursements, and other expenses incurred or arising by reason of the taking or the failure to take action by Lender, in good faith, in respect of any transaction effected under this Agreement or in connection with the lien provided for herein, including, without limitation, any taxes payable in connection with the delivery or registration of any of the Pledged Collateral as provided herein (collectively "Indemnified Claims"). Whether or not the transactions contemplated by this Agreement shall be consummated, Pledgor agrees to pay to Lender all out-of-pocket costs and expenses incurred in connection with this Agreement and all reasonable fees, expenses and disbursements, including registration costs under the Act (or similar statute) and the reasonable fees of Lender's agents or representatives, incurred in connection with the execution and delivery of this Agreement and the performance by Lender of the provisions of this Agreement and of any transactions effected in connection with this Agreement. The obligations of Pledgor under this Section 15 shall survive the termination of this Agreement. The foregoing notwithstanding, the indemnity provided for herein shall not apply to any Indemnified Claim of Lender if a court of competent jurisdiction determines that such Indemnified Claim is the result of the gross negligence or willful misconduct of Lender.

16. Reinstatement. This Agreement shall remain in full force and effect and continue to be effective should any petition be filed by or against Pledgor for liquidation or reorganization, should Pledgor become insolvent or make an assignment for the benefit of creditors or should a receiver or trustee be appointed for all or any significant part of Pledgor's assets, and shall continue to be effective or be reinstated, as the case may be, if at any time payment and performance of the Secured Obligations, or any part thereof, is, pursuant to applicable law, rescinded or reduced in amount, or must otherwise be restored or returned, and in any such case, the Secured Obligations shall be reinstated and deemed reduced only by such amount paid and not so rescinded, reduced, restored or returned.

17. Miscellaneous.

(a) Lender may execute any of its duties hereunder by or through agents or employees and shall be entitled to advice of counsel concerning all matters pertaining to its duties hereunder.

(b) Pledgor agrees to promptly reimburse Lender for actual out-of-pocket expenses, including, without limitation, reasonable counsel fees, incurred by Lender in connection with the administration and enforcement of this Agreement.

(c) Neither Lender nor any of its officers, directors, employees, agents or counsel shall be liable for any action lawfully taken or omitted to be taken by it or them hereunder or in connection herewith, except for its or their own gross negligence or willful misconduct.

(d) This Agreement shall be binding upon Pledgor and its successors and assigns, and shall inure to the benefit of, and be enforceable by, Lender and its respective successors and assigns, and shall be governed by, and construed and enforced in accordance with, the internal laws in effect in the State of Illinois without giving effect to principles of choice of law, and none of the terms or provisions of this Agreement may be waived, altered, modified or amended except in writing duly signed for and on behalf of Lender and Pledgor.

18. Severability. If for any reason any provision or provisions hereof are

determined to be invalid and contrary to any existing or future law, such invalidity shall not impair the operation of or effect those portions of this Agreement which are valid.

19. Notices. Except as otherwise provided herein, whenever it is provided herein that any notice, demand, request, consent, approval, declaration or other communication shall or may be given to or served upon any of the parties by another, or whenever any of the parties desires to give or serve upon another any communication with respect to this Agreement, each such notice, demand,



request, consent, approval, declaration or other communication shall be in writing, addressed as follows:

If to Lender, at:

Gryffindor Capital Partners I, L.L.C.
150 North Wacker Drive, Suite 800
Chicago, Illinois 60606
Attn: Stuart Fuchs
Facsimile No.: (312) 499-1935

With a copy to:

Piper Rudnick
203 North LaSalle Street
Chicago, Illinois 60601
Attn: Deborah Gersh, Esq.
Facsimile No. (312) 630-5371

If to Pledgor, at:

Provectus Pharmaceuticals, Inc.
7327 Oak Ridge Highway, Suite A
Knoxville, TN 37931
Attention: Timothy C. Scott, Ph.D., President
Facsimile No. (865) 539-9654

With a copy to:

Baker, Donelson, Bearman & Caldwell
2200 Riverview Tower
900 South Gay Street
Knoxville, TN 37902
Attn: David L. Morehous, Esq.
Facsimile No. (865) 633-7120

or at such other address as may be substituted by notice given as herein provided. The giving of any notice required hereunder may be waived in writing by the party entitled to receive such notice. Every notice, demand, request, consent, approval, declaration or other communication hereunder shall be deemed to have been duly given or served on the date on which personally delivered, in person, by delivery service or by overnight courier service, with receipt acknowledged, on the date of telecopy transmission or three (3) days after the same shall have been deposited in the United States mail, postage prepaid. Failure or delay in delivering copies of any notice, demand, request, consent, approval, declaration or other communication to the persons designated above to receive copies shall in no way adversely affect the effectiveness of such notice, demand, request, consent, approval, declaration or other communication.

20. Section Titles. The Section titles contained in this Agreement are and shall be without substantive meaning or content of any kind whatsoever and are not a part of the agreement between the parties hereto.

21. Counterparts. This Agreement may be executed in any number of counterparts, which shall, collectively and separately, constitute one agreement.

22. Conflict of Terms. Except as otherwise explicitly provided in this Agreement, if any provision contained in this Agreement is in conflict with or inconsistent with any provision in the Note, the provision contained in the Note shall govern and control, to the extent of such conflict or inconsistency.

[Signature Page(s) to Follow]



IN WITNESS WHEREOF, the parties hereto have caused this Stock Pledge Agreement to be duly executed as of the date first written above.

PLEDGOR:

PROVECTUS PHARMACEUTICALS, INC.

By: /s/ Timothy C. Scott
---
Name: Timothy C. Scott
Title: President

Accepted and agreed to in Chicago, Illinois as of this 26th day of November, 2002

GRYFFINDOR CAPITAL PARTNERS I, L.L.C.

By: /s/ Stuart Fuchs
---
Name: Stuart Fuchs
Title: Managing Principal



SCHEDULE I
---
to the Stock Pledge Agreement

| Issuer | Class of Stock | Certificate No(s). | Number of Shares |
|---|---|---|---|
| Xantech Pharmaceuticals, Inc. | | | |

X-49

SCHEDULE II
---
to the Stock Pledge Agreement

PLEDGE AMENDMENT
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This Pledge Amendment, dated _____, 2002 is delivered pursuant to Section 6(d) of the Stock Pledge Agreement referred to below. The undersigned hereby agrees that this Pledge Amendment may be attached to that certain Stock Pledge Agreement, dated as of November 26, 2002, by the undersigned, as Pledgor, to Gryffindor Capital Partners I, L.L.C. and that the Pledged Shares listed on this Pledge Amendment shall be and become a part of the Pledged Collateral referred to in said Stock Pledge Agreement and shall secure all Secured Obligations referred to in said Stock Pledge Agreement.

---

| Issuer | Class of Stock | Certificate No(s). | Number of Shares |
|---|---|---|---|

X-50

Exhibit 4.17

Neither this Warrant represented by this certificate nor this Warrant Shares issuable upon the exercise of this Warrant have been registered under the Securities Act of 1933, as amended (the "Securities Act"), and may not be offered, sold or otherwise transferred, pledged or hypothecated unless and until such shares are registered under the Securities Act or an opinion of counsel or other evidence, in either case reasonably satisfactory to the Corporation, is obtained to the effect that such registration is not required.

Common Share Purchase Warrant

Date: January 29, 2003

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Transfer Restricted - See Section Article IX

Provectus Pharmaceuticals, Inc., a Nevada corporation (the "Corporation"), hereby certifies that, for value received, Investor-Gate.com (the "Holder"), is entitled, on the terms and subject to the conditions set forth herein, to purchase from the Corporation, up to Twenty-Five Thousand (25,000) of the Corporation's Common Shares, as defined in Section 6.4 (the "Warrant Shares"), at a price of Seventy-Five Cents ($0.75) per Warrant Share (the "Exercise Price"). This Warrant shall be exercisable at any time and from time to time during the period beginning on the date set forth above and ending on the date which is 18 months thereafter (the "Exercise Period"). The number of Common Shares issuable upon the exercise of this Warrant and the Exercise Price per share shall be subject to adjustment from time to time as set forth herein.

1. CERTAIN DEFINITIONS

Whenever used in this Warrant, the following terms shall have the following meanings:

(a) "Affiliate" means any Person who now or hereafter, directly or indirectly through one or more intermediaries, Controls, is Controlled by, or is under common Control with, another Person.

(b) "Business Day" means a day other than Saturday, Sunday or a day on which banks are not open for business in Knoxville, Tennessee.

(c) "Combination" means an event in which the Corporation consolidates with, merges with or into, or sells all or substantially all of its assets to another Person.

(d) "Common Shares" means the Corporation's common shares, $.001 par value.

(e) "Control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting stock or interests, by contract or otherwise.

(f) "Exchange Act" means the Securities Exchange Act of 1934.

(g) "Person" means an individual, partnership, corporation, limited liability company, trust, unincorporated organization, association, joint venture or a government or agency or political subdivision thereof.

(h) "Securities Act" means the Securities Act of 1933.

2. EXERCISE OF WARRANT

(a) This Warrant may be exercised, in whole or in part, at any time during the Exercise Period, by the Holder providing written notice thereof to the Corporation, in the form attached hereto as Exhibit A (the "Notice of Exercise"), in accordance with Section Article XII hereof, accompanied by payment of the aggregate Warrant Price for the number of Warrant Shares to be purchased (i) in cash or by check, payable to the order of the Corporation or (ii) by wire transfer in accordance with instructions provided by the Corporation.

(b) Subject to Section Article IX hereof, upon the surrender of this Warrant and payment of the aggregate Exercise Price in accordance with Section 2(a), the Corporation shall issue, and shall deliver to or upon the written

order of the Holder and in such name or names as the Holder may designate, a



certificate or certificates for the number of whole Warrant Shares so purchased (or the other securities or property to which the Holder is entitled pursuant to Section 3 of this Warrant), together with cash as provided in Section 2(d) in respect of any fractional Warrant Shares otherwise issuable upon such exercise.

(c)Certificates for Warrant Shares shall be deemed to have been issued, and any Person so designated to be named therein shall be deemed to have become a holder of record of the Warrant Shares, as of the date of the surrender of the Warrant Certificate and payment of the aggregate Exercise Price in Shares shall be closed, certificates for Warrant Shares shall be issuable as of the date on which such books next shall be opened, and until such date the Corporation shall be under no duty to deliver any certificates for Warrant Shares. Each certificate representing Warrant Shares shall bear the Private Placement Legend except as otherwise provided in Section 4(c).

(d) The Corporation shall not be required to issue fractional Warrant Shares on the exercise of Warrants. If, except for the provisions of this Section 2(d), any fraction of a Warrant Share would be exercisable upon the exercise of any Warrant or specified portion thereof, the Corporation shall pay at the time of exercise an amount in cash equal to such fraction of a Warrant Share, multiplied by the fair market value of a Common Share on the Business Day prior to the date of exercise, computed to the nearest whole cent.

3. ANTIDILUTION PROVISIONS

(a) In the event that, at any time or from time to time after the Effective Date, the Corporation (i) shall pay a dividend or make a distribution on the Common Shares payable in Common Shares or other shares of the Corporation's capital stock, (ii) shall subdivide the outstanding Common Shares into a larger number of Common Shares or other equity securities of the Corporation, (iii) shall combine the outstanding Common Shares into a smaller number of Common Shares or other equity securities of the Corporation, or (iv) shall increase or decrease the number of Common Shares outstanding by reclassification of the Common Shares; then:

(A) the number of Common Shares issuable upon the exercise of any Warrant shall be a number of shares equal to the product of (I) the number of Common Shares that the Holder of this Warrant would have been entitled to receive if this Warrant had been exercised immediately prior to the event (or, in the case of a dividend or distribution described in clause (i) above, immediately prior to the record date therefor) and (II) a fraction, the numerator of which shall be the total number of Common Shares outstanding immediately after the completion of the event described above and the denominator of which shall be the total number of Common Shares outstanding immediately prior to the happening of the event described above; and

(B) subject to Section 3(e), the Exercise Price shall be a price per share equal to the Exercise Price in effect immediately prior to the event, divided by the fraction calculated in accordance with clause (A)(II) above.

An adjustment made pursuant to this Section 3(a) shall become effective immediately after the effective date of the event, retroactive to the record date for the event in the case of a dividend or distribution in Common Shares or other shares of the Corporation's capital stock.

(b) Except as provided in Section 3(c), in the event of a Combination, the Holder shall have the right to receive, upon exercise of this Warrant, the kind and amount of shares of capital stock or other securities or property which such Holder would have been entitled to receive upon or as a result of such Combination had this Warrant been exercised immediately prior to the Combination. Unless Section 3(c) applies to the Combination, the Corporation shall provide that the surviving or acquiring Person in the Combination (the "Successor Corporation") will confirm the Holder's rights pursuant to this Section 3(b) and provide for adjustments, which shall be as nearly equivalent as may be practicable to the adjustments provided for in this Section 3. The provisions of this Section 3(b) shall apply to successive Combinations involving any Successor Corporation.

(c) In the event of (i) a Combination in which consideration is to be paid to the holders of Common Shares in exchange for their shares solely in cash or (ii) the dissolution, liquidation or winding-up of the Corporation, Holder shall be entitled to receive, upon surrender of their Warrant Certificates,



distributions on an equal basis with the holders of Common Shares, or other securities issuable upon the exercise of this Warrants, as if this Warrants had been exercised immediately prior to the event, less the aggregate Exercise Price payable by the Holder.

(d) In the event of a Combination pursuant to which Holder become entitled to receive, upon exercise of this Warrants, capital stock, other securities, property, cash or other distributions pursuant to Sections 3(b) or 3(c), Holder thereafter shall not be entitled to receive Common Shares upon exercise of this Warrants.

(e) The adjustments required by this Section 3 shall be made whenever and as often as any specified event requiring an adjustment shall occur, except that no adjustment of the Exercise Price or the number of Common Shares issuable upon the exercise of Warrants that otherwise would be required to made unless and until such adjustment, either by itself or with other adjustments not previously made, increases or decreases by at least 1% of the Exercise Price or the number of Common Shares issuable upon the exercise of Warrants as in effect immediately prior to the making of such adjustment (the "Minimum Adjustment"). Any adjustment smaller than the Minimum Adjustment shall be carried forward and made as soon as such adjustment, together with other adjustments required by this Section 3 and not previously made, would result in an adjustment at least as large as the Minimum Adjustment. For the purpose of any adjustment, except as specified in the final paragraph of Section 3(a), any event requiring an adjustment shall be deemed to have occurred at the close of business on the date of its occurrence. In computing adjustments under this Section 3, fractional interests in Common Shares shall be taken into account to the nearest one-hundredth of a share.

(f) Whenever the Exercise Price or the number of Common Shares and other securities or property, if any, issuable upon the exercise of this Warrant is adjusted pursuant to this Section 3, the Corporation shall deliver to the Holder a certificate describing in reasonable detail the event requiring the adjustment and the method by which the adjustment was calculated and setting forth the Exercise Price and the number of Common Shares issuable upon the exercise of this Warrant after giving effect to such adjustment.

(g) In the event that the Corporation shall propose (i) to pay a dividend or make a distribution on the Common Shares payable in Common Shares or other shares of the Corporation's capital stock, (ii) to subdivide, combine or

reclassify the outstanding Common Shares, (iii) effect any reorganization of the Corporation or any Combination, (iv) to effect the voluntary or involuntary dissolution, liquidation or winding-up of the Corporation, or (v) to make any tender offer or exchange offer with respect to the Common Shares, then the Corporation shall give the Holder notice of such proposed action or offer, specifying the record date for the action or offer and the date of participation therein by the holders of Common Shares, if any such date is to be fixed, and briefly describing the effect of such action on the Common Shares and on the Exercise Price and the number and kind of any other shares of stock and the other property, if any, issuable upon exercise of this Warrant after giving effect to any adjustment pursuant to this Section 3 that will be required as a result of such action. Notice in accordance with the foregoing shall be given as promptly as possible and in any event (A) at least 10 days prior to the record date for the action, in the case of an action described in clause (i); or (B) at least 20 days prior to the date of the taking of the action or the date of participation therein by the holders of Common Shares, whichever is earlier, in the case of any other action.

4. TRANSFER; LEGENDS

(a) This Warrant shall not be transferable, nor may it be the subject of any sale, assignment, pledge or other conveyance.

(b) The Warrant Shares may not be offered or sold except (i) pursuant to an effective registration statement under the Securities Act or (ii) if the Corporation first shall have been furnished with an opinion of legal counsel or other evidence, in either case reasonably satisfactory to the Corporation, to the effect that such sale or transfer is exempt from the registration requirements of the Securities Act.

(c) Notwithstanding the provisions of Section 4(b) of this Warrant, no registration or opinion of counsel shall be required for a transfer of Warrant Shares made in accordance with Rule 144 under the Securities Act.

(d) Except as provided in Section 9.5 of this Warrant, this Warrant, any



Warrant issued in replacement of this Warrant and each certificate representing Warrant Shares issued upon exercise of this Warrant shall bear the following legend (the "Private Placement Legend") on the face thereof:

> Neither the Warrants represented by this certificate nor the shares issuable upon the exercise of these Warrants have been registered under the Securities Act of 1933, as amended (the "Securities Act"), and may not be offered, sold or otherwise transferred, pledged or hypothecated unless and until such shares are registered under the Securities Act or an opinion of counsel or other evidence, in either case reasonably satisfactory to the Corporation, is obtained to the effect that such registration is not required.

(e) Upon the exchange or replacement of Warrants or Warrant Shares bearing the Private Placement Legend, the Corporation shall deliver only Warrants or Warrant Shares, as applicable, that bear the Private Placement Legend, unless: (i) such transfer or exchange is effected pursuant to an effective registration statement under the Securities Act; or (ii) in the case of Warrant Shares, such Warrant Shares were acquired pursuant to an effective registration statement under the Securities Act; or (iii) there is delivered to the Corporation an opinion of legal counsel or other evidence, in either case reasonably satisfactory to the Corporation, to the effect that such sale or transfer is exempt from the registration requirements of the Securities Act.

(f) By its acceptance of this Warrant or any Warrant Share bearing the Private Placement Legend, the Holder acknowledges the restrictions on transfer of this Warrant and the Warrant Shares, as applicable, set forth in this Warrant and agrees that it shall transfer this Warrant or the Warrant Shares, as applicable, only as provided in this Warrant.

5. RIGHTS OF HOLDER

Prior to the exercise of this Warrant, the Holder shall not be entitled (i) to receive dividends or other distributions payable on Common Shares, (ii) to receive notice of or vote at any meeting of the Corporation's stockholders, (iii) to consent to any action of the stockholders, (iv) to receive notice as stockholders of the Corporation of any other proceedings of the Corporation, (v) to exercise any preemptive rights, or (vi) to exercise any other rights whatsoever as stockholders of the Corporation.

6. REPRESENTATIONS AND WARRANTIES OF THE CORPORATION

The Corporation is a corporation duly incorporated, validly existing and in good standing under the laws of the State of Nevada, and has the full right, power and authority to execute and deliver this Warrant and to consummate the transactions contemplated hereby. The execution and delivery of this Warrant and the consummation of the transactions contemplated hereby have been duly and validly authorized by all necessary action on the part of the Corporation and no other proceedings on the part of the Corporation are necessary to authorize this Warrant or the consummation of the transactions contemplated hereby.

7. NOTICES

All notices, requests, consents and other communications hereunder shall be in writing and shall be deemed to have been made (x) upon actual receipt, when given by hand or confirmed facsimile or electronic mail transmission, (y) one day after delivery to the carrier, when given by overnight delivery service or (z) two days after mailing, when given by first-class registered or certified mail, postage prepaid, return receipt requested; in any case to the following address, or to such other address as a party, by notice to the other parties given pursuant to this Section 7, may designate from time to time:

(a) If to the Holder, to:

Investor-Gate.com
Attention: Kevin Leigh, President
18533 Roscoe Blvd #142
Northridge CA 91324
Facsimile:
email:



(b) If to the Corporation, to:

Provectus Pharmaceuticals, Inc.
Attention: President
7327 Oak Ridge Highway, Suite A
Knoxville, TN 37931
Facsimile: 865.539.9654
email: scott@provectuscorp.com

With a copy to:

Baker, Donelson, Bearman & Caldwell
Attention: David L. Morehous, Esq.
Riverview Tower, Suite 2200
900 South Gay Street
Knoxville, TN 37902
Facsimile: 865.525.8569
Email: dmorehous@bdbc.com

8. GOVERNING LAW; VENUE OF ACTIONS

(a) This Warrant shall be governed and construed in accordance with the internal laws of the State of Nevada as applied to contracts made and performed within the State of Nevada, without regard to the principles thereof regarding resolution of conflicts of law.

(b) The Corporation and the Holder each hereby (i) submit to the jurisdiction of any state court of competent jurisdiction in and for Knox County, Tennessee, or in the United States District Court for the Eastern District of Tennessee sitting at Knoxville in any action or proceeding arising out of or relating to this Warrant and agree that all claims in respect of the action or proceeding may be heard and determined in any such court; (ii) agree not to bring any action or proceeding arising out of or relating to this Warrant in any other court; (iii) waive any defense of inconvenient forum to the maintenance of any action or proceeding so brought and waive any bond, surety, or other security that might be required of any other Party with respect thereto; and (iv) agree that a final judgment in any action or proceeding so brought shall be conclusive and may be enforced by suit on the judgment or in any other manner provided by law or in equity.

9. GENERAL PROVISIONS

(a) This Warrant embodies the entire agreement and understanding between the parties hereto with respect to the subject matter hereof and supersedes all prior agreements and understandings relating to such subject matter.

(b) Except as otherwise expressly set forth in this Warrant, any term hereof may be amended and the observance of any term hereof may be waived (either generally or in a particular instance and either retroactively or prospectively), with the written consent of the parties hereto. No waivers of or exceptions to any term, condition or provision of this Warrant, in any one or more instances, shall be deemed to be, or construed as, a further or continuing waiver of any such term, condition or provision.

(c) The invalidity or unenforceability of any provision hereof shall not affect the validity or enforceability of any other provision hereof.

* Signatures appear on following page *



SIGNATURES

IN WITNESS WHEREOF, the Corporation has caused this Warrant to be duly executed and delivered as of the date first set forth above.

PROVECTUS PHARMACEUTICALS, INC.,
a Nevada corporation

By:

Name:

Title:

ACCEPTED AND AGREED to as of the date first set forth above:

INVESTOR-GATE.COM

By: _____

Name: _____

Title: _____



EXHIBIT A

NOTICE OF WARRANT EXERCISE

Pursuant to the Warrant dated January __, 2002 for the purchase of up to Twenty-Five Thousand (25,000) common shares, $.001 par value (the "Warrant Shares"), of Provectus Pharmaceuticals, Inc., a Nevada corporation (the "Corporation"), issued by the Corporation to the undersigned, the Holder hereby irrevocably elects to exercise the Warrant as to _____ Warrant Shares, and herewith tenders payment for such Warrant Shares to the order of Provectus Pharmaceuticals, Inc. (or its successor) in the amount of _____ Dollars ($_____.00) in accordance with the terms of the Warrant.

Dated: _____, _____

_____
Signature of Owner

The signature must correspond with the name as written upon the face of the Warrant in every particular, without alteration or enlargement or any change whatsoever.

Securities and/or checks should be issued to:

Please insert social security or identifying number:

Name:

Street Address:

City, State and Zip Code:

A new Warrant the number of Warrant Shares as to which the Warrant has not been exercised should be issued to:

Please insert social security or identifying number:

Name:

Street Address:

City, State and Zip Code:

X-57

Exhibit 10.6

Nace Pharma, llc
69 MacArthur Loop
Highland Park, Il 60035

June 7, 2002

Craig Dees, Ph.D.
Chief Executive Officer
Provectus Pharmaceuticals, Inc.
7327 Oak Ridge Highway, Suite B
Knoxville, TN 37931

Dear Craig:

Thank you for your prompt responses to earlier versions of our proposal. As discussed, Nace Pharma, LLC ("Nace") is prepared to enter into an agreement with Provectus Pharmaceuticals, Inc. ("Provectus") to represent your company as its agent authorized to solicit offers to license or options to license its products to the pharmaceutical companies listed in Exhibit A. In order to strike a fair balance between your reasonable desire not to be tied to an "exclusive" representation arrangement with Nace Pharma and our objective to be fairly compensated for an initiative of our which results in a license or option to license agreement of Provectus new chemical entity, we agree as follows:

If Nace introduces Provectus to one or more of the companies on Exhibit A, and if our introduction leads to a meeting between Provectus and the prospect and the execution of a Provectus CDA by the prospect, then and only then would we be "protected" with respect to that particular company for a period of two years from the date of the CDA, or until the Nace Pharma contact declines the technology, whichever is sooner.

The intention of the parties is to leverage the relationships developed by Dr. Michael H. Davidson and Stuart Fuchs, the members of Nace, to the benefit of Provectus. As founder and CEO of the Chicago Center for Clinical Research, one of the largest site management organizations, Dr. Davidson has developed professional and social ties to a large number of CEOs and research director of Big Pharmas and other ethical drug companies, and has served as Principal Investigator or advised on numerous clinical trials. Stuart Fuchs has since 1995 been involved in funding several biotech companies, particularly in the field of cancer therapeutics. Formed in 1997, Nace Pharma seeks to bridge the chasm between the innovative biotech companies like Provectus and pharmaceutical companies interested in augmenting their pipeline of drugs in development by in-licensing promising new chemical entities.

The subject of our agreement is XANTRYL and PROVECTA, pharmaceutical

compositions based on a common halogenated xanthene, and related chemical entities ("XANTRYL" and "PROVECTA") which employ one or more of the following techniques:

1. Photodynamic Therapy: Topical Application of XANTRYL with Green Light or other means of photonic excitation to treat psoriasis, actinic keratosis, basal cell carcinoma, and other forms of skin cancer.

2. Radiosensitization: Injection, ingestion or intratumoral injection of doses of PROVECTA using ionizing radiation to produce photolysis in targeted cancer cells.

3. Chemoablation: Lightly concentrated doses of PROVECTA injected intratumorally, which without activation by light or ionizing radiation effect chemoablation of targeted lesions of hepatocellular carcinoma, breast cancer and other "focal" cancers.

Other new chemical entities discovered by Provectus could be included in our agreement by mutual agreement of the parties.

Provectus agrees to reimburse Nace for travel and other reasonable out-of-pocket expenses actually incurred in connection with our solicitation efforts on behalf of Provectus pursuant to this agreement; provided, however, that any reimbursable expense in excess of $1,000 are subject to prior approval in writing by Craig Dees or other duly authorized officer of Provectus.



Nace's fees would consist of the following:

Upfront Warrants

In order to provide Nace with the incentive to get started, Provectus agrees to grant Nace upon the signing of this Agreement 3 year warrants to purchase 100,000 shares of restricted common stock at an exercise price equal to the weighted average price of the stock over the preceding 30 trading days. The warrants would include "piggyback" registration rights, but would vest only upon the signing of the initial transaction with one of the companies listed on Exhibit A in an estimated amount of no less than $10 million dollars. For purposes of this paragraph only, the estimated value of the contract will be based upon revenues of any kind, including all fees, joint development expenses, payments in kind and work in kind.

Cash Fees

In addition, Nace would earn 2.5% of the first $50 million of any cumulative revenues paid to Provectus by any of the potential licensees listed on Exhibit A, and 5.0% of any cumulative revenues above $50 million. For purposes of this paragraph, "revenues" are defined to include milestone payments and exclude any work in kind or payments in kind, as well as any amounts paid to Provectus pursuant to joint development contracts. The case fees earned by Nace are due and payable within thirty (30) days of the actual receipt by Provectus of revenues as defined in this paragraph.

If this proposal is acceptable to you, please sign in the appropriate space. In order to introduce you and other members of the Provectus management team to Dr. Michael Davidson, I'd be delighted to arrange a meeting or conference call at a mutually convenience time and place.

Thanks again for your kind consideration. Michael and I look forward to a long and mutually profitable association with Provectus Pharmaceuticals.

Sincerely,

/s/ STUART FUCHS
---

Stuart Fuchs

cc: Dr. Michael H. Davidson

AGREED:

Provectus Pharmaceuticals, Inc.

/s/ CRAIG DEES
---

Craig Dees, Ph.D.
Chief Executive Officer

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Exhibit A to Letter Agreement dated June 7, 2002

between

Nace Pharma llc and Provectus Pharmaceuticals, Inc.

Amersham plc

Amgen Inc.

Astra Zeneca

Bristol Meyers Squibb

Relaint

Pfizer

Abbott

Medline

Novartis

Aventis

Bayer

Pharmacia

Wyeth

Varian

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Exhibit 10.15

MATERIAL TRANSFER AGREEMENT

(SCHERING RECEIPT)

THIS MATERIAL TRANSFER AGREEMENT ("Agreement") is made as of this 31st day of , , ("Effective Date"), by and between SCHERING-PLOUGH ANIMAL HEALTH CORPORATION (hereinafter, referred to as "Schering"), a Delaware corporation, having its principal office located at 1095 Morris Avenue, Union, New Jersey 07083, and (hereinafter, referred to as "Supplier"), , having its principal office located at .

WITNESSETH:

WHEREAS, Schering and Supplier desire to contract for the exchange of the Information (as hereinafter defined) relating to the Material (as hereinafter defined) on the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the premises and the mutual agreements and covenants set forth in this Agreement, Schering and Supplier hereby agree as follows:

1. Definitions. For purposes of this Agreement, the following terms shall have the following meanings (such meanings to be equally applicable to both the singular and plural forms of the terms defined):

1.01 "Agents" shall mean any officer, director, employee, and agent of a Party.

1.02 "Commercial Purpose" shall mean (a) the sale, lease, license, or other transfer of the Material or Modifications or (b) use of the Material or Modifications by any Person, including Schering to (i) perform contract research, (ii) screen compound libraries, (iii) produce or manufacture products for general sale; or (iv) conduct research activities that result in any sale, lease, license, or transfer of the Material or Modifications.

1.03 "Developments" shall mean all ideas, concepts, discoveries, inventions, developments, know-how, trade secrets, techniques, methodologies, modifications, innovations, improvements, writings, documentation, data and rights (whether or not protectable under state, federal, or foreign patent, trademark, copyright or similar laws), incorporating or requiring the use of the Material, that are discovered, developed, created, conceived, or reduced to practice by Schering, independently or in conjunction with any Person, during the term of this Agreement, including, without limitation, New Substances and New Uses.

1.04 "Effective Date" shall have the meaning set forth in the introductory paragraph to this Agreement.

1.05 "Field" shall mean the veterinary field, including, without limitation, any and all applications for non-human animals.

1.06 "Findings" shall mean any observations, studies, conclusions, or Results arising out of Schering's evaluation of the Material.

1.07 "Information" shall mean all tangible and intangible information, including, without limitation, technical, financial, commercial and proprietary information, know-how, and trade secrets of any description, whether created or produced by Schering, Supplier, or any Person on behalf of Schering and/or Supplier, that concerns or relates to the Material or is otherwise acquired in anticipation of, during, or as a result of, or in any way connected with, this Agreement, and (a) if disclosed in writing, graphically, or by any means or way of sample or specimen, is marked "Confidential" when disclosed, or (b) if disclosed orally, is reduced to writing within thirty (30) days from the date of such oral disclosure and is marked "Confidential."



1.08 "Material" shall mean the eukaryotic expression vector with the HSP70 gene running off a B-actin promoter, with the usual antibiotic resistance inserts for cloning purposes (ampicillin and geneticin resistance), resulting in an HSP70 increase in Schering's Vero cells of about 4-16x over normal levels, and any Progeny and Unmodified Derivatives (including, without limitation, expression products, subclones, sub-units or fractionations).

1.09 "Modifications" shall mean any substances created by Schering which contain or incorporate the Material or derived by chemical modification of the Material.

1.10 "New Substance" shall mean any material first produced or isolated by Schering with or by the use of the Material.

1.11 "New Use" shall mean any new use of the Material, including, without limitation, new therapeutic uses or methods of treatment discovered by Schering.

1.12 "Party" shall mean Schering or Supplier; "Parties" shall mean Schering and Supplier.

1.13 "Patent Rights" shall mean the following patents and patent applications: (a) Patent No. US 6,495,360 B1 (issued December 17, 2002), (b) Patent No. US 6,451,597 B2 (issued September 17, 2002), (c) Patent No. US 6,541,233 B2 (issued April 1, 2003), and (d) Patent No. US 6,468,777 B2 (issued October 22, 2002), including all foreign counterparts thereof, and any and all divisions, continuations, continuation-in-part, patents of addition, reissues, renewals, extensions, registrations, confirmations, re-examinations, any provisional applications, supplementary protection certificates, or the like, of any such patents, patent applications and foreign equivalents thereof, which, during the term of this Agreement, are owned by Supplier or to which Supplier, through license or otherwise, has or acquires rights.

1.14 "Person" shall mean (a) any corporation, partnership, joint

venture, joint stock company, association, trust, business trust, estate, unincorporated organization, or other business entity, (b) any government or agency, division or subdivision thereof, or (c) any individual.

1.15 "Progeny" shall mean an unmodified descendent generated from the Material, such as a virus, cell from cell, or organism from organism.

1.16 "Purpose" shall have the meaning set forth in Section 2 hereof.

1.17 "Results" shall mean any and all results, know-how, Findings, and knowledge related to the Material achieved or obtained by or on behalf of Schering.

1.18 "Territory" shall mean all of the countries in the world.

1.19 "Unmodified Derivative" shall mean any substance created by the Supplier which constitutes an unmodified functional subunit or product expressed by or generated from the original Material, including, but not limited to, subclones of unmodified cell lines, purified or fractionated subsets of the original Material, proteins expressed by DNA/RNA supplied by Supplier, or monoclonal antibodies secreted by a hybridoma cell lines.

2. Scope. During the term of this Agreement, Schering shall have the right to use the Material in accordance with the terms and conditions of this Agreement for the sole and limited purpose of evaluating the Material and determining if the Material may be used for Commercial Purposes or any other purpose agreed to by the Parties ("Purpose"). Within a period of thirty (30) days from the completion of the Purpose, Schering shall notify Supplier in writing of its intention to use the Material for Commercial Purposes, and the Parties agree to enter into a license agreement, under which Supplier shall grant to Schering an exclusive license (with right to grant sublicenses) to develop the Material under the Patent Rights for Commercial Purposes in the Field within the Territory. Such license agreement shall include, without limitation, the milestone payments set forth on Exhibit A hereof.



3. Obligations of Schering.

3.01 During the term of this Agreement and for a period of five (5) years from the date of expiration or termination of this Agreement, Schering shall: (a) protect and hold in confidence the Information of Supplier; (b) not disclose or use, or cause to be disclosed or used, such Information to or by any Person except with the prior written consent of Supplier and in accordance with this Agreement; (c) handle, preserve, and protect such Information with at least the same degree of care Schering affords its own confidential information; and (d) use diligent efforts to ensure that each of its Agents preserves and protects the confidentiality of such Information.

3.02 Schering's duty of confidentiality under this Section 3 shall not apply to any Information of Supplier that:

(a) was demonstrably known to Schering prior to the date such Information was disclosed by Supplier;

(b) was known or available generally to the public prior to the

date such Information was disclosed by Supplier;

(c) becomes known or available generally to the public, subsequent to the date such Information was disclosed by Supplier, through no act of Schering in violation of this Agreement;

(d) is or was disclosed by Supplier to any Person without an obligation to maintain confidentiality;

(e) is or was developed independently by Schering or its Agents without any breach of this Agreement;

(f) is received by Schering from a Person and is not subject to any obligation of confidentiality owed by such Person to Supplier; or

(g) subject to Section 3.04 hereof, is required to be disclosed by Schering pursuant to any applicable law or judicial or governmental order.

3.03 Failure by Schering to disclose the existence of any of the conditions set forth in Section 3.02 hereof shall not be deemed a representation that such conditions do not exist or that such conditions have been waived.

3.04 Schering shall notify Supplier of receipt of any process, subpoena, demand, or request by any Person to disclose Information of Supplier, and shall, as soon as practicable but in no event later than five (5) business days from the date of such receipt, furnish to Supplier a copy of such process, subpoena, demand, or request and inform Supplier of the circumstances relating thereto. Schering shall, at its cost and expense, take all reasonable steps to maintain and protect the confidentiality of the Information of Supplier; provided, however, that nothing in this Agreement shall be deemed to require Schering to violate any law or court order. Supplier also shall have the right to take any legal action to prevent disclosure of its Information, including, without limitation, the right to appear on behalf of Schering, to represent Schering, and to employ counsel of its choice for these purposes. If Supplier elects to exercise its rights under this Section 3.04, it shall do so at its cost and expense and shall hold harmless, defend, and indemnify Schering from and against any and all legal responsibility or liability from the exercise of these rights. If Supplier elects not to exercise any such rights or Schering is nonetheless legally compelled to disclose the Information of Supplier, then Schering may, without liability under this Agreement, disclose only that portion of such Information that it is legally compelled to disclose and shall furnish to Supplier a copy of the Information disclosed and all correspondence and communications relating to such disclosure.

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3.05 Except as provided in Sections 3.02 and 3.04 hereof, Schering shall: (a) limit disclosure of any Information received by it under this Agreement to only those of its Agents who are directly involved in the evaluation of the Information; (b) upon such disclosure, advise such Agents of the proprietary nature of such Information; and (c) subject to Section 3.06 hereof, be responsible for any breach of this Agreement by its Agents.

3.06 Schering shall, within five (5) days from the date of receipt of notice or knowledge, notify Supplier of, and provide all information and documents relating to, any breach of this Section 3, including, without limitation, conditions or circumstances that indicate that the Information of Supplier has been or may have been disclosed or used without the written consent of Supplier; provided, however, that a disclosure of the Information of Supplier shall not be deemed a violation of this Agreement, if such Information (a) is disclosed by Schering or its Agents, inadvertently, accidentally, or without Schering's informed authorization despite the degree of care which Schering affords its own confidential information or (b) subject to Section 3.04 hereof, is produced in any judicial or governmental action, whether or not pursuant to a protective order. Schering shall, upon the request of Supplier and at the cost and expense of Schering, take all steps reasonably necessary to recover any and all such Information that has been or may have been improperly disclosed or used.

4. Representations and Warranties.

4.01 Supplier represents and warrants to Schering that Supplier has, as of the date of this Agreement, no obligation or commitment, and will not, during the term of this Agreement: (a) assume or undertake any obligation or commitment, that is inconsistent with its obligations under, or the terms and conditions of, this Agreement, including, without limitation, Sections 3 through 9 hereof or (b) enter into negotiations with any Person regarding the Material.

4.02 Supplier represents and warrants that it is the lawful owner or licensee of the Material and all Information to be disclosed by it under this Agreement, and that it has the right to disclose all such Information to Schering.

4.03 Schering represents and warrants to Supplier that Schering shall comply with all laws, rules and regulations applicable to the handling and storage of the Material.

5. Ownership of Patents.

5.01 All rights, title, and interest to and in the Information of Supplier shall be and remain the property of Supplier, and no license, right, title, or interest to or in any such Information shall be granted or created by this Agreement, except the right to receive the Information for the Purpose, or may be granted or created, except by written agreement signed by a duly authorized representative of Supplier. Schering shall not use the Material for Commercial Purposes.

5.02 All rights, title, and interest to the Developments, Findings, Modifications, New Substances, New Uses, Results or the non-modified parental Schering Vero cells and any modified cell lines based thereon, shall be and remain the property of Schering, and no license, right, title, or interest shall be granted or created by this Agreement, except by written agreement signed by a duly authorized representative of Schering.

6. Term and Termination.

6.01 This Agreement shall become effective as of the Effective Date, and, except as provided in this Section 6, shall continue in effect

until such time as: (a) Schering terminates this Agreement, in its reasonable discretion, with or without cause, by notice to Supplier in accordance with Section 12 hereof; (b) Schering notifies Supplier in writing that it has completed the Purpose and does not wish to secure from Supplier a license to use the Material for Commercial Purposes;



or (c) a Party fails to remedy or otherwise cure a breach of any material obligation under this Agreement within thirty (30) days from the date of receipt of notice of such breach given by the other Party; provided, however, that, if such breach was outside the control of such Party or such Party cures such breach within such thirty (30)-day period, then there shall be no termination of this Agreement pursuant to Section 6.01(c) hereof.

6.02 Upon Supplier's written request, Schering shall, within twenty (20) days from the date of expiration or termination of this Agreement, return to Supplier or destroy all Material in its possession and all extant copies of Supplier's Information, except one (1) copy which may be retained for legal purposes. Notwithstanding any return of Supplier's Information in accordance with this Section 6.02, the other duties and obligations of Schering under this Agreement that, by their nature, are to be performed or observed after expiration or termination of this Agreement, including, without limitation, Schering's duties and obligations under Section 3 hereof, shall continue in effect.

7. Independent Contractor. Nothing contained in this Agreement shall be construed to constitute either Party as a partner or agent of the other Party or to create any other form of legal association that would impose liability upon a Party for any act or omission of the other Party or provide a Party with the right, power, or authority to create or impose any duty or obligation on the other Party, it being intended that each Party shall remain an independent contractor acting in its own name and for its own account.

8. Headings, Counterparts and Ambiguities. The division of this Agreement into sections and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Agreement. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original but all of which taken together shall constitute one and the same instrument. In interpreting any provision of this Agreement, no weight shall be given to, nor shall any construction or interpretation be influenced by, the fact that counsel for one of the Parties drafted this Agreement, each Party recognizing that it and its counsel have had an opportunity to review this Agreement and have contributed to the final form of the same.

9. Assignment and Amendment. Neither Party shall assign this Agreement, any portion hereof, or any obligation hereunder, except with the prior written consent of the other Party. Neither this Agreement nor any of the terms hereof may be amended, supplemented, waived, or modified except in a specific writing signed by each of the Parties.

10. Waiver. A Party's failure to exercise or enforce any right conferred upon it hereunder shall not be deemed a waiver of any such right or any other right or operate to bar the exercise or performance thereof at any time or times thereafter; nor shall a Party's waiver of any right hereunder at any time be deemed a waiver thereof for any other time.

11. Governing Law. This Agreement and all issues arising hereunder or relating hereto, including, without limitation, its construction, validity, breach, and damages for breach, shall be governed by and construed in accordance with the laws of the State of New Jersey (without regard to its conflict of laws principles). Any action, cause of action, or dispute arising under or relating to this Agreement shall be brought only in the courts of the State of New Jersey or the federal court of the United States, located in Newark, New Jersey, and each of the Parties expressly consents to personal jurisdiction in the State of New Jersey with respect to such action, cause of action, or dispute.

12. Notices. Any notice required or permitted under this Agreement shall be in writing and shall be deemed to have been duly given when (a) delivered by hand, courier, or express mail service (with written confirmation of receipt), (b) sent by facsimile (with provision for assurance of receipt in a manner typical with respect to communications of that type), or (c) mailed by registered or certified first class mail, return receipt requested, at the address or facsimile number set forth below (or to such other person, address, or facsimile (fax) number as a Party may, from time to time, designate by written notice):



(i) if to Schering:

Schering-Plough Animal Health Corporation
21401 West Center Road
Elkhorn, Nebraska 68022
Attention: Michael J. Bartkoski, Jr.
Fax: 402.289.6200;

(ii) if to Supplier:

Provectus Pharmaceuticals, Inc.
7327 Oak Ridge Highway, Suite A
Knoxville, Tennessee 37931
Attention: Craig Dees, Ph.D.
Fax: 865.769.4013.

13. Publicity. Neither Party shall, except with the prior written consent of the other Party, use, disclose, or otherwise identify the name of the other Party or any of its affiliates or the nature of this Agreement, the Material, or the Information in any advertising, promotional material, or publication.

14. Entire Agreement. This Agreement represents and contains the full and complete understanding and agreement of the Parties with respect to the subject matter hereof, and supersedes all prior and contemporaneous agreements, understandings, and statements, including any specific legends or statements associated with the Information when received.

IN WITNESS WHEREOF, the Parties have caused this Agreement to be duly executed as of the date first above written.

PROVECTUS PHARMACEUTICAL, INC.

By: /s/ H. Craig Dees
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Name: H. Craig Dees, Ph.D.

Title: CEO

SCHERING-PLOUGH ANIMAL HEALTH CORPORATION

By: /s/ Kanwal J. Varma
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Name: Kanwal J. Varma
Title: Vice President, Research & Development

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EXHIBIT A
MILESTONE PAYMENTS

A. Schering shall pay to Supplier a one-time fee of + upon Schering's notification to Supplier of Schering's synthesis of such Material following Schering's notification to Supplier that Schering intends to use the Material for Commercial Purposes.

B. For the first antigen or vaccine developed by Schering with a Schering cell line modified with a particular Material, Schering shall pay to Supplier:

1. A sum of + upon Schering's reasonable satisfaction that the Material will enhance titers of specific viruses when inoculated, wherein Schering's reasonable satisfaction, shall be considered achieved when Schering or its Agent is able to grow three (3) lots of virus with meaningfully elevated titers* with the modified cell line;

2. A sum of + upon Schering's notification to Supplier of the licensing and approval by the USDA (or its equivalent regulatory agency) of the use of such Material in the manufacture of a Product;

3. A sum of + upon Schering's notification to Supplier of the successful completion of an immunogenicity test demonstrating the efficacy of the Product for host animals at the current immunogenicity level; and

4. A sum of + upon Schering's notification to Supplier of the licensure by the USDA (or its equivalent regulatory agency) of the Product containing virus grown with such Material.

*Specific cell lines and target titer values shall be agreed upon by the Parties at the start of the testing of each Material.

Notwithstanding the foregoing, if Schering shall develop additional antigens or vaccines using the same Material, Schering shall only be obligated to pay the sum set forth in item. #4 upon the first occurrence of such milestone.

The Company has entered into a Material Transfer Agreement dated as of July 31, 2003 with a major international pharmaceutical company. Under the Material Transfer Agreement, we will provide SGP with access to certain of our patented technologies, to permit SGP to evaluate those technologies for use in animal-health applications. If SGP determines that it can commercialize our technologies, then the Material Transfer Agreement obligates us and SGP to enter into a license agreement providing for us to license those technologies to SGP in exchange for certain progress payments upon the achievement of certain goals. We can give you no assurance that SGP will determine that it can commercialize our technologies or that the goals required for the Company to obtain progress

payments from SGP will be achieved.

The current contract is worth + per animal cell line there are several hundred animal cell lines that are to be developed over the next several years so `the contract has an upper end for animal trials of $10 million. In the very likely event that this virus defining development goes into human cell lines the contract value is at least worth 10 times the animal cell line effort. Provectus gets paid for every cell line they develop as well as a separate contract for doing the actual work. The work contract is still being defined but has to happen since Provectus is under a license agreement.

+ This material has been omitted pursuant to a request for confidential treatment and has been filed separately with the SEC.



EXHIBIT 21.1

LIST OF SUBSIDIARIES

| SUBSIDIARY | STATE OF INCORPORATION |
|---|---|
| Xantech Pharmaceuticals, Inc. | Tennessee |
| Pure-ific Corporation | Nevada |



EXHIBIT 23.1

Consent of Independent
Certified Public Accountants

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)of Provectus Pharmaceuticals, Inc. of our report dated March 12, 2004, relating to the consolidated financial statements, which appears in this Form 10-KSB. Our report contains an explanatory paragraph regarding the Company's ability to continue as a going concern.

/s/ BDO Seidman, LLP

BDO Seidman, LLP
Chicago, Illinois

March 29, 2004

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EXHIBIT 31.1

302 Certification

I, H. Craig Dees, Ph.D., certify that:

1) I have reviewed this annual report on Form 10-KSB of Provectus Pharmaceuticals, Inc. (the "Small Business Issuer");

2) Based on my knowledge, this annual 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 annual report;

3) Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the Small Business Issuer as of, and for, the periods presented in this annual report;

4) The Small Business Issuer's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the Small Business Issuer and we have:

a) designed such disclosure controls and procedures, or caused such disclosure control and procedures to be designed under our supervision, to ensure that material information relating to the Small Business Issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared; and

b) evaluated the effectiveness of the Small Business Issuer'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 annual report based on such evaluation, disclosed in this report any change in the Small Business Issuer's internal control over financial reporting that occurred during the Small Business Issuer's most recent fiscal quarter (the Small Business Issuer's fourth

fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Small Business Issuer's internal control over financial reporting; and

5) The Small Business Issuer's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Small Business Issuer's auditors and the audit committee of the Small Business Issuer's board of directors (or persons performing the equivalent function):

a) all significant deficiencies in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Small Business Issuer's ability to record, process, summarize and report financial data; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Small Business Issuer's internal controls over financial reporting.

Date: November 1, 2004

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



EXHIBIT 31.2

302 Certification

I, Peter R. Culpepper, CPA, certify that:

1) I have reviewed this annual report on Form 10-KSB of Provectus Pharmaceuticals, Inc. (the "Small Business Issuer");

2) Based on my knowledge, this annual 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 annual report;

3) Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the Small Business Issuer as of, and for, the periods presented in this annual report;

4) The Small Business Issuer's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the Small Business Issuer and we have:

a) designed such disclosure controls and procedures, or caused such disclosure control and procedures to be designed under our supervision, to ensure that material information relating to the Small Business Issuer, including its consolidated subsidiaries, is made known to us by others

within those entities, particularly during the period in which this annual report is being prepared; and

b) evaluated the effectiveness of the Small Business Issuer'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 annual report based on such evaluation, disclosed in this report any change in the Small Business Issuer's internal control over financial reporting that occurred during the Small Business Issuer's most recent fiscal quarter (the Small Business Issuer's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Small Business Issuer's internal control over financial reporting; and

5) The Small Business Issuer's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Small Business Issuer's auditors and the audit committee of the Small Business Issuer's board of directors (or persons performing the equivalent function):

a) all significant deficiencies in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Small Business Issuer's ability to record, process, summarize and report financial data; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Small Business Issuer's internal controls over financial reporting.

Date: November 1, 2004 /s/ Peter R. Culpepper, CPA

Peter R. Culpepper
Chief Financial Officer



EXHIBIT 32.1

CERTIFICATION

Pursuant to 18 U.S.C. Section 1350,
As Adopted Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, and in connection with the annual report on Form 10-KSB of Provectus Pharmaceuticals, Inc. (the "Company") for the year ended December 31, 2003, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, H. Craig Dees, Ph.D., the Chief Executive Officer of the Company, and Peter R. Culpepper, CPA, the Chief Financial Officer of the Company hereby certify that (1) 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 November 1, 2004.

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

/s/ Peter R. Culpepper, CPA
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Peter R. Culpepper, CPA
Chief Financial Officer