

PROVECTUS PHARMACEUTICALS INC
Form 10QSB
November 13, 2007

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

FORM 10-QSB

(Mark One)

Quarterly Report under Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended September 30, 2007

OR

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

For the transition period from _____ to _____

Commission file number: **0-9410**

Provectus Pharmaceuticals, Inc.
(Exact Name of Small Business Issuer as Specified in Its Charter)

Nevada **90-0031917**
(State or other jurisdiction of incorporation (I.R.S. Employer Identification Number)
or organization)

7327 Oak Ridge Highway Suite A, Knoxville, TN 37931
(Address of Principal Executive Offices)

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

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

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 No

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

The number of shares outstanding of the issuer's common stock, \$0.001 par value per share, as of September 30, 2007

was 48,121,375.

Transitional Small Business Disclosure Format (check one): Yes No

PROVECTUS PHARMACEUTICALS, INC.

(A Development-Stage Company)

CONSOLIDATED BALANCE SHEETS

| | September 30, 2007 | December 31, 2006 |
|---|-------------------------------|------------------------------|
| | (Unaudited) | (Audited) |
| Assets | | |
| Current Assets | | |
| Cash and cash equivalents | \$ 338,951 | \$ 638,334 |
| United States Treasury Notes, total face value \$7,305,477 and \$6,507,019 | 7,301,877 | 6,499,034 |
| Prepaid expenses and other current assets | 18,501 | 173,693 |
| Total Current Assets | 7,659,329 | 7,311,061 |
| Equipment and Furnishings, less accumulated depreciation of \$379,663 and \$372,721 | 45,260 | 30,075 |
| Patents, net of amortization of \$3,266,117 and \$2,762,777 | 8,449,328 | 8,952,668 |
| Deferred loan costs, net of amortization of \$247,802 in 2006 | -- | 3,713 |
| Other assets | 27,000 | 27,000 |
| | \$ 16,180,917 | \$ 16,324,517 |
| Liabilities and Stockholders' Equity | | |
| Current Liabilities | | |
| Accounts payable – trade | \$ 33,104 | \$ 64,935 |
| Accrued compensation | 569,217 | 265,929 |
| Accrued common stock costs | -- | 17,550 |
| Accrued consulting expense | 89,167 | 42,500 |
| Other accrued expenses | 39,500 | 46,500 |
| March 2005 convertible debt, net of debt discount of \$2,797 in 2006 | -- | 364,703 |
| Total Current Liabilities | 730,988 | 802,117 |
| Stockholders' Equity | | |
| Preferred stock; par value \$.001 per share; 25,000,000 shares authorized; no shares issued and outstanding | -- | -- |
| Common stock; par value \$.001 per share; 100,000,000 shares authorized; 48,121,375 and 42,452,366 shares issued and outstanding, respectively | 48,121 | 42,452 |

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| | | |
|--|---------------|---------------|
| Paid in capital | 58,011,956 | 50,680,353 |
| Deficit accumulated during the development stage | (42,610,148) | (35,200,405) |
| Total Stockholders' Equity | 15,449,929 | 15,522,400 |
| | \$ 16,180,917 | \$ 16,324,517 |

See accompanying notes to consolidated financial statements.

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

| | Three Months Ended September 30, 2007 | Three Months Ended September 30, 2006 | Nine Months Ended September 30, 2007 | Nine Months Ended September 30, 2006 | Cumulative Amounts from January 17, 2002 (Inception) Through September 30, 2007 |
|--------------------------------|--|--|---|---|--|
| Revenues | | | | | |
| OTC | | | | | |
| Product Revenue | \$ -- | \$ 274 | \$ -- | \$ 1,354 | \$ 25,648 |
| Medical | | | | | |
| Device Revenue | -- | -- | -- | -- | 14,109 |
| Total revenues | -- | 274 | -- | 1,354 | 39,757 |
| Cost of Sales | -- | 175 | -- | 866 | 15,216 |
| Gross Profit | -- | 99 | -- | 488 | 24,541 |
| Operating Expenses | | | | | |
| Research and development | 1,079,345 | 966,558 | 3,231,930 | 2,231,773 | 10,360,137 |
| General and administrative | 1,541,364 | 904,075 | 3,907,372 | 2,451,194 | 20,637,340 |
| Amortization of patents | 167,780 | 167,780 | 503,340 | 503,340 | 3,266,117 |
| Total operating loss | (2,788,489) | (2,038,314) | (7,642,642) | (5,185,819) | (34,239,053) |
| Gain on sale of fixed assets | -- | -- | -- | -- | 55,075 |
| Loss on extinguishment of debt | -- | -- | -- | -- | (825,867) |
| Investment income | 74,560 | 70,031 | 244,308 | 180,299 | 497,701 |

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| | | | | | |
|--|----------------|----------------|----------------|----------------|-----------------|
| Interest expense | -- | (188,504) | (11,409) | (1,780,942) | (8,098,004) |
| Net loss | \$ (2,713,929) | \$ (2,156,787) | \$ (7,409,743) | \$ (6,786,462) | \$ (42,610,148) |
| Basic and diluted loss per common share | \$ (0.06) | \$ (0.06) | \$ (0.16) | \$ (0.18) | |
| Weighted average number of common shares outstanding – basic and diluted | 46,432,567 | 38,231,416 | 45,436,240 | 36,724,927 | |

See accompanying notes to consolidated financial statements.

PROVECTUS PHARMACEUTICALS, INC.
(A Development-Stage Company)
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(Unaudited)

| | Common Stock | | | | |
|--|---------------------|--------------|----------------|--------------------|--------------|
| | Number of | Par | Paid-in | Accumulated | Total |
| | shares | value | capital | deficit | |
| Balance, at January 17, 2002 | -- | \$ -- | \$ -- | \$ -- | \$ -- |
| Issuance to founding shareholders | 6,000,000 | 6,000 | (6,000) | -- | -- |
| Sale of stock | 50,000 | 50 | 24,950 | -- | 25,000 |
| Issuance of stock to employees | 510,000 | 510 | 931,490 | -- | 932,000 |
| Issuance of stock for services | 120,000 | 120 | 359,880 | -- | 360,000 |
| Net loss for the period from January 17, 2002 (inception) to April 23, 2002 (date of reverse merger) | -- | -- | -- | (1,316,198) | (1,316,198) |
| Balance, at April 23, 2002 | 6,680,000 | \$ 6,680 | \$ 1,310,320 | \$ (1,316,198) | \$ 802 |
| Shares issued in reverse merger | 265,763 | 266 | (3,911) | -- | (3,645) |
| Issuance of stock for services | 1,900,000 | 1,900 | 5,142,100 | -- | 5,144,000 |
| Purchase and retirement of stock | (400,000) | (400) | (47,600) | -- | (48,000) |
| Stock issued for acquisition of Valley Pharmaceuticals | 500,007 | 500 | 12,225,820 | -- | 12,226,320 |
| Exercise of warrants | 452,919 | 453 | -- | -- | 453 |
| Warrants issued in connection with convertible debt | -- | -- | 126,587 | -- | 126,587 |
| Stock and warrants issued for acquisition of Pure-ific | 25,000 | 25 | 26,975 | -- | 27,000 |
| Net loss for the period from April 23, 2002 (date of reverse merger) to | -- | -- | -- | (5,749,937) | (5,749,937) |

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| | | | | | | |
|-----------------------|------------|-----------|---------------|-----------------|---------------|--|
| December 31, 2002 | | | | | | |
| Balance, at | | | | | | |
| December 31, 2002 | 9,423,689 | \$ 9,424 | \$ 18,780,291 | \$ (7,066,135) | \$ 11,723,580 | |
| Issuance of stock | | | | | | |
| for services | 764,000 | 764 | 239,036 | -- | 239,800 | |
| Issuance of | | | | | | |
| warrants for | | | | | | |
| services | -- | -- | 145,479 | -- | 145,479 | |
| Stock to be issued | | | | | | |
| for services | -- | -- | 281,500 | -- | 281,500 | |
| Employee | | | | | | |
| compensation from | | | | | | |
| stock options | -- | -- | 34,659 | -- | 34,659 | |
| Issuance of stock | | | | | | |
| pursuant to | | | | | | |
| Regulation S | 679,820 | 680 | 379,667 | -- | 380,347 | |
| Beneficial | | | | | | |
| conversion related | | | | | | |
| to convertible debt | -- | -- | 601,000 | -- | 601,000 | |
| Net loss for the year | | | | | | |
| ended December | | | | | | |
| 31, 2003 | -- | -- | -- | (3,155,313) | (3,155,313) | |
| Balance, at | | | | | | |
| December 31, 2003 | 10,867,509 | \$ 10,868 | \$ 20,461,632 | \$ (10,221,448) | \$ 10,251,052 | |
| Issuance of stock | | | | | | |
| for services | 733,872 | 734 | 449,190 | -- | 449,923 | |
| Issuance of | | | | | | |
| warrants for | | | | | | |
| services | -- | -- | 495,480 | -- | 495,480 | |
| Exercise of | | | | | | |
| warrants | 132,608 | 133 | 4,867 | -- | 5,000 | |
| Employee | | | | | | |
| compensation from | | | | | | |
| stock options | -- | -- | 15,612 | -- | 15,612 | |
| Issuance of stock | | | | | | |
| pursuant to | | | | | | |
| Regulation S | 2,469,723 | 2,469 | 790,668 | -- | 793,137 | |
| Issuance of stock | | | | | | |
| pursuant to | | | | | | |
| Regulation D | 1,930,164 | 1,930 | 1,286,930 | -- | 1,288,861 | |
| Beneficial | | | | | | |
| conversion related | | | | | | |
| to convertible debt | -- | -- | 360,256 | -- | 360,256 | |
| Issuance of | | | | | | |
| convertible debt | | | | | | |
| with warrants | -- | -- | 105,250 | -- | 105,250 | |
| Repurchase of | | | | | | |
| beneficial | | | | | | |
| conversion feature | -- | -- | (258,345) | -- | (258,345) | |
| Net loss for the year | | | | | | |
| ended December | | | | | | |
| | -- | -- | -- | (4,344,525) | (4,344,525) | |

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31, 2004

| | | | | | |
|---|------------|-----------|---------------|-----------------|---------------|
| Balance, at December 31, 2004 | 16,133,876 | \$ 16,134 | \$ 23,711,540 | \$ (14,565,973) | \$ 9,161,701 |
| Issuance of stock for services | 226,733 | 227 | 152,058 | -- | 152,285 |
| Issuance of stock for interest payable | 263,721 | 264 | 195,767 | -- | 196,031 |
| Issuance of warrants for services | -- | -- | 1,534,405 | -- | 1,534,405 |
| Issuance of warrants for contractual obligations | -- | -- | 985,010 | -- | 985,010 |
| Exercise of warrants and stock options | 1,571,849 | 1,572 | 1,438,223 | -- | 1,439,795 |
| Employee compensation from stock options | -- | -- | 15,752 | -- | 15,752 |
| Issuance of stock pursuant to Regulation D | 6,221,257 | 6,221 | 6,506,955 | -- | 6,513,176 |
| Debt conversion to common stock | 3,405,541 | 3,405 | 3,045,957 | -- | 3,049,795 |
| Issuance of warrants with convertible debt | -- | -- | 1,574,900 | -- | 1,574,900 |
| Beneficial conversion related to convertible debt | -- | -- | 1,633,176 | -- | 1,633,176 |
| Beneficial conversion related to interest expense | -- | -- | 39,259 | -- | 39,529 |
| Repurchase of beneficial conversion feature | -- | -- | (144,128) | -- | (144,128) |
| Net loss for the year ended 2005 | -- | -- | -- | (11,763,853) | (11,763,853) |
| Balance, at December 31, 2005 | 27,822,977 | \$ 27,823 | \$ 40,689,144 | \$ (26,329,826) | \$ 14,387,141 |
| Issuance of stock for services | 719,246 | 719 | 676,024 | -- | 676,743 |
| Issuance of stock for interest payable | 194,327 | 195 | 183,401 | -- | 183,596 |
| Issuance of warrants for services | -- | -- | 370,023 | -- | 370,023 |
| Exercise of warrants and stock options | 1,245,809 | 1,246 | 1,188,570 | -- | 1,189,816 |

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|---|------------|-----------|---------------|-----------------|---------------|
| Employee compensation from stock options | -- | -- | 1,862,456 | -- | 1,862,456 |
| Issuance of stock pursuant to Regulation D | 10,092,495 | 10,092 | 4,120,329 | -- | 4,130,421 |
| Debt conversion to common stock | 2,377,512 | 2,377 | 1,573,959 | -- | 1,576,336 |
| Beneficial conversion related to interest expense | -- | -- | 16,447 | -- | 16,447 |
| Net loss for the year ended 2006 | -- | -- | -- | (8,870,579) | (8,870,579) |
| Balance, at December 31, 2006 | 42,452,366 | \$ 42,452 | \$ 50,680,353 | \$ (35,200,405) | \$ 15,522,400 |
| Issuance of stock for services | 100,000 | 100 | 188,850 | -- | 188,950 |
| Issuance of stock for interest payable | 1,141 | 1 | 1,257 | -- | 1,258 |
| Issuance of warrants for services | -- | -- | 459,460 | -- | 459,460 |
| Exercise of warrants and stock options | 2,701,051 | 2,701 | 2,621,868 | -- | 2,624,569 |
| Employee compensation from stock options | -- | -- | 1,847,397 | -- | 1,847,397 |
| Issuance of stock pursuant to Regulation D | 2,376,817 | 2,377 | 1,845,761 | -- | 1,848,138 |
| Debt conversion to common stock | 490,000 | 490 | 367,010 | -- | 367,500 |
| Net loss for the nine months ended September 30, 2007 | -- | -- | -- | (7,409,743) | (7,409,743) |
| Balance, at September 30, 2007 | 48,121,375 | \$ 48,121 | \$ 58,011,956 | \$ (42,610,148) | \$ 15,449,929 |

See accompanying notes to consolidated financial statements.

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

| | Nine Months Ended September 30, 2007 | Nine Months Ended September 30, 2006 | Cumulative Amounts from January 17, 2002 (Inception) through September 30, 2007 |
|--|---|---|--|
| Cash Flows From Operating Activities | | | |
| Net loss | \$ (7,409,743) | \$ (6,786,462) | \$ (42,610,148) |
| Adjustments to reconcile net loss to net cash used in operating activities | | | |
| Depreciation | 6,942 | 3,023 | 402,664 |
| Amortization of patents | 503,340 | 503,340 | 3,266,117 |
| Amortization of original issue discount | 2,797 | 978,780 | 3,845,721 |
| Amortization of commitment fee | -- | -- | 310,866 |
| Amortization of prepaid consultant expense | 84,019 | 42,010 | 1,295,226 |
| Amortization of deferred loan costs | 3,713 | 684,105 | 2,261,584 |
| Accretion of United States Treasury Notes | (142,314) | (125,146) | (324,512) |
| Loss on extinguishment of debt | -- | -- | 825,867 |
| Loss on exercise of warrants | -- | -- | 236,146 |
| Beneficial conversion of convertible interest | -- | -- | -- |