PROVECTUS PHARMACEUTICALS INC
Form DEF 14A
April 30, 2003

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

SCHEDULE 14A
(Rule 14a-101)

SCHEDULE 14A INFORMATION

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

Filed by the Registrant ý

Filed by a Party other than the Registrant o

Check the appropriate box:
o Preliminary Proxy Statement
o **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
ý Definitive Proxy Statement
o Definitive Additional Materials
o Soliciting Material Pursuant to §240.14a-12

PROVECTUS PHARMACEUTICALS, INC.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):
ý No fee required
o Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11
(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

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

(4) Proposed maximum aggregate value of transaction:

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o Fee paid previously with preliminary materials.

o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

7327 Oak Ridge Highway, Suite A
Knoxville, TN 37931

phone 865/769-4011
fax 865/769-4013

Notice of 2003 Annual Meeting of Stockholders
To Be Held on May 29, 2003

To Our Stockholders:

We will hold the 2003 Annual Meeting of the Stockholders of Provectus Pharmaceuticals, Inc. on Thursday, May 29, 2003, beginning at 3:00 p.m. Eastern time, at the offices of Baker, Donelson, Bearman & Caldwell, the Company's counsel, located at Riverview Tower, Suite 2200, 900 South Gay Street, Knoxville, Tennessee 37902. The Annual Meeting is being held for the following purposes:

1. To elect four directors to serve on the Company's Board of Directors for a one-year term;

2. To act on the following four proposed amendments to the Articles of Incorporation, as amended, of Provectus Pharmaceuticals, Inc.:

   A. An amendment authorizing the future issuance of up to 25 million shares of preferred stock;

   B. An amendment revising and improving the provisions of the Articles of Incorporation regarding indemnification of our directors, officers, employees and agents for costs they may incur if sued individually as a result of their service to us;

   C. An amendment requiring the affirmative vote of 75% of the voting power of our outstanding stock for stockholder-initiated changes to our Bylaws and continuing to permit the Board to adopt, amend or repeal the Bylaws; and

   D. An amendment eliminating unnecessary and archaic verbiage in our Articles of Incorporation.

3. To act on a proposal to approve and adopt the Provectus Pharmaceuticals, Inc. Amended and Restated 2002 Stock Plan; and

4. To transact any other business that properly comes before the Annual Meeting.

Only stockholders of record as of the close of business on April 8, 2003 will be entitled to notice of and to vote at the Annual Meeting.

You are cordially invited to attend the Annual Meeting. Regardless of whether you plan to attend the Annual Meeting in person, please complete, sign and date the enclosed proxy card and return it promptly in the accompanying postage-paid envelope.

By order of the Board of Directors,

/s/ DANIEL R. HAMILTON
Daniel R. Hamilton
Secretary

April 30, 2003

YOUR VOTE IS IMPORTANT

To ensure that you are represented at the Annual Meeting, please complete, sign, date and promptly return the enclosed proxy in the accompanying envelope, regardless of whether you plan to attend the Annual Meeting in person. No additional postage is necessary if the proxy is mailed in the United States. You may revoke your proxy at any time before it is voted at the meeting.

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7327 Oak Ridge Highway, Suite A
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PROXY STATEMENT FOR
2003 ANNUAL MEETING OF STOCKHOLDERS
TO BE HELD ON MAY 29, 2003

The Board of Directors of Provectus Pharmaceuticals, Inc., a Nevada corporation (which will be referred to as "the Company" in this proxy statement), has called a Annual Meeting of Stockholders of the Company, to be held on Thursday, May 29, 2003, beginning at 3:00 p.m. Eastern time, at Riverview Tower, Suite 2200, 900 South Gay Street, Knoxville, Tennessee.

This proxy statement first is being mailed to stockholders of the Company entitled to vote at the Annual Meeting on or about April 30, 2003.

ABOUT THE ANNUAL MEETING

What is the purpose of the Annual Meeting?

At the Annual Meeting, stockholders will act upon the matters outlined in the accompanying Notice of 2003 Annual Meeting of Stockholders. These matters include:

1. Election of four directors to serve on the Company's Board of Directors for a one-year term;

2. Action on a proposal to approve and adopt the following four amendments to the Articles of Incorporation of Provectus Pharmaceuticals, Inc.:

   A. An amendment authorizing the future issuance of up to 25 million shares of preferred stock;

   B. An amendment revising and improving the provisions of the Articles of Incorporation regarding indemnification of our directors, officers, employees and agents for costs they may incur if sued individually as a result of their service to us;

   C. An amendment requiring the affirmative vote of 75% of the voting power of our outstanding stock for stockholder-initiated changes to our Bylaws and continuing to permit the Board to adopt, amend or repeal the Bylaws;

   D. An amendment eliminating unnecessary and archaic verbiage in our Articles of Incorporation; and

3. Action on a proposal to approve and adopt the Provectus Pharmaceuticals, Inc. Amended and Restated 2002 Stock Plan.

In addition, the Company's management will report on the performance of the Company during 2002 and respond to questions from stockholders.

Who is entitled to vote?

Only stockholders of record at the close of business on April 8, 2003, the record date for the Annual Meeting, are entitled to receive notice of the Annual Meeting and to vote the shares of common stock that they held on that date at the Annual Meeting. Each outstanding share of common stock entitles its holder to cast one vote on each matter to be voted on at the Annual Meeting.

Who can attend the meeting?

All stockholders as of the record date or their duly appointed proxies, together with their guests, may attend the Annual Meeting.

What constitutes a quorum?

The presence at the Annual Meeting, in person or by proxy, of the holders of a majority of the shares of the Company's common stock outstanding on the record date will constitute a quorum, thereby permitting the stockholders to conduct their business at the Annual Meeting. As of the record date, there were 9,452,689 outstanding shares of common stock. Shares held by stockholders present at the Annual Meeting who elect to abstain from voting nonetheless will be included in the calculation of the number of shares considered present at the Annual Meeting.

How do I vote?

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

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

Yes. Even after you have submitted your proxy card, you may change your vote at any time before the proxy is exercised by filing with the Secretary of the Company either a notice of revocation or a duly executed proxy card bearing a later date. "Street name" stockholders must contact your broker or other nominee and follow its instructions if they wish to change their votes. The powers of the proxy holders will be suspended if you attend the Annual Meeting in person and so request, although your attendance at the Annual Meeting will not by itself revoke a

previously granted proxy.

What are the Board's recommendations?

Unless you give other instructions on your proxy card, the persons named as proxy holders on the proxy card will vote your shares in accordance with the recommendations of the Board of Directors. The Board's recommendations, together with a description of each item, are set forth in this proxy statement. In summary, the Board recommends a vote:

1. **FOR** election of each of the four candidates nominated to serve of the Company's Board of Directors for a one-year term (see page 6 of this proxy statement).

2. **FOR** the proposal to approve and adopt the following four amendments to the Articles of Incorporation of Provectus Pharmaceuticals, Inc. (see page 11 of this proxy statement), or, in the alternative:
   A. **FOR** a proposed amendment to the Articles of Incorporation authorizing the future issuance of up to 25 million shares of preferred stock (see page 12 of this proxy statement);

   B. **FOR** a proposed amendment to the Articles of Incorporation revising and improving the provisions regarding indemnification of our directors, officers, employees and agents for costs they may incur if sued individually as a result of their service to us (see page 13 of this proxy statement);

   C. **FOR** a proposed amendment to the Articles of Incorporation requiring the affirmative vote of 75% of the voting power of our outstanding stock for stockholder-initiated changes to our Bylaws and continuing to permit the Board to adopt, amend or repeal the Bylaws (see page 14 of this proxy statement); and

   D. **FOR** a proposed amendment to the Articles of Incorporation eliminating unnecessary and archaic verbiage in our Articles of Incorporation (see page 15 of this proxy statement); and

3. **FOR** the proposal to approve and adopt the Provectus Pharmaceuticals, Inc. Amended and Restated 2002 Stock Plan (see page 16 of this proxy statement).

If any other business is properly brought before the Annual Meeting, the proxy holders will vote your shares as the Board of Directors recommends. If the Board does not give a recommendation, the proxy holders will vote your shares as they may determine in their own discretion.

What vote is required to approve each item?

Election of Directors. The affirmative vote of a plurality of the votes cast at the Annual Meeting is required for the election of directors. If you are present at the meeting and you abstain from voting for one or more directors, your shares will not be counted in the vote for any nominee, although they will be counted for the purpose of determining whether there is a quorum at the Annual Meeting. A properly executed proxy card marked "WITHHOLD AUTHORITY" with respect to the election of one or more directors will not be voted with respect to the director or directors indicated and will be treated as an abstention with respect to voting on the director or directors.

Other Items. For each of the proposals to approve and adopt amendments to the Articles of Incorporation of Provectus Pharmaceuticals, Inc., for the proposal to amend the 2002 Stock Plan, and for any other item of business that properly comes before the Annual Meeting, the affirmative vote of the holders of a majority of the common stock present at the Annual Meeting, in person or by proxy, and entitled to vote will be required for approval. The shares of any stockholder present at the meeting who abstains from voting on the proposed ratification or on any other item will not be counted in the vote, although they will be counted for the purpose of determining whether there is a quorum at the Annual Meeting. An abstention, therefore, will have the effect of a negative vote. A properly executed proxy card marked "ABSTAIN" with respect to any such matter will not be voted and will be treated as an abstention with respect to that matter.

In general, if you hold shares of common stock in "street name" through a broker or other nominee, and if your broker or other nominee is not instructed or otherwise empowered to vote your shares at a meeting with respect to a particular matter, then your shares will constitute "broker non-votes" as to the matter. In the election of directors, brokers generally have discretion to vote your shares even in the absence of express instructions from you. As to all matters, a broker non-vote will have the same effect as an abstention.

STOCK OWNERSHIP

Who are the largest owners of the Company's common stock? How much common stock do the Company's directors and executive officers own?

The table on the following page shows the amount of common stock of the Company beneficially owned as of April 8, 2003 by each of the following:

1. Each of our directors and named executive officers (the "named executive officers" are described in the Summary Compensation Table set forth under the heading "Executive Officer Compensation" on page 9 of this proxy statement);

2. Each person whom we believe beneficially owns more than 5% of our outstanding voting stock; and

3. All executive officers and directors as a group.

In accordance with the rules promulgated by the Securities and Exchange Commission, beneficial ownership as disclosed in the table includes shares currently owned as well as shares which the named person has the right to acquire beneficial ownership of within 60 days, through the exercise of options, warrants or other rights.

Name and Address (1)	Amount and Nature of Beneficial Ownership (2)	Percentage of Class (3)
H. Craig Dees	1,416,609 (4)	15.0%
Timothy C. Scott	1,416,269 (5)	15.0
Eric A. Wachter	1,428,849 (6)	15.1
Daniel R. Hamilton	331,250 (7)	3.5
Stuart Fuchs	452,919 (8)	4.8
Walter G. Fisher 2009 Still Water Lane Knoxville, TN 37922	897,191 (9)	9.5
John T. Smolik 119 Tanasi Court Loudon, TN 37774	897,339 (10)	9.5
Justeene Blankenship 2469 East Fort Union Boulevard, Suite 214 Salt Lake City, UT 84121	493,666	5.2
Gryffindor Capital Partners I, L.L.C. 150 North Wacker Drive, Suite 800 Chicago, IL 60606	452,919 (11)	4.8
All directors and executive officers as a group (5 persons)	5,045,896 (12)	52.9

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

(2)

Shares of common stock that a person has the right to acquire within 60 days of April 15, 2003 are deemed outstanding for computing the percentage ownership of the person having the right to acquire such shares, but are not deemed outstanding for computing the percentage ownership of any other person. Except as indicated by a note, each stockholder listed in the table has sole voting and investment power as to the shares owned by that person.

(3)

As of April 8, 2003, there were 9,452,689 shares of common stock issued and outstanding.

(4)

Dr. Dees's beneficial ownership includes 536 shares of common stock held by Dees Family Foundation, an entity established for the benefit of Dr. Dees's family, and 18,750 shares of common stock subject to options which are exercisable within 60 days.

(5)

Dr. Scott's beneficial ownership includes 55,996 shares of common stock held by Scott Family Investment Limited Partnership, a limited partnership established for the benefit of Dr. Scott's family, and 18,750 shares of common stock subject to options which are exercisable within 60 days.

(6)

Dr. Wachter's beneficial ownership includes 4,867 shares of common stock held by the Eric A. Wachter 1998 Charitable Remainder Unitrust and 18,750 shares of common stock subject to options which are exercisable within 60 days.

(7)

Mr. Hamilton's beneficial ownership includes 31,250 shares of common stock subject to options which are exercisable within 60 days.

(8)

Mr. Fuchs's beneficial ownership includes 226,459 shares of common stock held by SFF Limited Partnership, a limited partnership of which Mr. Fuchs is the general partner; and 226,460 shares of common stock held by Gryffindor Capital Partners I, L.L.C., a Delaware limited liability company of which Mr. Fuchs is the managing principal ("*Gryffindor*"). Our relationship with Gryffindor is discussed in more detail below under the heading "Certain Relationships and Related Transactions Investment by Gryffindor."

(9)

Dr. Fisher's beneficial ownership includes 55,577 shares of common stock held by Fisher Family Investment Limited Partnership; and 9,734 shares of common stock held by the Walt Fisher 1998 Charitable Remainder Unitrust.

(10)

Mr. Smolik's beneficial ownership includes 48,666 shares of common stock held by Smolik Family LLP.

(11)

Gryffindor's beneficial ownership includes 226,459 shares of common stock held by SFF Limited Partnership, a limited partnership of which Stuart Fuchs, a director of the Company, is the general partner. Gryffindor disclaims beneficial ownership of these shares.

(12)

Includes 87,500 shares of common stock subject to options which are exercisable within 60 days.

Section 16(a) Beneficial Ownership Reporting Compliance

The federal securities laws require our directors and executive officers and persons who beneficially own more than 10% of a registered class of our equity securities to file with the SEC initial reports of ownership and reports of changes in ownership of our securities. Based solely on our review of the copies of these forms received by us or representations from certain reporting persons, we believe that SEC beneficial ownership reporting requirements for 2002 were met with the following exceptions:

1.

H. Craig Dees became our Chief Executive Officer and a director of the Company on April 23, 2002, upon our acquisition of Provectus Pharmaceuticals, Inc., a privately held Tennessee corporation ("*PPI*"). The Form 3 required to be filed in connection with Dr. Dees's assumption of these positions was due on May 3, 2002 but was not filed until July 23, 2002.

2.

Timothy C. Scott became our President and a director of the Company on April 23, 2002, upon our acquisition of PPI. The Form 3 required to be filed in connection with Dr. Scott's assumption of these positions was due on May 3, 2002 but was not filed until July 23, 2002.

3. Eric A. Wachter became our Vice President Pharmaceuticals and a director of the Company on April 23, 2002, upon our acquisition of PPI. The Form 3 required to be filed in connection with Dr. Wachter's assumption of these positions was due on May 3, 2002 but was not filed until July 23, 2002.

4. Daniel R. Hamilton became our Chief Financial Officer on April 23, 2002, upon our acquisition of PPI. The Form 3 required to be filed in connection with Mr. Hamilton's assumption of this position was due on May 3, 2002 but was not filed until July 23, 2002.

5. On November 19, 2002, as a result of our acquisition of Valley Pharmaceuticals, Inc., a Tennessee corporation formerly known as Photogen, Inc. ("*Valley*"), Dr. Dees acquired direct and indirect beneficial ownership of an additional 97,859 shares of our common stock. The Form 4 required to be filed in connection with this transaction was due on November 21, 2002 but was not filed until November 27, 2002.

6. On November 19, 2002, as a result of our acquisition of Valley, Dr. Scott acquired direct and indirect beneficial ownership of an additional 97,519 shares of our common stock. The Form 4 required to be filed in connection with this transaction was due on November 21, 2002 but was not filed until November 27, 2002.

7. On November 19, 2002, as a result of our acquisition of Valley, Dr. Wachter acquired direct and indirect beneficial ownership of an additional 110,099 shares of our common stock. The Form 4 required to be filed in connection with this transaction was due on November 21, 2002 but was not filed until November 27, 2002.

Due to the complexity of the reporting rules, we have instituted procedures to assist our officers and directors with these obligations. Our acquisition of PPI is discussed in more detail below under the heading "Certain Relationships and Related Transactions Acquisition of PPI." Our acquisition of Valley is discussed in more detail below under the heading "Certain Relationships and Related Transactions Acquisition of Valley Pharmaceuticals."

ITEM 1:
ELECTION OF DIRECTORS

The first item of business at the Annual Meeting will be the election of directors. The Board of Directors of the Company consists of four directors, all of whom are standing for reelection at the Annual Meeting.

Which directors of the Company are standing for election?

The following persons have been nominated by the Board of Directors to serve as directors for a one-year term expiring at the Company's 2003 Annual Meeting of Stockholders:

H. Craig Dees, Ph.D., 51, Director. 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., ("*Photogen*"), the former corporate parent of Valley when Valley was known as "Photogen, Inc.," including serving as a member of the Board of Directors of Photogen from 1997 to 2000. (Our acquisition of Valley Pharmaceuticals is discussed in more detail below under the heading "Certain Relationships and Related Transactions Acquisition of Valley Pharmaceuticals.") 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., 45, Director. 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 Dr. Scott earned a Ph.D. in Chemical Engineering from the University of Wisconsin Madison in 1985.

Eric A. Wachter, Ph.D., 40, Director. 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.

Stuart Fuchs, 56, Director. Mr. Fuchs has served as a member of our Board of Directors since January 23, 2003. He is the co-founder and managing principal of Gryffindor, a Chicago-based venture capital firm. Mr. Fuchs recently was named one of the Top 100 people in Chicago's high-tech economy by the editors of *I-Street* magazine. Before joining Gryffindor, he was a founding stockholder of several biotech companies, including Angiogen LLC, which develops combinations of drugs to stimulate *in vivo* production of factors that inhibit the growth of blood vessels in tumors, and Nace Pharma LLC ("*Nace Pharma*"), which develops drugs that employ novel drug delivery technologies. Through Nace Resources Inc. ("*NRI*"), a Delaware corporation providing strategic and financial advice to companies in the technology sector, Mr. Fuchs has formed or participated in groups of angel investors on behalf of several companies, including Miicro Inc., Celsion Corp. and Photogen. Before founding NRI, he served for 19 years as an investment banker with Goldman, Sachs & Co., where he co-managed the firm's public finance activities for the Midwest region. Before joining Goldman, Sachs & Co., Mr. Fuchs was a lawyer in private practice with Barrett Smith Schapiro & Simon in New York. He also serves on the board of directors of PurchasePooling Solutions Inc., Austin, Texas. Mr. Fuchs holds an A.B. degree from Harvard College and a J.D. from Harvard Law School and is a member of the Association of the Bar of the City of New York.

Each nominee has consented to serve on the Board of Directors. If any nominee were to become unavailable to serve as a director, the Board of Directors may designate a substitute nominee. In that case, the persons named as proxy holders on the accompanying proxy card will vote for the substitute nominee designated by the Board of Directors.

What vote is required to elect the candidates? What is the Board's recommendation?

The affirmative vote of a plurality of the votes cast at the Annual Meeting is required for the election of directors.

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

How often did the Board of Directors meet in 2002?

The Board of Directors met 0 times and took action by unanimous written consent 16 times during 2002. After becoming directors in April 2002, Drs. Dees, Scott and Wachter each attended more than 75% of the total number of meetings of the Board and its committees on

which he served.

How does the Board of Directors operate?

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.

How are directors compensated?

Three of our directors, Drs. Dees, Scott and Wachter, are also full-time employees of the Company. As discussed below under the heading "Executive Officer Compensation," they are compensated for their service in those roles. They are not separately compensated for their service as directors.

We reimburse Mr. Fuchs for expenses he incurs in fulfilling his duties as a director, including attending meetings of the Board of Directors. We do not otherwise compensate Mr. Fuchs for his services as a director.

Certain Relationships and Related Transactions

Acquisition of PPI

On April 23, 2002, pursuant to an Agreement and Plan of Reorganization dated April 22, 2002 (the "*PPI Agreement*") among the Company, PPI, and the stockholders of PPI (the "*PPI Stockholders*"), we acquired PPI by issuing 6,680,000 shares of our common stock to the PPI Stockholders in exchange for all of the issued and outstanding stock of PPI. As a result of this transaction, PPI became a wholly owned subsidiary of the Company. On April 22, 2002, the closing price of our common stock was $3.00 per share. H. Craig Dees, our Chief Executive Officer and a director of the Company, was the Chief Executive Officer and a director of PPI and a PPI Stockholder. Timothy C. Scott, our President and a director of the Company, was the President and a director of PPI and a PPI Stockholder. Eric A. Wachter, our Vice President Pharmaceuticals and a director of the Company, was the Vice President Pharmaceuticals and a director of PPI and a PPI Stockholder. Daniel R. Hamilton, our Chief Financial Officer, was the Chief Financial Officer of PPI and a PPI Stockholder. Drs. Dees, Scott and Wachter and Mr. Hamilton had no relationship with the Company prior to the acquisition of PPI. We believe that the terms of the acquisition of PPI were obtained by arms-length bargaining.

Agreement with Nace Pharma

On June 7, 2002, we entered into a letter agreement with Nace Pharma under which Nace Pharma has agreed to act as our representative to introduce us and our products to certain designated major pharmaceutical companies such as Pfizer Inc. and Bayer A.G. In the letter agreement, we granted Nace Pharma warrants for the purchase of 100,000 shares of our common stock at an exercise price of approximately $2.29 per share. These warrants will become exercisable only when and if Nace Pharma successfully introduces us to one of the designated major pharmaceutical companies and that introduction results in a transaction with an estimated value to us of at least $10 million, and will expire on June 7, 2005 if not exercised before that date. In addition to the warrants, the letter agreement provides that we will pay Nace a portion of any revenues we receive from any of the designated major pharmaceutical companies: 2.5% of the first $50 million in cumulative revenues, and 5.0% of any revenues beyond $50 million. Since we signed the letter agreement with Nace Pharma, Stuart Fuchs, one of the principals of Nace Pharma, has become a director of the Company. We believe that the terms of our agreement with Nace Pharma were obtained by arms-length bargaining prior to the time Mr. Fuchs became a director of the Company.

Agreement with Nace Resources

On August 29, 2002, we entered into a letter agreement with NRI under which NRI has agreed to provide us with certain investment banking services focusing on obtaining investment in our business through a private placement of our securities. If NRI assists us in obtaining a successful investment, the letter agreement provides that we will be obligated to pay NRI 5% of any cash consideration we receive in the investment transaction, as well as warrants for the purchase of our common stock at an exercise price equal to the price per share paid by investors in the investment transaction. The number

of shares of our common stock that would be subject to these warrants would be equal to 5% of the number of shares issued or issuable to investors in the investment transaction. Since we signed the letter agreement with NRI, Stuart Fuchs, one of the principals of NRI, has become a director of the Company. We believe that the terms of our agreement with NRI were obtained by arms-length bargaining prior to the time Mr. Fuchs became a director of the Company.

Acquisition of Valley Pharmaceuticals

On November 19, 2002, pursuant to an Agreement and Plan of Reorganization dated November 15, 2002 (the "*Valley Agreement*") between the Company, PPI, Valley, and the holders of Valley's issued and outstanding common stock (the "*Valley Stockholders*"), we acquired Valley by merging PPI with and into Valley. As a result of this transaction, Valley became a wholly owned subsidiary of the Company and changed its name to "Xantech Pharmaceuticals, Inc." As consideration for the acquisition of Valley, we issued an aggregate of 500,007 shares of common stock to the Valley Stockholders, who were the five scientists who initially founded Valley (under the name Photogen, Inc.) and certain entities benefiting them and the members of their respective families. On November 19, 2002, the closing price of our common stock was $0.40 per share. Drs. Dees, Scott and Wachter were officers and directors of Valley and Valley Stockholders. We believe that the terms of the Valley Agreement are no less favorable to the Company than terms that could have been determined through arms-length bargaining.

Investment by Gryffindor

On November 26, 2002, pursuant to a Convertible Secured Promissory Note and Warrant Purchase Agreement dated November 26, 2002 (the "*Gryffindor Agreement*") between the Company and Gryffindor, Gryffindor purchased our $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 our 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 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. Our obligations under the Note are secured by a first priority security interest in all of the Company's assets, including the capital stock of our wholly owned subsidiary Xantech Pharmaceuticals, Inc., a Tennessee corporation ("*Xantech*"). In addition, our 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 Gryffindor Agreement, we also issued to Gryffindor and to Stuart Fuchs, the managing principal of Gryffindor, Common Stock Purchase Warrants dated November 26, 2002 (the "*Warrants*"), entitling Gryffindor and Mr. Fuchs 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 Gryffindor Agreement, Gryffindor and Mr. Fuchs exercised the Warrants in their entirety, and we issued 226,460 shares of our common stock to Gryffindor and 226,459 shares to Mr. Fuchs. On January 23, 2003, pursuant to the Gryffindor Agreement, Mr. Fuchs became a director of the Company. We believe that the terms of the Gryffindor Agreement were obtained by arms-length bargaining prior to the time Mr. Fuchs became a director of the Company.

EXECUTIVE OFFICER COMPENSATION

Executive Officers

Our executive officers are:

H. Craig Dees, Ph.D., 51, Chief Executive Officer. A biography of Dr. Dees is set forth above under the heading "Election of Directors."

Timothy C. Scott, Ph.D., 45, President. A biography of Dr. Scott is set forth above under the heading "Election of Directors."

Eric A. Wachter, Ph.D., 40, Vice President Pharmaceuticals. A biography of Dr. Wachter is set forth above under the heading "Election of Directors."

Daniel R. Hamilton, 53, Chief Financial Officer. Mr. Hamilton has served as our Chief Financial Officer since we acquired PPI on April 23, 2002. Before joining us, from 1997 to 2002 he served as Manager of Finance and Administration for Photogen. Mr. Hamilton has diversified professional experience working in all aspects of accounting and financial operations with special emphasis on planning and objective setting, operational and financial leadership, and administrative management. He has experience in private companies, public institutions, and public corporations subject to SEC rules. Mr. Hamilton earned a Bachelor of Science degree in Business Administration from the University of Tennessee in 1971, and is a Certified Public Accountant.

Summary Compensation Table

The table below shows the annual, long-term and other compensation for services in all capacities to the Company and its subsidiaries paid during the year ended December 31, 2002 to our Chief Executive Officer and the other four most highly compensated executive officers of the Company during the year ended December 31, 2002 (the "*named executive officers*"):

		Annual Compensation			
Name and Position	**Year**	**Salary (1)**	**Bonus**	**Other Annual Compensation**	**All Other Compensation (1)**
H. Craig Dees, Chief Executive Officer (2)	2002	$ 18,750	$ 0	$ 0	$ 18,750
Timothy C. Scott, President (3)	2002	18,750	0	0	18,750
Eric A. Wachter, Vice President Pharmaceuticals (4)	2002	18,750	0	0	18,750
Daniel R. Hamilton, Chief Financial Officer (5)	2002	15,000	0	0	15,000
Kelly Adams, President (6)	2002	0	0	0	600,000
	2001	0	0	0	10,000

(1) Drs. Dees, Scott and Wachter and Mr. Hamilton served without salary from April 23, 2002 until November 16, 2002. Beginning November 16, 2002, we began paying them their respective regular salaries. From November 16, 2002 to December 31, 2002, we also paid them an amount equal to their salary for that period as compensation for their earlier service without salary. These amounts are listed in the "All Other Compensation" column.

(2) Dr. Dees became our Chief Executive Officer on April 23, 2002, upon the completion of our acquisition of PPI.

(3) Dr. Scott became our President on April 23, 2002, upon the completion of our acquisition of PPI.

(4) Dr. Wachter became our Vice President Pharmaceuticals on April 23, 2002, upon the completion of our acquisition of PPI.

(5) Mr. Hamilton became our Chief Financial Officer on April 23, 2002, upon the completion of our acquisition of PPI.

(6) Mr. Adams served as our President and sole director from February 23, 2001 until April 23, 2002, when he resigned upon our acquisition of PPI and the election of our present directors and executive officers. On March 7, 2001, Mr. Adams received a grant of 1,000,000 shares of our common stock, valued at $10,000, for services rendered to the Company; the number of shares was reduced to 3,333 as a result of the 300-to-1 reverse split of our common stock effected on April 15, 2002. On April 23, 2002, as part of the transaction in which we acquired PPI, Mr. Adams received a grant of 200,000 shares of our common stock. These amounts are reported for Mr. Adams in the "All Other Compensation" column.

Employment Agreements

Confidentiality, Inventions and Non-Competition Agreements

As a condition to the loan we obtained from Gryffindor under the Gryffindor Agreement, we entered into Confidentiality, Inventions and Non-Competition Agreements with Drs. Dees, Scott, and Wachter (the "*CINC Agreements*"). The CINC Agreements prohibit Drs. Dees, Scott, and Wachter each from disclosing our confidential information at any time while he is employed by the Company or during the five-year period after his employment ends for any reason. The CINC Agreements also provide that any invention or development that Dr. Dees, Dr. Scott, or Dr. Wachter may invent as a result of the work he does for us during his employment or during the one-year period after his employment ends for any reason belongs to the Company. Finally, the CINC Agreements prevent Dr. Dees, Dr. Scott, or Dr. Wachter from engaging in certain

kinds of competition with us for a period of 18 months after his employment ends for any reason. We believe that these provisions are prudent practice for technology-intensive businesses such as ours, and similar provisions are included in the employment agreements of executive officers of most biopharmaceutical companies.

Except for the CINC Agreements, we have not entered into any agreements with Dr. Dees, Dr. Scott, Dr. Wachter, or Mr. Hamilton pertaining to his employment.

ITEM 2:
APPROVAL OF AMENDMENTS TO THE COMPANY'S ARTICLES OF INCORPORATION

The Board has adopted, subject to stockholder approval, four amendments to the Articles of Incorporation of Provectus Pharmaceuticals, Inc., as amended. The Board adopted these amendments as a package to modernize and streamline our Articles of Incorporation and give the Board the necessary power to manage the Company for the growth of our business. In accordance with SEC rules, we are presenting these four amendments as separate matters for voting. Stockholder voting on each of the four amendments is independent from stockholder voting on any of the others, and stockholders may vote for or against, or abstain from voting on, any one or more of them. We have presented all four amendments together since we believe that all four matters are desirable for governance of the Company following the Annual Meeting.

Is there an easy way to vote for all four proposed amendments?

Yes. Because we adopted all four amendments as a package and believe that all four matters are desirable, we have provided a space on the proxy for you to vote "FOR," "AGAINST," or "ABSTAIN" with respect to all four amendments. If you check one of these boxes, your proxy will be counted as if

you had marked the same box for all four separate amendments, and you will not need to vote on any of the amendments separately.

What vote is required to approve all four amendments? What is the Board's recommendation?

Approval of all four proposed amendments to the Articles of Incorporation, as amended, requires the affirmative vote of a majority of shares present at the Annual Meeting, either in person or by proxy with respect to each proposal.

The Board of Directors recommends that the stockholders vote FOR each of the four proposals to approve and adopt amendments to the Articles of Incorporation, as amended, of Provectus Pharmaceuticals, Inc.

Item 2A: Authorization of 25 Million Shares of Preferred Stock

The first amendment proposed for adoption at the Annual Meeting would amend our Articles of Incorporation to authorize use to issue up to 25 million shares of preferred stock, in addition to the 100 million shares of common stock which we already have the authority to issue. The proposed amendment does not establish rights or preferences of any preferred stock. Rather, if adopted it would give the Board the power to determine the rights and preferences of a series of preferred stock from time to time as necessary. Authorized shares of preferred stock thereafter could be issued by the Board of Directors without stockholder approval, except in situations where stockholder approval is required by law or the rules of any applicable stock exchange. (Since our stock currently is traded on the Over-the-Counter Bulletin Board and not on a stock exchange, we are not subject to any stock exchange rules that would require a stockholder vote for the future issuance of preferred stock.)

The proposed amendment authorizing 25 million shares of preferred stock was approved unanimously by the Board of Directors. The full text of the proposed amendment is set out in Exhibit A to this proxy statement.

What are the Board's reasons for proposing this amendment?

Our current Articles of Incorporation do not authorize us to issue any preferred stock. The Board has evaluated our financial needs and has determined that to have the flexibility necessary to obtain additional financing on satisfactory terms, we must be able to issue preferred stock. Upon stockholder approval of the proposed Amended Articles, the preferred stock might be used without any further stockholder approval for various purposes, including raising capital, establishing strategic relationships with other companies and expanding our business or product lines

through the acquisition of other businesses or products. To this end, we continue to evaluate various opportunities regarding potential capital-raising transactions, but we currently have no specific plans with respect to setting the rights or preferences of any series of preferred stock or issuing any shares of preferred stock.

What are the potential drawbacks to the amendment?

As noted above, the proposed amendment does not establish rights or preference of any preferred stock, leaving that decision to the future determination of the Board. Any series of preferred stock could have rights and preferences senior to those of our common stock, including as to votes per share or as to the distribution of our assets in the event of the bankruptcy or liquidation of the Company. In addition, the issuance of shares of preferred stock could increase the number of shares outstanding, possibly resulting in the dilution of earnings per share.

If the proposed amendment is adopted, the shares of preferred stock that would become available for issuance could be used by Provectus to oppose a hostile takeover attempt or delay or prevent changes in control or management of the Company. For example, without further stockholder approval,

the Board could sell shares of preferred stock in a private transaction to purchasers who would oppose a takeover or favor the current Board. However, the authorization of preferred stock in the proposed amendment has been prompted by the business and financial considerations discussed above and not by the threat of any hostile takeover attempt directed at the Company, nor are we currently aware of any such attempts.

What vote is required to approve the amendment? What is the Board's recommendation?

Approval of the proposed amendment to the Articles of Incorporation, as amended, authorizing the future issuance of up to 25 million shares of preferred stock requires the affirmative vote of a majority of shares present at the Annual Meeting, either in person or by proxy.

The Board of Directors recommends that the stockholders vote FOR the proposal to approve and adopt an amendment to the Articles of Incorporation, as amended, of Provectus Pharmaceuticals, Inc. authorizing the future issuance of up to 25 million shares of preferred stock.

Item 2B: Improvement of Indemnification Provisions of our Articles of Incorporation

The second amendment proposed for adoption at the Annual Meeting would amend our Articles of Incorporation to require us to indemnify any director or officer against any and all expenses, losses, liabilities that he or she might incur as a result of being named as a defendant in any action, suit, or proceeding as a result of their service as a director or officer of the Company, or as a result of their serving at our request as the director, officer, employee, agent, member, manager, or trustee of any other corporation, limited liability company or other business, including any employee benefit plan. Any employee or agent could be indemnified to an extent greater than required by Nevada law if the Board, in its discretion, so approved. We would be permitted to advance expenses to a director, officer, employee or agent, provided that he or she agreed to reimburse us in the event that the litigation determined that he or she was not entitled to indemnification. Our obligations in this respect would be a contractual commitment on our part to each of our directors and officers; any subsequent change to the indemnification provisions of our Articles of Incorporation would not affect the rights afforded to our directors, officers, employees and agents while the Amended Articles were in force.

The proposed amendment improving the indemnification provisions of our Articles of Incorporation was approved unanimously by the Board of Directors. The full text of the proposed amendment is set out in Exhibit B to this proxy statement.

What are the Board's reasons for proposing this amendment?

Our current Articles of Incorporation permit us to indemnify our directors, officers, employees or agents only "to the full extent permitted by the laws of the State of Nevada" if they are sued individually for their performance in those roles. The proposed amendment would make indemnification mandatory, rather than merely permissive, for directors and officers. As our business grows, we expect to identify and retain additional officers, employee and agents to conduct our business operations on a day-to-day business. In addition, we expect to identify candidates with desirable business and financial experience to serve on our Board of Directors. Especially in the current business environment, the directors, officers, and employees of public companies such as Provectus may be exposed to additional potential liability as the result of their service in these roles. Frequently, this additional liability results not from the actions of these persons or their service to us but from lawsuits based on actions beyond their control. A key element of our ability to attract and retain directors, officers, and employees will be our ability to shield them from these undesirable personal consequences of their service. Candidates with desirable experience may be dissuaded from joining

us as directors, officers, or employees if we are unable to protect them in this fashion. Our Board of Directors believes

that the indemnification provisions of the proposed Amended Articles enhance our ability to protect our directors, officers, employees, and agents from unjustified expenses, losses, and liabilities.

What vote is required to approve the amendment? What is the Board's recommendation?

Approval of the proposed amendment revising and improving the provisions of the Articles of Incorporation, as amended, regarding indemnification of our directors, officers, employees and agents requires the affirmative vote of a majority of shares present at the Annual Meeting, either in person or by proxy.

The Board of Directors recommends that the stockholders vote FOR the proposal to approve and adopt an amendment to the Articles of Incorporation, as amended, of Provectus Pharmaceuticals, Inc. revising and improving the provisions regarding indemnification of our directors, officers, employees and agents

Item 2C: Limitation on Stockholders' Power to Adopt, Amend or Repeal Bylaws

The third amendment proposed for adoption at the Annual Meeting would amend our Articles of Incorporation to permit the Board to adopt, amend or repeal our Bylaws. Stockholders, however, would not be able to adopt, amend, or repeal any part of the Bylaws unless the proposed change received the affirmative vote of stockholders holding 75% of the voting power of all of our outstanding shares. As under our Articles of Incorporation as currently in force, any change to the Bylaws made by the stockholders could not be amended or repealed by the Board.

The proposed amendment limiting the power of stockholders to adopt, amend or repeal the Bylaws was approved unanimously by the Board of Directors. The full text of the proposed amendment is set out in Exhibit C to this proxy statement.

What do Nevada law and the Company's current Articles of Incorporation provide?

Our current Articles of Incorporation do not limit the power of stockholders with respect to adoption, amendment or repeal of our Bylaws. Under Nevada law, our stockholders have the power to adopt, amend or repeal our Bylaws by the vote of a majority of the stockholders present at a meeting. Our Board of Directors also may adopt, amend or repeal the Bylaws, but it may not adopt, amend or repeal any bylaw adopted by the stockholders.

What are the Board's reasons for proposing this amendment?

Under our current Articles of Incorporation, a dissident stockholder or group of stockholders could amend our Bylaws to make it more difficult to operate our business and execute our business plan. By raising the threshold for stockholder amendments to the Bylaws from a majority of the stockholders voting at a meeting to 75% of the voting power of the outstanding shares, the proposed amendment is intended to reduce this risk.

What are the potential drawbacks to the amendment?

Increasing the voting threshold required for stockholder-initiated adoption, amendment or repeal of our Bylaws makes accomplishing any of these actions much more difficult. In the absence of the proposed amendment (such as at the Annual Meeting), the Bylaws could be adopted, amended or repealed by the vote of a simple majority of the stockholders present at a meeting of stockholders such as Annual Meeting. Since a quorum for a stockholder meeting requires only a majority of the voting power of our stock, the Bylaws could be adopted, amended or repealed by stockholders holding slightly more than 25% of the outstanding voting power.

As an example, assume that a hypothetical amendment to the Bylaws were proposed to be adopted by the stockholders at the Annual Meeting. There were 9,452,689 shares of common stock outstanding on the record date for the Annual Meeting. Therefore, the quorum for the Annual Meeting requires the presence, in person or by proxy, of a majority of the outstanding voting power, or 4,726,345 shares of common stock.

1. *If the proposed amendment to the Articles of Incorporation requiring the vote of stockholders holding 75% of the voting power to approve an amendment to the Bylaws* ***were in force***, then approval of the hypothetical Bylaws amendment would require the affirmative vote of stockholders holding 7,089,740 shares of common stock.

2. However, *if the proposed amendment to the Articles of Incorporation requiring the vote of stockholders holding 75% of the voting power to approve an amendment to the Bylaws* ***were not in force***, then the hypothetical Bylaws amendment could be approved by the affirmative vote of the holders of only 2,363,173 shares, a majority of the minimum quorum required to be present at the Annual Meeting.

The combination of the continuing power of the Board's to adopt, amend or repeal the Bylaws and the increased voting requirement for stockholders to do the same could have the effect of making stockholder proposals and possible takeovers more difficult. For instance, the Board could amend the Bylaws to make it more difficult for stockholder proposals to be presented at our annual meetings. Alternatively, the Board could amend the Bylaws to make it more difficult for potential acquirors to acquire our common stock in secret. The Bylaws do not contain any such provisions, and at present we have no intent of adopting any. We are not aware of any attempt to use the stockholders' power under Nevada law to amend the Bylaws to attempt to take over Provectus, nor are we aware of any threat of any such attempt.

What vote is required to approve the amendment? What is the Board's recommendation?

Approval of the proposed amendment to the Articles of Incorporation, as amended, requiring the affirmative vote of 75% of the voting power of our outstanding stock for stockholder-initiated changes to our Bylaws and continuing to permit the Board to adopt, amend or repeal the Bylaws requires the affirmative vote of a majority of shares present at the Annual Meeting, either in person or by proxy.

The Board of Directors recommends that the stockholders vote FOR the proposal to approve and adopt an amendment to the Articles of Incorporation, as amended, of Provectus Pharmaceuticals, Inc. requiring the affirmative vote of 75% of the voting power of our outstanding stock for stockholder-initiated changes to our Bylaws and continuing to permit the Board to adopt, amend or repeal the Bylaws.

Item 2D: Elimination of Unnecessary Verbiage

The fourth amendment proposed for adoption at the Annual Meeting would amend our Articles of Incorporation to eliminate unnecessary and archaic verbiage in our current Articles of Incorporation:

1. At present, Article II of our Articles of Incorporation provides that the Company's duration is perpetual. Perpetual duration of corporations is a basic provision of Nevada law, and therefore Article II is superfluous. Amending the Articles of Incorporation to remove it will not change the rights, powers or duties of the Company, our stockholders, or our directors, officers, employees or agents.

2. At present, Article III of our Articles of Incorporation sets forth an extensive statement of the Company's purposes and powers. These powers, however, are provided by Nevada law to all Nevada corporations, including the Company, and therefore the extensive enumeration of these powers is unnecessary. To ensure that the Company's purposes are not limited, however,

we would replace the extensive enumerated purposes and powers with a statement that the Company's purpose is to any lawful activity for which corporations may be organized under Nevada law.

The proposed amendment eliminating unnecessary and archaic verbiage from the Articles of Amendment was approved unanimously by the Board of Directors. The full text of the proposed amendment is set out in Exhibit D to this proxy statement.

What vote is required to approve the amendment? What is the Board's recommendation?

Approval of the proposed amendment to the Articles of Incorporation, as amended, eliminating unnecessary and archaic verbiage requires the affirmative vote of a majority of shares present at the Annual Meeting, either in person or by proxy.

The Board of Directors recommends that the stockholders vote FOR the proposal to approve and adopt an amendment to the Articles of Incorporation, as amended, of Provectus Pharmaceuticals, Inc. eliminating unnecessary and archaic verbiage.

ITEM 3:
APPROVAL OF 2002 STOCK OPTION PLAN

At the Annual Meeting, stockholders will be asked to approve the adoption of the Provectus Pharmaceuticals, Inc. Amended and Restated 2002 Stock Plan (the "*Stock Plan*"). The 2002 Plan amends and restates in its entirety the Provectus Pharmaceuticals, Inc. 2002 Stock Plan (the "*Prior Plan*"), which was approved by the Board of Directors serving immediately before we acquired PPI but was never submitted to the stockholders for their approval. On March 24, 2003, our present Board of Directors approved the 2002 Plan as a complete amendment and restatement of the Prior Plan and recommended that the 2002 Plan be submitted to our stockholders for approval.

The purpose of a long-term incentive plan is to direct the attention and efforts of participating employees to the long-term performance of the Company by relating incentive compensation to the achievement of long-term corporate economic objectives. The 2002 Plan also is designed to retain, reward and motivate participating employees by providing an opportunity for investment in the Company and the advantages inherent in ownership of our common stock. Our Board of Directors believes that the adoption of the 2002 Plan is necessary in order to recruit and retain a pool of skilled and experienced employees as our business expands.

What are the terms of the 2002 Plan?

A summary of the principal features of the 2002 Plan is provided below. This summary is qualified in its entirety by reference to the full text of the Provectus Pharmaceuticals, Inc. Amended and Restated 2002 Stock Plan, which is attached as Exhibit E to this proxy statement.

General Terms

The 2002 Plan provides for the grant of four types of incentive awards: stock options, stock appreciation rights ("*SARs*"), rights to purchase restricted stock, and long-term performance awards.

Employees of the Company and consultants to the Company, including officers and directors of the Company who also are employees or consultants, and directors of the Company who are not employees whose present and potential contributions are important to our continued success are eligible to receive awards under the 2002 Plan.

A total of 2,000,000 shares of our common stock may be subject to, or issued pursuant to, awards granted under the 2002 Plan. If an award under the 2002 Plan is forfeited or terminated for any

reason, the shares of common stock that were subject to the award again become available for distribution in connection with awards under the 2002 Plan. In addition, shares subject to SARs that are exercised for cash again become available for distribution in connection with awards under the 2002 Plan.

The 2002 Plan may be administered by one or more administrators (the "*Administrator*") if the Board deems division of administration necessary or desirable in order to comply with applicable law. Because the Board of Directors has not appointed any committees and because we have so few employees, the Board currently is acting as the Administrator of the 2002 Plan.

The Administrator has the exclusive discretion to select the employees, consultants and non-employee directors who receive awards under the 2002 Plan ("*Participants*") and to determine the type, size, and terms of each award, to modify the terms of awards, to determine when awards will be granted and paid, and to make all other determinations which it deems necessary or desirable in the interpretation and administration of the Plan. The 2002 Plan will remain in effect until all awards under the 2002 Plan either have been satisfied by the issuance of shares of our common stock or the payment of cash or have expired or otherwise terminated or the 2002 Plan is otherwise terminated by the

Board. However, no awards may be granted more than ten years after the date of the Plan's approval. Generally, a Participant's rights and interest under the Plan will not be transferable except by will or by the laws of descent and distribution.

The 2002 Plan is not qualified under Section 401(a) of the Code.

Types of Awards

Stock options are rights to purchase a specified number of shares of our common stock at a price fixed by the Administrator. Options may be either "incentive stock options" within the meaning of Section 422 of the Internal Revenue Code or "non-qualified options" which do not satisfy the conditions to be treated as incentive stock options. The exercise price for stock options issued under the 2002 Plan that qualify as incentive stock options may not be less than 100% of the fair market value as of the date of grant. The option exercise price may be satisfied in cash, by check or a promissory note, by exchanging shares of our common stock owned by the Participant, or a combination of these methods. The Administrator has broad discretion as to the terms and conditions upon which options granted shall be exercised. Options have a maximum term of ten years from the date of grant. Options granted to date generally have a ten-year term and become exercisable on the date of grant for the purchase of 25% of the shares of common stock subject to the option and for the balance on a cumulative basis in equal annual installments over a three-year period.

SARs are rights to receive cash or shares, or a combination thereof, as the Administrator may determine, in an amount equal to the excess of (i) the fair market value of the shares with respect to which the SAR is exercised over (ii) a specified price which must not be less than 100% of the fair market value of the shares at the time the SAR is granted, or, if the SAR is granted in connection with a previously issued stock option, not less than 100% of the fair market value of shares at the time such option is granted.

SARs may be granted in connection with a previously or contemporaneously granted stock option or independently. If a SAR is granted in relation to a stock option, (i) the SAR will be exercisable only at such times and by such persons as the related option is exercisable, and (ii) the Participant's right to exercise either the related option or the SAR will be canceled to the extent that the other is exercised. No SAR may be exercised later than ten years after the date of grant. The Administrator may provide in the SAR agreement circumstances under which SARs will become immediately exercisable and may, notwithstanding the foregoing restriction on time of exercise, accelerate the exercisability of any SAR at any time.

Stock purchase rights are rights to purchase a specified number of shares of stock which are restricted in accordance with the terms of the award agreement, which we call "restricted stock." After a Participant exercises a stock purchase right, he or she may have the benefits of ownership of the shares of restricted stock, including the right to vote such shares and to receive dividends and other distributions thereon, subject to the restrictions set forth in the Plan and in the award agreement. Any shares of restricted stock are legended and may not be sold, transferred, or disposed of until the restrictions have elapsed. Upon the expiration, lapse, or removal of restrictions, shares free of restrictive legend will be granted to the Participant. The Administrator has broad discretion as to the specific terms and conditions of each award, including applicable rights upon certain terminations of employment. No stock purchase rights have been awarded to date under the 2002 Plan.

Long-term performance awards entitle Participants to future payments based upon the achievement of pre-established long-term performance objectives. The award agreement for a long-term performance award will establish maximum and minimum performance targets to be achieved and the period in which the targets must be achieved. Thereafter, the Participant will be entitled to a payment in cash or shares of common stock upon the achievement of the performance targets within the performance periods. The Administrator has discretion to determine the Participants to whom long-term performance awards are to be made, the times in which such awards are to be made, the size of such awards, and all other conditions of such awards, including any restriction, deferral periods, or performance requirements. No performance unit awards have been awarded to date under the 2002 Plan.

Changes in Capitalization

In the event of any change in the outstanding Common Stock of the Company by reason of a stock dividend or distribution, recapitalization, merger, consolidation, reorganization, split-up, combination, exchange of shares or the like, the Board of Directors shall adjust proportionately the number of shares which may be issued under the 2002 Plan, the number of shares subject to outstanding awards, and the option exercise price of each outstanding option.

Changes in Control

If a Change in Control of the Company, as defined in the 2002 Plan, occurs, all outstanding awards will become fully exercisable and vested. In addition, unless the Board of Directors determines otherwise, all outstanding awards that are vested and exercisable, including those

which are accelerated upon the Change in Control, will be terminated in exchange for a cash payment equal to the "Change in Control Price," determined in accordance with the 2002 Plan, less the exercise price of the award.

Termination

The Board of Directors may terminate, amend, modify or suspend the 2002 Plan at any time, except that the Board of Directors may not, without the authorization of the holders of a majority of the Company's outstanding shares, increase the maximum number of shares which may be issued under the 2002 Plan (other than adjustments pursuant to the 2002 Plan), extend the last date on which awards may be granted under the 2002 Plan, extend the date on which the 2002 Plan expires, change the class of persons eligible to receive awards, or change the minimum exercise price.

Federal Income Tax Consequences

Incentive Stock Options. No income will be realized by a Participant upon this or her purchase of shares pursuant to the exercise of an incentive stock option. In order to take advantage of this tax benefit, the Participant must not dispose of the shares for at least one year after the date he or she exercised the incentive stock option and at least two years after the date he or she first was granted the

option. Assuming compliance with this and other applicable tax provisions, a Participant will recognize long-term capital gain or loss when the Participant disposes of the shares, measured by the difference between the exercise price of the option and the amount realized for the shares at the time of disposition. No deduction will be allowed to the Company for federal income tax purposes at the time of the grant or exercise of an incentive stock option.

If the Participant disposes of shares purchased upon the exercise of an incentive stock option before the expiration of the above-noted periods, any amount realized from such disqualifying disposition will be taxable as ordinary income in the year of disposition to the extent of the lesser of the amount realized by the Participant in excess of the exercise price, or the spread between the exercise price and the fair market value of the shares at the time the option is exercised. Any amount realized in excess of the fair market value of the shares on the date of exercise will be treated as long- or short-term capital gain, depending upon the holding period of the shares. At the time of such a "disqualifying disposition" by a Participant, the Company will be entitled to a deduction for the amount taxable to the Participant as ordinary income.

Nonqualified Stock Options. The exercise of a Nonqualified Stock Option will result in the recognition of ordinary income by the Participant for federal income tax purposes in an amount equal to the difference between the exercise price and the fair market value of the shares acquired upon the exercise of the option. The Company will be entitled to a deduction equal to the amount of income recognized by the Participant. Upon the later sale of any shares acquired upon the exercise of a Nonqualified Stock Option, any amount realized by the Participant in excess of the amount recognized by the Participant as ordinary income will be treated as long- or short-term capital gain to the Participant, depending upon the holding period of the shares.

Stock Appreciation Rights. A Participant will realize ordinary income upon the exercise of the SAR equaling the amount of cash received or the current fair market value of stock acquired, and the Company will receive a corresponding deduction. Upon subsequent disposition of any shares received, any gain or loss will be a long- or short-term capital gain or loss depending upon the applicable holding period.

Stock Purchase Rights and Restricted Stock. The federal income tax consequences of awards of stock purchase rights will depend on the facts and circumstances of each award, and in particular, the nature of the restrictions imposed with respect to the stock which is the subject of the award. In general, if the stock is subject to a "substantial risk of forfeiture" i.e., if rights to full enjoyment of the benefit of ownership of the stock are conditioned upon the future performance of substantial services by the Participant a taxable event occurs only when the risk of forfeiture ceases. At that time, the Participant will realize ordinary income to the extent of the excess of the fair market value of the stock on the date the risk ceases over the Participant's cost for such stock, and th