

PROVECTUS PHARMACEUTICALS INC  
Form 10-Q  
May 09, 2012  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-Q**

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

For the quarterly period ended March 31, 2012

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

For the transition period from            to

Commission file number 000-09410

**PROVECTUS PHARMACEUTICALS, INC.**

(Exact name of registrant as specified in its charter)

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**Nevada**  
(State or other jurisdiction of  
incorporation or organization)

**90-0031917**  
(I.R.S. Employer  
Identification No.)

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

**37931**  
(Zip Code)

**866-594-5999**

(Registrant's telephone number, including area code)

N/A

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

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

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

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

Large accelerated filer  Accelerated filer

Non-accelerated filer  (Do not check if a smaller reporting company) Smaller reporting company

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

The number of shares outstanding of the registrant's common stock, par value \$.001 per share, as of May 3, 2012 was 112,027,916. The number of shares outstanding of the issuer's 8% convertible preferred stock, par value \$.001 per share, as of May 3, 2012 was 3,431,665.

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## PROTECTUS PHARMACEUTICALS, INC.

(A Development-Stage Company)

## CONDENSED CONSOLIDATED BALANCE SHEETS

	March 31, 2012 (Unaudited)	December 31, 2011 (Audited)
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 4,900,285	\$ 7,705,773
Prepaid expenses and other current assets	53,784	
<b>Total Current Assets</b>	<b>4,954,069</b>	<b>7,705,773</b>
Equipment and furnishings, less accumulated depreciation of \$418,076 and \$416,798	34,718	20,111
Patents, net of amortization of \$6,286,157 and \$6,118,377, respectively	5,429,288	5,597,068
Other assets	27,000	27,000
	<b>\$ 10,445,075</b>	<b>\$ 13,349,952</b>
<b>Liabilities and Stockholders' Equity</b>		
<b>Current Liabilities</b>		
Accounts payable - trade	\$ 312,958	\$ 101,102
Accrued compensation and payroll taxes	379,635	
Accrued consulting expense	161,000	71,000
Other accrued expenses	73,000	90,622
<b>Total Current Liabilities</b>	<b>926,593</b>	<b>262,724</b>
<b>Long-Term Liability</b>		
Warrant liability	3,330,652	3,067,488
<b>Total Liabilities</b>	<b>4,257,245</b>	<b>3,330,212</b>
<b>Stockholders' Equity</b>		
Preferred stock; par value \$.001 per share; 25,000,000 shares authorized; 3,431,665 and 3,531,665 shares issued and outstanding, respectively, liquidation preference \$0.75 per share (in aggregate \$2,624,380 and \$2,702,134, respectively)	3,431	3,531
Common stock; par value \$.001 per share; 200,000,000 authorized; 110,935,981 and 110,596,798 shares issued and outstanding, respectively	110,936	110,597
Paid-in capital	116,325,763	115,690,334
Deficit accumulated during the development stage	(110,252,300)	(105,784,722)
<b>Total Stockholders' Equity</b>	<b>6,187,830</b>	<b>10,019,740</b>
	<b>\$ 10,445,075</b>	<b>\$ 13,349,952</b>

See accompanying notes to condensed consolidated financial statements.



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## PROVECTUS PHARMACEUTICALS, INC.

(A Development-Stage Company)

## CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

	Three Months Ended March 31, 2012	Three Months Ended March 31, 2011	Cumulative Amounts from January 17, 2002 (Inception) Through March 31, 2012
Revenues			
OTC product revenue	\$	\$	\$ 25,648
Medical device revenue			14,109
Total revenues			39,757
Cost of sales			15,216
Gross profit			24,541
Operating expenses			
Research and development	1,565,433	1,522,104	39,658,827
General and administrative	2,471,721	2,503,671	59,996,570
Amortization	167,780	167,780	6,286,157
Total operating loss	(4,204,934)	(4,193,555)	(105,917,013)
Gain on sale of fixed assets			55,075
Loss on extinguishment of debt			(825,867)
Investment income	520	156	652,390
(Loss) gain on change in fair value of warrant liability	(263,164)	(811,095)	3,881,119
Net interest expense			(8,098,004)
Net loss	(4,467,578)	(5,004,494)	(110,252,300)
Dividends on preferred stock	(50,631)	(69,934)	(10,705,506)
Net loss applicable to common shareholders	\$ (4,518,209)	\$ (5,074,428)	\$ (120,957,806)
Basic and diluted loss per common share	\$ (0.04)	\$ (0.05)	
Weighted average number of common shares outstanding basic and diluted	110,775,171	97,991,375	

See accompanying notes to condensed consolidated financial statements.

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## PROTECTUS PHARMACEUTICALS, INC.

(A Development-Stage Company)

## CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY

(Unaudited)

	Preferred Stock		Common Stock		Paid in capital	Accumulated Deficit	Total
	Number of Shares	Par Value	Number of Shares	Par Value			
<b>Balance, at January 17, 2002</b>		\$		\$	\$	\$	\$
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)
<b>Balance, at April 23, 2002</b>		\$	6,680,000	\$ 6,680	\$ 1,310,320	\$ (1,316,198)	\$ 802
Shares issued in reverse merger			265,763	266	(3,911)		(3,645)
Issuance of stock for services			1,900,000	1,900	5,142,100		5,144,000
Purchase and retirement of stock			(400,000)	(400)	(47,600)		(48,000)
Stock issued for acquisition of Valley Pharmaceuticals			500,007	500	12,225,820		12,226,320
Exercise of warrants			452,919	453			453
Warrants issued in connection with convertible debt					126,587		126,587
Stock and warrants issued for acquisition of Pure-ific			25,000	25	26,975		27,000
Net loss for the period from April 23, 2002 (date of reverse merger) to December 31, 2002						(5,749,937)	(5,749,937)
<b>Balance, at December 31, 2002</b>		\$	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)
<b>Balance, at December 31, 2003</b>		\$	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

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Issuance of stock pursuant to Regulation S	2,469,723	2,469	790,668	793,137
Issuance of stock and warrants pursuant to Regulation D	1,930,164	1,930	1,286,930	1,288,861
Beneficial conversion related to convertible debt			360,256	360,256



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## CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

	Preferred Stock		Common Stock		Paid in capital	Accumulated Deficit	Total
	Number of Shares	Par Value	Number of Shares	Par Value			
Issuance of convertible debt with warrants					105,250		105,250
Repurchase of beneficial conversion feature					(258,345)		(258,345)
Net loss for the year ended December 31, 2004						(4,344,525)	(4,344,525)
<b>Balance, at December 31, 2004</b>		\$	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 and warrants 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		3,049,362
Issuance of warrants with convertible debt					1,574,900		1,574,900
Beneficial conversion related to convertible debt					1,633,176		1,633,176
Beneficial conversion related to interest expense					39,529		39,529
Repurchase of beneficial conversion feature					(144,128)		(144,128)
Net loss for the year ended 2005						(11,763,853)	(11,763,853)

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## CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

	Preferred Stock		Common Stock		Paid in capital	Accumulated Deficit	Total
	Number of Shares	Par Value	Number of Shares	Par Value			
<b>Balance, at December 31, 2005</b>		\$	27,822,977	\$ 27,823	\$ 40,689,144	\$ (26,329,826)	\$ 14,387,141
Issuance of stock for services			719,246	719	676,024		676,743
Issuance of stock for interest payable			194,327	195	183,401		183,596
Issuance of warrants for services					370,023		370,023
Exercise of warrants and stock options			1,245,809	1,246	1,188,570		1,189,816
Employee compensation from stock options					1,862,456		1,862,456
Issuance of stock and warrants pursuant to Regulation D			10,092,495	10,092	4,120,329		4,130,421
Debt conversion to common stock			2,377,512	2,377	1,573,959		1,576,336
Beneficial conversion related to interest expense					16,447		16,447
Net loss for the year ended 2006						(8,870,579)	(8,870,579)
<b>Balance, at December 31, 2006</b>		\$	42,452,366	\$ 42,452	\$ 50,680,353	\$ (35,200,405)	\$ 15,522,400
Issuance of stock for services			150,000	150	298,800		298,950
Issuance of stock for interest payable			1,141	1	1,257		1,258
Issuance of warrants for services					472,635		472,635
Exercise of warrants and stock options			3,928,957	3,929	3,981,712		3,985,641
Employee compensation from stock options					2,340,619		2,340,619
Issuance of stock and warrants pursuant to Regulation D			2,376,817	2,377	1,845,761		1,848,138
Debt conversion to common stock			490,000	490	367,010		367,500
Net loss for the year ended 2007						(10,005,631)	(10,005,631)
<b>Balance, at December 31, 2007</b>		\$	49,399,281	\$ 49,399	\$ 59,988,147	\$ (45,206,036)	\$ 14,831,510
Issuance of stock for services			350,000	350	389,650		390,000
Issuance of warrants for services					517,820		517,820
Exercise of warrants and stock options			3,267,795	3,268	2,636,443		2,639,711
Employee compensation from stock options					1,946,066		1,946,066
Net loss for the year ended 2008						(10,269,571)	(10,269,571)
<b>Balance, at December 31, 2008</b>		\$	53,017,076	\$ 53,017	\$ 65,478,126	\$ (55,475,607)	\$ 10,055,536
Issuance of stock for services			796,012	796	694,204		695,000
Issuance of warrants for services					1,064,210		1,064,210
Exercise of warrants and stock options			3,480,485	3,480	2,520,973		2,524,453
Employee compensation from stock options					870,937		870,937
Issuance of stock and warrants pursuant to Regulation D			10,116,653	10,117	6,508,571		6,518,688
Net loss for the year ended 2009						(12,322,314)	(12,322,314)
<b>Balance, at December 31, 2009</b>		\$	67,410,226	\$ 67,410	\$ 77,137,021	\$ (67,797,921)	\$ 9,406,510
Issuance of stock for services			776,250	776	855,837		856,613
Issuance of warrants for services					1,141,593		1,141,593
Exercise of warrants and stock options			3,491,014	3,491	3,100,189		3,103,680
Issuance of common stock pursuant to Regulation S			559,000	559	418,691		419,250
			11,168,067	11,169	6,335,820		6,346,989

Issuance of common stock and warrants  
pursuant to Regulation D

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## CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

	Preferred Stock		Common Stock		Paid in capital	Accumulated Deficit	Total
	Number of Shares	Par Value	Number of Shares	Par Value			
Issuance of preferred stock pursuant to Regulation D	13,283,324	13,283			4,204,107		4,217,390
Preferred stock conversions into common stock	(7,893,326)	(7,893)	7,893,326	7,893			
Employee compensation from stock options					3,759,650		3,759,650
Net loss for the year ended 2010						(18,552,102)	(18,552,102)
<b>Balance, at December 31, 2010</b>	5,389,998	\$ 5,390	91,297,883	\$ 91,298	\$ 96,952,908	\$ (86,350,023)	\$ 10,699,573
Issuance of stock for services			350,000	350	332,400		332,750
Issuance of warrants for services					945,116		945,116
Exercise of warrants and stock options			7,185,522	7,185	6,616,126		6,623,311
Issuance of common stock and warrants pursuant to Regulation D			9,905,062	9,905	7,031,334		7,041,239
Sale of non-controlling interest in Pure-ific Corporation and warrants					443,500		443,500
Preferred stock conversions into common stock	(1,858,333)	(1,859)	1,858,331	1,859			
Employee compensation from stock options					3,368,950		3,368,950
Net loss for the year ended 2011						(19,434,699)	(19,434,699)
<b>Balance, at December 31, 2011</b>	3,531,665	\$ 3,531	110,596,798	\$ 110,597	\$ 115,690,334	\$ (105,784,722)	