InspireMD, Inc.
Form 8-K
July 30, 2013

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

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the

Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): July 29, 2013

InspireMD, Inc.

(Exact name of registrant as specified in its charter)

Delaware	001-35731	26-2123838
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

4 Menorat Hamaor St.		
		67448
Tel Aviv, Israel		
(Address of principal executive offices)		(Zip Code)

Registrant's telephone number, including area code: 972-3-691-7691

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

¨Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

¨Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

¨Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

¨Pre-commencement communications pursuant to Rule 13e-4 (c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 8.01 Other Events.

On July 29, 2013, InspireMD, Inc. (the "Company") issued a press release announcing that the Company enrolled its first patient in the Master II IDE clinical trial to evaluate the safety and effectiveness of the Company's MGuard™ Prime Embolic Protection Stent in patients suffering from ST Elevation Myocardial Infarction. The results of the trial are intended to support the Company's Investigational Device Exemption application with the U.S. Food and Drug Administration to market the MGuard Prime MicroNet™ covered coronary stent system in the U.S.

A copy of the press release is attached as Exhibit 99.1 to this Current Report on Form 8-K and is incorporated by reference herein.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits

Exhibit Number	Description
99.1	Press release dated July 29, 2013

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

inspiremd, inc.

Date: July 30, 2013 By: /s/ Craig Shore
Name: Craig Shore
Title: Chief Financial Officer

EXHIBIT INDEX

Exhibit Number	Description
99.1	Press release dated July 29, 2013

-family:Times New Roman">HOLDERS OF SHARES OF OUR COMMON STOCK AND LISTED WARRANTS SHOULD CONSULT THEIR OWN TAX ADVISORS REGARDING THE APPLICATION OF THE U.S. FEDERAL INCOME TAX LAWS TO THEIR PARTICULAR SITUATIONS AND THE CONSEQUENCES UNDER FEDERAL ESTATE AND GIFT TAX LAWS, FOREIGN, STATE, AND LOCAL LAWS AND TAX TREATIES OF THE RECEIPT, OWNERSHIP AND EXERCISE OF SUBSCRIPTION RIGHTS AND THE ACQUISITION, OWNERSHIP, AND DISPOSITION OF SHARES OF OUR COMMON STOCK AND PREFERRED STOCK ACQUIRED UPON EXERCISE OF SUBSCRIPTION RIGHTS AND SHARES OF OUR COMMON STOCK ACQUIRED UPON CONVERSION OF PREFERRED STOCK.

Tax Consequences to U.S. Holders

Taxation of Subscription Rights

Receipt of Subscription Rights

Although the authorities governing transactions such as this Rights Offering are complex and do not speak directly to the consequences of certain aspects of this Rights Offering, including the inclusion of the right to purchase Preferred Stock in the Subscription Rights (rather than the right to purchase only shares of our common stock) and the effects of the Over-Subscription Privilege, we do not believe your receipt of Subscription Rights pursuant to the Rights Offering should be treated as a taxable distribution with respect to your existing shares of common stock or Listed Warrants for U.S. federal income tax purposes. Section 305(a) of the Code states that a stockholder s taxable income does not include in-kind stock dividends; however, the general non-recognition rule in Section 305(a) is subject to exceptions in Section 305(b), which include disproportionate distributions. A disproportionate distribution is a distribution or a series of distributions, including deemed distributions, that has the effect of the receipt of cash or other property by some stockholders or holders of debt instruments convertible into stock and an increase in the proportionate interest of other stockholders in a corporation s assets or earnings and profits. We do not believe the distribution of Subscription Rights will be treated as a disproportionate distribution.

Our position regarding the tax-free treatment of the Subscription Right distribution is not binding on the IRS, or the courts. If this position is finally determined by the IRS or a court to be incorrect, whether on the basis that the issuance of the Subscription Rights is a disproportionate distribution or otherwise, the fair market value of the Subscription Rights would be taxable to holders of our common stock as a dividend to the extent of the holder s pro rata share of our current and accumulated earnings and profits, if any, with any excess being treated as a return of capital to the extent thereof and then as capital gain. Although no assurance can be given, it is anticipated that we will not have current and accumulated earnings and profits through the end of 2016. Further, if our position is incorrect, the treatment of holders of Listed Warrants in that case is not clear, and it may differ from the treatment of the Subscription Right distribution

to the holders of our common stock.

The following discussion is based upon the treatment of the Subscription Right issuance as a non-taxable distribution with respect to your existing shares of common stock or Listed Warrants for U.S. federal income tax purposes.

Tax Basis in the Subscription Rights

If the fair market value of the Subscription Rights you receive is less than 15% of the fair market value of your existing shares of common stock or Listed Warrants (with respect to which the Subscription Rights are distributed) on the date you receive the Subscription Rights, the Subscription Rights will be allocated a zero basis for U.S. federal income tax purposes, unless you elect to allocate your basis in your existing shares of common stock or Listed Warrants between your existing shares of common stock or Listed Warrants and the Subscription Rights in proportion to the relative fair market values of the existing shares of common stock or Listed Warrants and the Subscription Rights determined on the date of receipt of the Subscription Rights. If you choose to allocate basis between your existing common shares or Listed Warrants and the Subscription Rights, you must make this election on a statement included with your timely filed tax return (including extensions) for the taxable year in which you receive the Subscription Rights. Such an election is irrevocable.

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However, if the fair market value of the Subscription Rights you receive is 15% or more of the fair market value of your existing shares of common stock or Listed Warrants on the date you receive the Subscription Rights, then you must allocate your basis in your existing shares of common stock or Listed Warrants between those shares or Listed Warrants and the Subscription Rights you receive in proportion to their fair market values determined on the date you receive the Subscription Rights.

The fair market value of the Subscription Rights on the date that the Subscription Rights are distributed is uncertain, and we have not obtained, and do not intend to obtain, an appraisal of the fair market value of the Subscription Rights on that date. In determining the fair market value of the Subscription Rights, you should consider all relevant facts and circumstances, including any difference between the Subscription Price of the Subscription Rights and the trading price of our shares of common stock on the date that the Subscription Rights are distributed, the conversion terms of the Preferred Stock, the length of the period during which the Subscription Rights may be exercised and the fact that the Subscription Rights are non-transferable.

Exercise of Subscription Rights

Generally, you will not recognize gain or loss upon the exercise of a Subscription Right in the Rights Offering. Your adjusted tax basis, if any, in the Subscription Right plus the Subscription Price should be allocated between the new common share and share of Preferred Stock acquired upon exercise of the Subscription Right in proportion to their relative fair market values on the exercise date. This allocation will establish your initial tax basis for U.S. federal income tax purposes in your new common stock and shares of Preferred Stock. The holding period of a share of common stock or Preferred Stock acquired upon exercise of a Subscription Right in the Rights Offering will begin on the date of exercise.

If you exercise a Subscription Right received in the Rights Offering after disposing of the shares of our common stock or Listed Warrants with respect to which such Subscription Right is received, then certain aspects of the tax treatment of the exercise of the Subscription Right are unclear, including (1) the allocation of the tax basis between the shares of common stock or Listed Warrants previously sold and the Subscription Right, (2) the impact of such allocation on the amount and timing of gain or loss recognized with respect to the shares of our common stock or Listed Warrants previously sold, and (3) the impact of such allocation on the tax basis of the shares of our common stock and Preferred Stock acquired upon exercise of the Subscription Right. If you exercise a Subscription Right received in the Rights Offering after disposing of shares of our common stock or Listed Warrants with respect to which the Subscription Right is received, you should consult with your tax advisor.

Expiration of Subscription Rights

If you allow Subscription Rights received in the Rights Offering to expire, you should not recognize any gain or loss for U.S. federal income tax purposes, and you should re-allocate any portion of the tax basis in your existing common stock or Listed Warrants previously allocated to the Subscription Rights that have expired to the existing common stock or Listed Warrants.

Taxation of Preferred Stock

Sale or other Taxable Disposition of Preferred Stock

Upon the sale, exchange or other taxable disposition of shares of Preferred Stock, in general, you will recognize taxable gain or loss measured by the difference, if any, between (i) the amount of cash and the fair market value of any property received upon such taxable disposition, and (ii) your adjusted tax basis in the shares of Preferred Stock as allocated pursuant to the rules discussed above. The deductibility of capital losses is subject to limitations.

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Conversion of Preferred Stock

Upon the conversion of a share of Preferred Stock into common stock, in general, you will not recognize gain or loss for U.S. federal income tax purposes, except to the extent you receive a cash payment for any such fractional share that would otherwise have been issuable upon conversion of the Preferred Stock. Your initial tax basis in common stock received will equal your adjusted tax basis in the Preferred Stock converted, increased by the amount of cash, if any, paid to convert the Preferred Stock and decreased by the adjusted tax basis allocable to any fractional share that would otherwise have been issuable upon conversion of the Preferred Stock. Your holding period for the shares of our common stock received on conversion generally will commence on the day of conversion.

Distributions on Preferred Stock

The distributions to be made on the Preferred Stock, including the common stock and royalty payments, will be treated as dividends to the extent of our current or accumulated earnings and profits as determined under the Code. We do not, however, currently have significant current or accumulated earnings and profits. Any portion of a distribution that exceeds such earnings and profits will first be applied to reduce a U.S. holder s tax basis in the Preferred Stock on a share-by-share basis, and the excess will be treated as gain from the disposition of the Preferred Stock, the tax treatment of which is discussed below.

Under current law, dividends received by individual holders of the Preferred Stock will be subject to a reduced maximum tax rate of 20% if such dividends are treated as qualified dividend income for U.S. federal income tax purposes. The rate reduction does not apply to dividends received to the extent that the individual shareholder elects to treat the dividends as investment income, which may be offset against investment expenses. Furthermore, the rate reduction does not apply to dividends that are paid to individual shareholders with respect to Preferred Stock that is held for 60 days or less during the 121 day period beginning on the date which is 60 days before the date on which the Preferred Stock becomes ex-dividend (or where the dividend is attributable to a period or periods in excess of 366 days, Preferred Stock that is held for 90 days or less during the 181 day period beginning on the date which is 90 days before the date on which the Preferred Stock becomes ex-dividend). Also, if a dividend received by an individual shareholder that qualifies for the rate reduction is an extraordinary dividend within the meaning of Section 1059 of the Code, any loss recognized by such individual shareholder on a subsequent disposition of the stock will be treated as long-term capital loss to the extent of such extraordinary dividend, irrespective of such shareholder s holding period for the stock. In addition, dividends recognized by U.S. holders that are individuals could be subject to the 3.8% tax on net investment income. Individual shareholders should consult their own tax advisors regarding the implications of these rules in light of their particular circumstances.

Dividends received by corporate shareholders generally will be eligible for the dividends-received deduction. Generally, this deduction is allowed if the underlying stock is held for at least 46 days during the 91 day period beginning on the date 45 days before the ex-dividend date of the stock, and for cumulative preferred stock with an arrearage of dividends attributable to a period in excess of 366 days, the holding period is at least 91 days during the 181 day period beginning on the date 90 days before the ex-dividend date of the stock. Corporate shareholders of the Preferred Stock should also consider the effect of Section 246A of the Code, which reduces the dividends-received deduction allowed to a corporate shareholder that has incurred indebtedness that is directly attributable to an investment in portfolio stock such as preferred stock. If a corporate shareholder receives a dividend on the Preferred Stock that is an extraordinary dividend within the meaning of Section 1059 of the Code, the shareholder in certain instances must reduce its basis in the Preferred Stock by the amount of the nontaxed portion of such extraordinary dividend that results from the application of the dividends-received deduction. If the nontaxed portion of such

extraordinary dividend exceeds such corporate shareholder s basis, any excess will be taxed as gain as if such shareholder had disposed of its shares in the year the extraordinary dividend is paid. Each domestic corporate holder of the Preferred Stock is urged to consult with its tax advisors with respect to the eligibility for and the amount of any dividends received deduction and the application of Code Section 1059 to any dividends it may receive on the Preferred Stock.

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Disposition of Preferred Stock

Upon any sale, exchange, redemption (except as discussed below) or other disposition of the Preferred Stock, a U.S. holder will recognize capital gain or loss equal to the difference between the amount realized by the U.S. holder and the U.S. holder s adjusted tax basis in the Preferred Stock. Such capital gain or loss will be long-term capital gain or loss if the U.S. holder s holding period for the Preferred Stock is longer than one year. A U.S. holder should consult its own tax advisors with respect to applicable tax rates and netting rules for capital gains and losses. Certain limitations exist on the deduction of capital losses by both corporate and non-corporate taxpayers. In addition, gains recognized by U.S. holders that are individuals could be subject to the 3.8% tax on net investment income.

Information Reporting and Backup Withholding

Information reporting and backup withholding may apply with respect to payments of dividends on the Preferred Stock and to certain payments of proceeds on the sale or other disposition of the Preferred Stock. Certain non-corporate U.S. holders may be subject to U.S. backup withholding (currently at a rate of 28%) on payments of dividends on the Preferred Stock and certain payments of proceeds on the sale or other disposition of the Preferred Stock unless the beneficial owner thereof furnishes the payor or its agent with a taxpayer identification number, certified under penalties of perjury, and certain other information, or otherwise establishes, in the manner prescribed by law, an exemption from backup withholding. U.S. backup withholding tax is not an additional tax. Any amounts withheld under the backup withholding rules may be allowed as a refund or a credit against a U.S. holder s U.S. federal income tax liability, which may entitle the U.S. holder to a refund, provided the U.S. holder timely furnishes the required information to the Internal Revenue Service.

Certain Adjustments to the Preferred Stock

Under Section 305 of the Code, an adjustment to the number of shares of common stock that will be issued upon conversion of the Preferred Stock, or an adjustment to the conversion terms of the Preferred Stock, may be treated as a constructive distribution to you if, and to the extent that, such adjustment has the effect of increasing your proportionate interest in our earnings and profits or assets, depending on the circumstances of such adjustment (for example, if such adjustment is to compensate for a distribution of cash or other property to our stockholders). Adjustments to the conversion terms of Preferred Stock made pursuant to a bona fide reasonable adjustment formula that has the effect of preventing dilution of the interest of the holders of the Preferred Stock should generally not be considered to result in a constructive distribution. Any such constructive distribution would be taxable whether or not there is an actual distribution of cash or other property. See the more detailed discussion of the rules applicable to distributions made by us under the heading Taxation of Shares of Common Stock Distributions below.

Taxation of Shares of Common Stock

Distributions

Distributions with respect to shares of our common stock acquired upon exercise of Subscription Rights or upon conversion of Preferred Stock will be taxable as dividend income when actually or constructively received to the extent of our current or accumulated earnings and profits as determined for U.S. federal income tax purposes. To the extent that the amount of a distribution exceeds our current and accumulated earnings and profits, such distribution will be treated first as a tax-free return of capital to the extent of your adjusted tax basis in such shares of our common stock and thereafter as capital gain.

Dividend income received by certain non-corporate U.S. Holders with respect to shares of our common stock generally will be qualified dividends subject to preferential rates of U.S. federal income tax, provided that the U.S. Holder meets applicable holding period and other requirements. Subject to similar exceptions for short-term and hedged positions, dividend income on our shares of common stock paid to U.S. Holders that are domestic corporations generally will qualify for the dividends-received deduction.

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Dispositions

If you sell or otherwise dispose of shares of common stock acquired upon exercise of Subscription Rights or upon conversion of Preferred Stock in a taxable transaction, you will generally recognize capital gain or loss equal to the difference between the amount realized and your adjusted tax basis in the shares. Such capital gain or loss will be long-term capital gain or loss if your holding period for such shares is more than one year at the time of disposition. Long-term capital gain of a non-corporate U.S. Holder is generally taxed at preferential rates of U.S. federal income tax. The deductibility of capital losses is subject to limitations.

Information Reporting and Backup Withholding

You may be subject to information reporting and/or backup withholding with respect to the gross proceeds from the disposition of Preferred Stock, shares of our common stock acquired through the exercise of Subscription Rights or through the conversion of Preferred Stock, or dividend payments. Backup withholding (currently at the rate of 28%) may apply under certain circumstances if you (1) fail to furnish your social security or other taxpayer identification number, or TIN, (2) furnish an incorrect TIN, (3) fail to report interest or dividends properly, or (4) fail to provide a certified statement, signed under penalty of perjury, that the TIN provided is correct, that you are not subject to backup withholding and that you are a U.S. person on IRS Form W-9 or Substitute Form W-9. Any amount withheld from a payment under the backup withholding rules is allowable as a credit against (and may entitle you to a refund with respect to) your U.S. federal income tax liability, provided that the required information is timely furnished to the IRS. Certain persons are exempt from information reporting and backup withholding, including corporations and financial institutions, provided that they demonstrate this fact, if requested. You are urged to consult your own tax advisor as to your qualification for exemption from backup withholding and the procedure for obtaining such exemption.

Tax Consequences to Non-U.S. Holders

Overriding Effect of Tax Treaties

The United States has entered into tax treaties with a variety of countries. The terms of those treaties typically override generally applicable rules of the Code and may override the treatment described below. If you are a Non-U.S. Holder and resident of a country with a tax treaty with the United States, you are urged to consult your own tax advisor as to the effect of such treaty on the Subscription Rights and transactions related to them.

Taxation of the Subscription Rights

Receipt, Exercise and Expiration of the Subscription Rights

The discussion assumes that the receipt of Subscription Rights will be treated as a nontaxable distribution. See Tax Consequences to U.S. Holders Taxation of Subscription Rights Receipt of Subscription Rights above. You should not be subject to U.S. federal income tax (or any withholding thereof) on the receipt, exercise or expiration of the Subscription Rights.

Conversion of Preferred Stock and Certain Adjustments to Preferred Stock

Conversion of Preferred Stock

In general, a Non-U.S. Holder will not recognize gain or loss for U.S. federal income tax purposes upon conversion of shares of Preferred Stock, except to the extent the Non-U.S. Holder receives a cash payment for any such fractional share that would otherwise have been issuable upon conversion of the Preferred Stock, which will be treated as a sale subject to the rules described under Sale or Other Disposition of Our Common Stock or Preferred Stock below.

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Certain Adjustments to the Preferred Stock

Under Section 305 of the Code, an adjustment to the number of shares of common stock that will be issued on the conversion of the Preferred Stock, may be treated as a constructive distribution to a Non-U.S. Holder of the Preferred Stock if, and to the extent that, such adjustment has the effect of increasing such Non-U.S. Holder s proportionate interest in our earnings and profits or assets, depending on the circumstances of such adjustment (for example, if such adjustment is to compensate for a distribution of cash or other property to our stockholders). Any such constructive distribution would be taxable whether or not there is an actual distribution of cash or other property. See the more detailed discussion of the rules applicable to distributions made by us under the heading Taxation of Distributions on Common or Preferred Stock below.

Taxation of Distributions on Common or Preferred Stock

Any distributions of cash or property made with respect to our common or preferred stock generally will be subject to withholding tax to the extent paid out of our current or accumulated earnings and profits as determined for U.S. federal income tax purposes, if any, at a rate of 30% (or a lower rate prescribed in an applicable income tax treaty). In order to obtain a reduced withholding tax rate, if applicable, you will be required to provide an IRS Form W-8BEN or IRS Form W-8BEN-E, as applicable, certifying your entitlement to benefits under a treaty. In addition, you will not be subject to withholding tax if you provide an IRS Form W-8ECI certifying that the distributions are effectively connected with your conduct of a trade or business within the United States (and, if required by an applicable income tax treaty, are attributable to a permanent establishment within the United States); instead, you generally will be subject to U.S. federal income tax, net of certain deductions, with respect to such income at the same rates applicable to U.S. persons, and if you are a corporation, a branch profits tax of 30% (or a lower rate prescribed in an applicable income tax treaty) also may apply to such effectively connected income.

Non-U.S. Holders may be required to periodically update their IRS Forms W-8.

Sale or Other Disposition of Our Common Stock or Preferred Stock

In general, you will not be subject to U.S. federal income tax on any gain realized on a sale of shares of our common stock, or Preferred Stock unless:

- the gain is effectively connected with your conduct of a trade or business within the United States (and, if an income tax treaty applies, is attributable to a permanent establishment in the United States);
- you are an individual, you hold your Subscription Rights, shares of common stock or Preferred Stock as capital assets, you are present in the United States for 183 days or more in the taxable year of disposition and certain other conditions are met; or
- we are or have been a United States real property holding corporation, or USRPHC, for U.S. federal income tax purposes unless an exception for 5% or less stockholders applies.

Gain that is effectively connected with your conduct of a trade or business within the United States (and, if an income tax treaty applies, is attributable to a permanent establishment within the United States) generally will be subject to U.S. federal income tax, net of certain deductions, at the same rates applicable to U.S. persons. If you are a corporation, a branch profits tax of 30% (or a lower rate prescribed in an applicable income tax treaty) also may apply to such effectively connected gain.

A domestic corporation is treated as a USRPHC if the fair market value of its United States real property interests equals or exceeds 50% of the sum of (1) the fair market value of its United States real property interests, (2) the fair market value of its non-United States real property interests and (3) the fair market value of any other of its assets which are used or held for use in a trade or business. We believe that we are not currently, and have not been within the relevant testing period, a USRPHC. However, no assurance can be given that we will not

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become a USRPHC in the future. If we are a USRPHC or become a USRPHC in the future, a Non-U.S. Holder may still not be subject to U.S. federal income tax on a sale or other disposition if an exception for 5% or less stockholders applies. You are urged to consult your own tax advisor regarding the U.S. federal income tax considerations that could result if we are, or become, a USRPHC and with respect to the exception for 5% or less stockholders.

Information Reporting and Backup Withholding

Distributions on our common stock and the amount of tax withheld, if any, with respect to such distributions will generally be subject to information reporting. If you comply with certification procedures to establish that you are not a United States person, additional information reporting and backup withholding should not apply to distributions on our common stock and information reporting and backup withholding should not apply to the proceeds from a sale or other disposition of shares of Preferred Stock or shares of our common stock. The amount of any backup withholding will generally be allowed as a refund or credit against your U.S. federal income tax liability, provided that the required information is timely furnished to the IRS.

FATCA

Legislation enacted in 2010 and commonly referred to as FATCA may impose withholding taxes on certain types of payments made to foreign financial institutions and certain other non-U.S. entities. The legislation imposes a 30% withholding tax on dividends on shares of our common stock and on or after January 1, 2017, the gross proceeds from the sale or other disposition of our shares of common stock or shares of Preferred Stock received by a foreign financial institution unless the foreign financial institution enters into an agreement with the U.S. Treasury to among other things, undertake to identify accounts held by certain U.S. persons or U.S.-owned foreign entities, annually report certain information about such accounts and withhold 30% on payments to account holders whose actions prevent it from complying with these reporting and other requirements. In addition, the legislation imposes a 30% withholding tax on the same types of payments to a non-financial foreign entity unless the entity certifies that it does not have any substantial U.S. owners or furnishes identifying information regarding each substantial U.S. owner. Foreign financial institutions located in jurisdictions that have an intergovernmental agreement with the United States governing FATCA may be subject to different rules. Depending on your circumstances, you may be entitled to a refund or credit in respect of some or all of this withholding. However, even if you are entitled to have any such withholding refunded, the required procedures could be cumbersome and significantly delay your receipt of any withheld amounts. Prospective investors should consult their tax advisors regarding this legislation.

THE PRECEDING DISCUSSION OF MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES IS NOT TAX ADVICE. HOLDERS OF SHARES OF OUR COMMON STOCK AND LISTED WARRANTS SHOULD CONSULT THEIR OWN TAX ADVISORS REGARDING THE APPLICATION OF THE U.S. FEDERAL INCOME TAX LAWS TO THEIR PARTICULAR SITUATIONS AND THE CONSEQUENCES UNDER FEDERAL ESTATE AND GIFT TAX LAWS, FOREIGN, STATE, AND LOCAL LAWS AND TAX TREATIES OF THE RECEIPT, OWNERSHIP AND EXERCISE OF SUBSCRIPTION RIGHTS AND THE ACQUISITION, OWNERSHIP, AND DISPOSITION OF SHARES OF OUR COMMON STOCK AND PREFERRED STOCK ACQUIRED UPON EXERCISE OF SUBSCRIPTION RIGHTS AND SHARES OF OUR COMMON STOCK ACQUIRED UPON CONVERSION OF THE PREFERRED STOCK.

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PLAN OF DISTRIBUTION

On or about , 2016, we will distribute the Subscription Rights, Rights Certificates and copies of this prospectus to the holders of our common stock and Listed Warrants on the Record Date. Subscription Rights holders who wish to exercise their Subscription Rights and purchase Units must complete the Subscription Rights Certificate and return it with payment for the shares to the Subscription Agent at the following address:

By Mail:

Broadridge Corporate Issuer Solutions, Inc.

Attn: BCIS Re-Organization Dept.

P.O. Box 1317

Brentwood, NY 11717

By Hand Delivery or Overnight Courier Excluding USPS:

Broadridge Corporate Issuer Solutions, Inc.

Attn: BCIS IWS

51 Mercedes Way

Edgewood, NY 11717

See Questions and Answers Relating to the Rights Offering To whom should I send my forms and payment? and The Rights Offering.

If you have other questions or need assistance, please contact the dealer-manager or the Information Agent for the Rights Offering:

Maxim Group LLC

405 Lexington Avenue

New York, New York 10174

Attention Syndicate Department

Email: syndicate@maximgrp.com

Telephone: (212) 895-3745

Broadridge Corporate

Issuer Solutions, Inc.

(844) 695-1509

(720) 414-6879 (toll number)

Other than as described in this prospectus, we do not know of any existing agreements between any stockholder, broker, dealer, underwriter or agent relating to the sale or distribution of the underlying common stock.

Maxim Group LLC is the dealer-manager of this Rights Offering. We and Maxim may introduce one or more co-dealer-managers and one or more financial advisors to assist in the Rights Offering. In any such event, Maxim Group LLC will be the lead dealer-manager. In such capacity, the dealer-manager will provide marketing assistance and advice to us in connection with this offering and will solicit the exercise of Subscription Rights and participation in the Over-Subscription Privilege. The dealer-manager is not underwriting or placing any of the Subscription Rights or the Units, shares of common stock or Preferred Stock or Pre-Funded Warrants being issued in this offering.

In connection with this Rights Offering, we have agreed to pay to the dealer-manager a cash fee equal to 8% of the dollar amount of the Units sold to holders of Subscription Rights. We will provide to the dealer-manager upon completion of the Rights Offering a non-accountable expense allowance equal to $100,000 for expenses incurred in connection with the Rights Offering. We advanced $30,000 against out-of-pocket expenses anticipated to be incurred by Maxim Group LLC, upon its engagement as a dealer-manager which will be deducted from such $100,000 expense allowance upon completion of the Rights Offering; provided that Maxim Group LLC will promptly reimburse to us any portion of the advance not used for actual out-of-pocket expenses if the Rights Offering is not completed.

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We have also agreed to indemnify the dealer-manager and its respective affiliates against certain liabilities arising under the Securities Act. The dealer-manager s participation in this offering is subject to customary conditions contained in the dealer-manager agreement, including the receipt by the dealer-manager of an opinion of our counsel. The dealer-manager and its affiliates may provide to us from time to time in the future in the ordinary course of their business certain financial advisory, investment banking and other services for which they will be entitled to receive fees.

In November 2008, we entered into an agreement with Maxim Group LLC, under which Maxim Group LLC provides valuation, strategic advisory and other similar services to use and receives $7,500 a month. The agreement is a month-to-month arrangement and may be terminated by us at any time upon 30 days notice. From time to time in the ordinary course of their respective business, the placement agent and its affiliates have and may in the future engage in commercial banking or investment banking transactions with us and our affiliates. We have no present arrangements with the placement agent for any such transactions.

Maxim Group LLC is a broker-dealer and member of the Financial Industry Regulatory Authority, Inc. The principal business address of Maxim Group LLC is 405 Lexington Avenue, New York, New York 10174.

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SELECTED FINANCIAL DATA

The following table sets forth our selected consolidated financial data and has been derived from our audited and unaudited consolidated financial statements. The selected consolidated financial data as of December 31, 2015 and 2014 and for the years ended December 31, 2015, 2014 and 2013 have been derived from, and qualified by reference to, our audited financial statements included elsewhere in this prospectus and should be read in conjunction with those consolidated financial statements and notes thereto. The selected consolidated financial data as of December 31, 2013, 2012 and 2011 and for the years ended December 31, 2012 and 2011 has been derived from our audited financial statements not included in this prospectus. The summary unaudited consolidated financial data as of and for the nine months ended September 30, 2016 and for the nine months ended September 30, 2015 have been derived from our unaudited interim condensed consolidated financial statements included elsewhere in this prospectus. The following selected consolidated financial data should be read in conjunction with, and are qualified by reference to, Management s Discussion and Analysis of Financial Condition and Results of Operations and the consolidated financial statements and notes thereto included elsewhere in this prospectus. Our historical results for any prior period are not necessarily indicative of results to be expected in any future period.

	Nine months ended September 30 (Unaudited)		Years ended December 31				
	2016	2015	2015	2014	2013	2012	2011
	(all amounts in thousands except per share data)						
Consolidated Statement of Operations Data:							
Gain on settlement net of discount	$	$	$	$ 4,178	$	$	$
Operating expenses							
Research and development	6,874	7,537	11,380	5,809	4,267	5,677	9,479
General and administrative	12,455	7,453	13,274	11,002	8,761	8,661	11,962
Total operating loss	(19,329)	(14,991)	(24,654)	(12,633)	(13,028)	(14,338)	(21,441)
Other income, net	(98)	141	152	2,390	(14,670)	1,769	2,006
Net loss	(19,427)	(14,850)	(24,502)	(10,243)	(27,698)	(12,569)	(19,435)
Dividend paid in-kind to preferred shareholders	(2,257)						
Deemed dividend	(727)						
Dividends on preferred stock					(1,188)	(183)	(247)
Net loss applicable to common stockholders	$ (22,411)	$ (14,850)	$ (24,502)	$ (10,243)	$ (28,886)	$ (12,752)	$ (19,682)
Basic and diluted loss per common share	$ (0.10)	$ (0.08)	$ (0.13)	$ (0.06)	$ (0.22)	$ (0.11)	$ (0.19)
	213,723	192,604	195,662	175,828	132,001	112,987	105,725

Weighted average number of common shares outstanding basic and diluted	

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	As of September 30 (Unaudited) 2016	2015	As of December 31 2014	2013	2012	2011
	(all amounts in thousands)					
Consolidated Balance Sheet Data:						
Cash, cash equivalents and marketable securities	$ 5,178	$ 14,179	$ 17,392	$ 15,696	$ 1,222	$ 7,705
Patents, net	2,409	2,913	3,584	4,255	4,926	5,598
Other assets	3,098	3,348	5,208	57	56	47
Total assets	10,686	20,440	26,184	20,008	6,204	13,350
Current liabilities	5,376	4,123	848	513	511	263
Long-term liability			147	12,866	1,300	3,067
Preferred stock					2	4
Common stock	244	205	185	160	118	110
Additional paid-in capital	205,289	196,908	181,299	152,520	122,626	115,690
Accumulated deficit	(200,223)	(180,796)	(156,294)	(146,051)	(118,353)	(105,784)
Total stockholders equity	5,310	16,317	25,190	6,629	4,393	10,020

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MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion is intended to assist in the understanding and assessment of significant changes and trends related to our results of operations and our financial condition together with our consolidated subsidiaries. This discussion and analysis should be read in conjunction with the consolidated financial statements and notes thereto included elsewhere in this prospectus. Historical results and percentage relationships set forth in the statement of operations, including trends which might appear, are not necessarily indicative of future operations.

Critical Accounting Policies

Long-Lived Assets

We review the carrying values of our long-lived assets for possible impairment whenever an event or change in circumstances indicates that the carrying amount of the assets may not be recoverable. Any long-lived assets held for disposal are reported at the lower of their carrying amounts or fair value less cost to sell. Management has determined there to be no impairment.

Patent Costs

Internal patent costs are expensed in the period incurred. Patents purchased are capitalized and amortized over their remaining lives, which range from 1-6 years. Annual amortization of the patents is expected to approximate $671,000 for 2016, $659,000 in 2017 and 2018, $547,000 in 2019, and $330,000 in 2020, and $47,000 thereafter.

Stock-Based Compensation

The compensation cost relating to share-based payment transactions is measured based on the fair value of the equity or liability instruments issued and is expensed on a straight-line basis. For purposes of estimating the fair value of each stock option, on the date of grant, we utilize the Black-Scholes option-pricing model. The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options which have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions including the expected volatility factor of the market price of the company s common stock (as determined by reviewing its historical public market closing prices).

Warrants to non-employees are generally vested and nonforfeitable upon the date of the grant. Accordingly, fair value is determined on the grant date.

Research and Development

Research and development costs are charged to expense when incurred. An allocation of payroll expenses to research and development is made based on a percentage estimate of time spent. The research and development costs include the following: payroll, consulting and contract labor, lab supplies and pharmaceutical preparations, legal, insurance, rent and utilities, and depreciation.

Derivative Instruments

The warrants issued in conjunction with convertible preferred stock in March and April 2010 private placements include a reset provision if the Company issues additional warrants, in certain circumstances as defined in the agreement, below the exercise price of $1.00. Effective January 1, 2009, the reset provision of these warrants preclude equity accounting treatment under ASC 815. Accordingly, the Company is required to

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record the warrants as liabilities at their fair value upon issuance and remeasure the fair value at each period end with the change in fair value recorded in the statement of operations. When the warrants are exercised or cancelled, they are reclassified to equity. The Company used the Monte-Carlo Simulation model to estimate the fair value of the warrants. At December 31, 2015 there are no remaining 2010 warrants and, therefore, no associated liability. Significant assumptions used at December 31, 2014 include a weighted average term of 0.2 years, a 5% probability that the warrant exercise price would be reset, a volatility of 63.7% and a risk free interest rate that ranges between 0.03% and 0.04%.

Additionally, the Series A and Series C Warrants issued in conjunction with the January 2011 registered direct public offering include a reset provision if the Company issues additional warrants, in certain circumstances as defined in the agreement, below the exercise price of $1.12. During 2012, the warrant exercise price was reset to $0.675. Significant assumptions used at December 31, 2015 include a weighted average term of 0 years, a 5% probability that the warrant exercise price would be further reset, a volatility of 40.4% and a risk free interest rate of 0.13%. Significant assumptions used at December 31, 2014 include a weighted average term of 1.0 years, a 5% probability that the warrant exercise price would be further reset, a volatility of 159.2% and a risk free interest rate of 0.25%.

On February 22, 2013, the Company entered into a Securities Purchase Agreement with certain accredited investors for the issuance and sale in a private placement of an aggregate of $2,550,000 of Units at a purchase price of $0.75 per Unit. Each Unit consists of one share of Series A 8% Convertible Preferred Stock, par value $.001 per share, and a warrant to purchase one and one-quarter shares of the Company s common stock, par value $.001 per share (subject to adjustment) at an exercise price of $1.00 per whole share (subject to adjustment). The total Series A 8% Convertible Preferred Stock issued was 3,400,001 shares, and the total warrants were 4,250,000. The Company used the net proceeds of the private placement for working capital, FDA trials, securing licensing partnerships, and general corporate purposes.

The Company determined that warrants issued in February 2013 with the Series A 8% Convertible Preferred Stock should be classified as liabilities in accordance with ASC 815 because the warrants in question contain exercise price reset features that require the exercise price of the warrants be adjusted if the Company issues certain other equity related instruments at a lower price per share. The preferred stock was determined to have characteristics more akin to equity than debt. As a result, the conversion option was determined to be clearly and closely related to the preferred stock and therefore does not need to be bifurcated and classified as a liability. At June 30, 2014 there were no remaining 2013 warrants and therefore no associated warrant liability.

We are currently evaluating the accounting treatment of our issuance of the Series B Preferred Stock and August 2016 Warrants.

Fair Value of Financial Instruments

The carrying amounts reported in the consolidated balance sheets for cash and cash equivalents, short-term receivable, and accounts payable approximate their fair value because of the short-term nature of these items. Cash equivalents are measured on a recurring basis within the fair value hierarchy using Level 1 inputs.

The fair value of derivative instruments is determined by management with the assistance of an independent third party valuation specialist. Certain derivatives with limited market activity are valued using Level 3 inputs with externally developed models that consider unobservable market parameters.

Plan of Operation

We have implemented our integrated business plan, including execution of the current and next phases in clinical development of our pharmaceutical products and continued execution of research programs for new research initiatives.

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Peter R. Culpepper has agreed to serve as our Interim Chief Executive Officer until our Board of Directors completes its search process for a successor Chief Executive Officer to replace H. Craig Dees, our former Chief Executive Officer (the Former CEO), who resigned effective February 27, 2016 as our Chief Executive Officer and Chairman of the Board of Directors. Our Board of Directors has also recently retained John R. Glass as our Interim Chief Financial Officer. We also plan to continue operating with our four primary consultants and various vendor relationships totaling sixty (60) full-time equivalents, and anticipate adding additional personnel or contract research organizations if necessary in the next 12 months. Our current plans also include minimal purchases of new property, plant and equipment, and increased research and development for additional clinical trials.

We believe that our investigational drugs PV-10 and PH-10 provide us with two products in multiple indications, which have been shown in clinical trials to be safe to treat serious cancers and diseases of the skin, and important immunologic data has been corroborated and characterized by institutions such as Moffitt Cancer Center in Tampa, Florida and the University of Illinois at Chicago. We continue to develop clinical trials for these products to show their safety and efficacy, which we believe will continue to be shown based on data in previous studies, and which result in one or more license transactions with pharmaceutical and or biotech companies. Together with our non-core technologies, which we intend to sell or license in the future, we believe this combination represents the foundation for maximizing shareholder value this year and beyond.

Results of Operations

Comparison of Three and Nine Months Ended September 30, 2016 and September 30, 2015

Revenues

We had no revenue during the three and six months ended September 30, 2016 and 2015.

Research and Development

Research and development costs of $2,461,407 for the three months ended September 30, 2016 included amortization of patents of $167,780, payroll of $206,563, consulting and contract labor of $1,866,360, legal of $109,828, insurance of $65,772, lab supplies and pharmaceutical preparations of $23,975, rent and utilities of $18,195, and depreciation expense of $2,934. Research and development costs of $2,864,331 for the three months ended September 30, 2015 included amortization of patents of $167,780, payroll of $542,851, consulting and contract labor of $1,538,362, legal of $11,664, insurance of $60,598, lab supplies and pharmaceutical preparations of $517,529, rent and utilities of $22,256, and depreciation expense of $3,291. The overall decrease in research and development costs is due primarily to a decrease of approximately $500,000 in lab supplies and pharmaceutical preparations due to lower investigational drug costs for the phase 3 study of PV-10 in locally advanced cutaneous melanoma and the phase 2 study of PH-10 mechanism of action, both of which commenced in the quarter ended March 31, 2015, as well as the phase 1b/2 study of PV-10 in combination with pembrolizumab which commenced in the quarter ended September 30, 2015, and is also due to approximately $300,000 in decreased payroll expense due to the departure of the Former CEO. This decrease is offset partially by approximately $300,000 in increased consulting and contract labor due to the ongoing PV-10 related clinical studies.

Research and development costs of $6,874,353 for the nine months ended September 30, 2016 included amortization of patents of $503,340, payroll of $737,704, consulting and contract labor of $5,054,234, legal of $256,238, insurance of $177,567, lab supplies and pharmaceutical preparations of $63,718, rent and utilities of $71,626, and depreciation

expense of $9,926. Research and development costs of $7,537,440 for the nine months ended September 30, 2015 included amortization of patents of $503,340, payroll of $1,372,200, consulting and contract labor of $4,142,207, legal of $222,623, insurance of $127,432, lab supplies and pharmaceutical preparations of $1,096,333, rent and utilities of $63,636, and depreciation expense of $9,669. The overall decrease in research and development costs is due primarily to a decrease of approximately $1,000,000 in lab

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supplies and pharmaceutical preparations due to lower investigational drug costs for the phase 3 study of PV-10 in locally advanced cutaneous melanoma and the phase 2 study of PH-10 mechanism of action, both of which commenced in the quarter ended March 31, 2015, as well as the phase 1b/2 study of PV-10 in combination with pembrolizumab which commenced in the quarter ended September 30, 2015, and is also due to approximately $600,000 in decreased payroll expense due to the departure of the Former CEO. This decrease is offset partially by approximately $900,000 in increased consulting and contract labor due to the ongoing PV-10 related clinical studies.

General and Administrative

General and administrative expenses increased by $401,180 in the three months ended September 30, 2016 to $3,315,555 from $2,914,375 for the three months ended September 30, 2015. General and administrative expenses were very similar for both periods except for two primary accounts. Approximately $100,000 in increased expense is due to higher total of investor and public relations expense during the three months ended September 30, 2016 versus the three months ended September 30, 2015 due primarily to efforts to maximize the visibility and awareness of the Company in the marketplace. Approximately $300,000 in increased expense is due to legal compliance during the three months ended September 30, 2016 versus the three months ended September 30, 2015 due primarily to increased legal costs associated with the audit committee s investigation into Company procedures, policies and practices, including travel expense advancements and reimbursements received by our Former CEO, offset by savings in payroll and travel related expenses due to the resignation of our Former CEO.

General and administrative expenses increased by $5,001,260 in the nine months ended September 30, 2016 to $12,454,661 from $7,453,401 for the nine months ended September 30, 2015. General and administrative expenses were very similar for both periods except for three primary accounts. Approximately $2.7 million in increased expense is due to the warrant incentive expense during the nine months ended September 30, 2016 versus the nine months ended September 30, 2015, as described in Note 4(c) to the accompanying financial statements. Approximately $1.3 million in increased expense is due to higher total of investor and public relations expense during the nine months ended September 30, 2016 versus the nine months ended September 30, 2015 due primarily to efforts to maximize the warrant exchange transaction described in Note 4(c) to the accompanying financial statements. Approximately $900,000 in increased expense is due to legal compliance during the nine months ended September 30, 2016 versus the nine months ended September 30, 2015 due primarily to increased legal costs associated with the audit committee s investigation into Company procedures, policies and practices, including travel expense advancements and reimbursements received by our Former CEO, offset by savings in payroll and travel related expenses due to the resignation of our Former CEO.

Investment Income

Investment income was insignificant in both the three and nine months ended September 30, 2016 and 2015.

Public offering issuance expense

The Company incurred public offering expenses of $436,248 in the three months ended September 30, 2016 compared to no expense in 2015 since the financing that results in this public offering issuance expense was only incurred in the three months ended September 30, 2016.

The Company incurred public offering expenses of $436,248 in the nine months ended September 30, 2016 compared to no expense in 2015 since the financing that results in this public offering issuance expense was only incurred in the

three months ended September 30, 2016.

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Gain/Loss on change in fair value of warrant liability

The change in fair value of warrant liability increased by $339,256 in the three months ended September 30, 2016 to a gain of $336,649 from a loss of $2,607 for the three months ended September 30, 2015. See Note 4, *August 2016 Public Offering.*

The change in fair value of warrant liability increased by $199,662 in the nine months ended September 30, 2016 to a gain of $336,649 from a gain of $136,987 for the nine months ended September 30, 2015. See Note 4, *August 2016 Public Offering.*

Comparison of the Years Ended December 31, 2015 and 2014

Gain on Settlement

The gain on settlement, net of discount, of $4,178,345 occurred in 2014 as a result from accounting for the settlement of the Shareholder Derivative Lawsuit described in Note 9 to the financial statements.

Research and development

Research and development costs totaling $10,708,569 for 2015 included payroll of $2,292,710, consulting and contract labor of $6,652,406, lab supplies and pharmaceutical preparations of $1,115,140, legal of $358,582, insurance of $189,358, rent and utilities of $87,208, and depreciation expense of $13,165. Research and development costs totaling $5,137,927 for 2014 included payroll of $1,395,321, consulting and contract labor of $2,355,780, lab supplies and pharmaceutical preparations of $790,653, legal of $384,061, insurance of $115,957, rent and utilities of $87,623, and depreciation expense of $8,532.

The increase in consulting and contract labor of approximately $4.3 million in 2015 over 2014 is primarily the result of the preparation, and commencement of phase 3 PV-10 for locally advanced cutaneous melanoma, phase 1b/2 for PV-10 in combination with pembrolizumab, and further development in other PV-10 and PH-10 programs. The increase in lab supplies and pharmaceutical preparations of approximately $300,000 in 2015 over 2014 is primarily the result of the preparation of additional phase 3 PV-10 drug supply, as well as for other PV-10 programs, along with phase 2 PH-10 mechanism of action drug supply. The increase in payroll of approximately $900,000 in 2015 over 2014 is the result of increased payroll expense and stock option expense. The increase in consulting and contract labor, lab supplies and pharmaceutical preparations, and payroll expense represents virtually all of the increase in research and development expenses in 2015 versus 2014.

General and administrative

General and administrative expenses increased by $2,271,746 for 2015 to $13,274,072 from $11,002,326 in 2014. General and administrative expenses were very similar for both periods; however, the increase is due to approximately $1.85 million of accrued settlement expense to settle the existing class action lawsuit and $1.1 million of reserve for uncollectible receivable from Dr. Dees related to the settlement receivable (see Note 9 to the financial statements) and partially offset by the lower stock price of our common stock during 2015 versus 2014, which resulted in lower noncash expenses charged to operations for the value of both common stock and warrants issued for services.

Investment income

Investment income is immaterial for all periods presented.

Change in fair value of warrant liability

Change in fair value of warrant liability decreased by $2,237,833 to a gain of $146,560 in 2015 from a gain of $2,384,393 in 2014. This activity results from accounting for the warrant liability described in Notes 3(c), 3(d), 3(e) and 8 to the financial statements.

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Cash Flow

Our cash and cash equivalents were $14,178,902 at December 31, 2015, compared with $17,391,601 at December 31, 2014. The decrease of approximately $3.2 million was due primarily to a decrease of the total sales of common stock and warrants and exercises of warrants and stock options, and an increase of approximately $3.5 million more cash that was used in operating activities.

Comparison of the Years Ended December 31, 2014 and 2013

Gain on Settlement

The gain on settlement, net of discount, of $4,178,345 occurred in 2014 as a result from accounting for the settlement of the Shareholder Derivative Lawsuit described in Note 9 to the financial statements.

Research and development

Research and development costs totaling $5,137,927 for 2014 included payroll of $1,395,321, consulting and contract labor of $2,355,780, lab supplies and pharmaceutical preparations of $790,653, legal of $384,061, insurance of $115,957, rent and utilities of $87,623, and depreciation expense of $8,532. Research and development costs totaling $3,595,555 for 2013 included payroll of $1,459,057, consulting and contract labor of $1,317,472, lab supplies and pharmaceutical preparations of $310,160, legal of $262,720, insurance of $161,268, rent and utilities of $78,512, and depreciation expense of $6,366.

The increase in consulting and contract labor of approximately $1.0 million in 2014 over 2013 is primarily the result of the preparation of phase 3 PV-10 for locally advanced cutaneous melanoma and further development in other PV-10 and PH-10 programs. The increase in lab supplies and pharmaceutical preparations of approximately $0.5 million in 2014 over 2013 is primarily the result of the preparation of additional phase 3 PV-10 drug supply, as well as for other PV-10 programs, along with phase 2 PH-10 mechanism of action drug supply. The increase in both consulting and contract labor, and lab supplies and pharmaceutical preparations represents virtually all of the increase in research and development expenses in 2014 versus 2013.

General and administrative

General and administrative expenses increased by $2,241,062 for 2014 to $11,002,326 from $8,761,264 in 2013. General and administrative expenses were very similar for both periods; however, almost $600,000 in increased expense is due to the higher stock price of our common stock during the three months ended March 31, 2014 versus the three months ended March 31, 2013, which resulted in higher noncash expenses charged to operations for the value of both common stock and warrants issued for services. Additionally, legal expense increased by about $500,000 primarily due to our NYSE MKT listing and the Controlled Equity Offering℠ Sales Agreement with Cantor and investor relations and related travel expenses increased approximately $1,100,000 in 2014 over 2013.

Investment income

Investment income is immaterial for all periods presented.

Change in fair value of warrant liability

Change in fair value of warrant liability increased by $17,055,523 to a gain of $2,384,393 in 2014 from a loss of $14,671,130 in 2013. This activity results from accounting for the warrant liability described in Notes 3(c), 3(d), 3(e) and 8 to the financial statements.

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Cash Flow

Our cash and cash equivalents were $17,391,601 at December 31, 2014, compared with $15,696,243 at December 31, 2013. The increase of approximately $1.7 million was due primarily to sales of common stock and warrants as well as exercises of warrants and stock options offset partially by approximately $4 million more cash that was used in operating activities in 2014 versus 2013.

Liquidity and Capital Resources

The Company s cash and cash equivalents were $5,178,076 at September 30, 2016, compared with $14,178,902 at December 31, 2015. As of November 30, 2016, the Company had cash and cash equivalents of $2,627,521. The accompanying financial statements for the nine months ended September 30, 2016 have been prepared on a basis that contemplates the realization of assets and the satisfaction of liabilities and commitments in the normal course of business. We have continuing net losses and negative cash flows from operating activities. In addition, we have an accumulated deficit of $201 million as of September 30, 2016. These conditions raise substantial doubt about our ability to continue as a going concern. Our financial statements do not include any adjustments to the amounts and classification of assets and liabilities that may be necessary should we be unable to continue as a going concern. Our ability to continue as a going concern depends on our ability to obtain additional financing as may be required to fund current operations. Management s plans include selling its equity securities and obtaining other financing to fund its capital requirement and on-going operations; however, there can be no assurance the Company will be successful in these efforts. The financial statements do not include any adjustment that might be necessary if the Company is unable to continue as a going concern. Significant funds will be needed for the Company to continue and complete its Phase 3 clinical trials.

On August 30, 2016, we closed a public offering of 240,000 shares of our Series B Convertible Preferred Stock, par value $0.001 per share, which we refer to as the Series B Preferred Stock (which shares were initially convertible into an aggregate of 24,000,000 shares of the our common stock), and warrants, which we refer to as the August 2016 Warrants, initially exercisable to purchase an aggregate of 24,000,000 shares of common stock at an exercise price of $0.275 per share of common stock. On November 23, 2016, (i) the conversion price of the Series B Preferred Stock was reduced to $0.0533 pursuant to the terms of the Certificate of Designation governing the Series B Preferred Stock and (ii) the exercise price of the August 2016 Warrants was set at $0.0533 pursuant to the terms of the August 2016 Warrants. Accordingly, on November 28, 2016, we issued holders who had previously converted their shares of Series B Preferred Stock 112,442,685 shares of common stock pursuant to the price reset provisions in the Certificate of Designation, and we are obligated to issue an additional 6,330,316 shares of common stock, which shares are currently being held in abeyance pursuant to beneficial ownership limitations. Holders of August 2016 Warrants are entitled to exercise their August 2016 Warrants at the Adjusted Exercise Price and will receive an aggregate of 112,564,964 shares of common stock upon exercise of the August 2016 Warrants. The Series B Preferred Stock and August 2016 Warrants were sold together at a price of $25.00 for a combination of one share of Series B Preferred Stock and 100 August 2016 Warrants to purchase one share of common stock each, resulting in gross offering proceeds of $6,000,000 to us before the payment of placement agent fees and expenses related to the offering.

Management believes that the Company has access to capital resources through possible public or private equity offerings, including this Rights Offering, exchange offers, debt financings, corporate collaborations or other means. We expect that the existing and forthcoming clinical and nonclinical mechanism of action data for both PV-10 and PH-10 will further aid in both regulatory clarity and transactions with potential partners. In addition, the Company continues to explore opportunities to strategically monetize its lead drug candidate, PV-10, through potential licensing

transactions, although there can be no assurance provided that the Company will be successful with such plans. The Company has historically been able to raise capital through equity offerings, although no assurance can be provided that it will continue to be successful in the future. If the Company is unable to raise sufficient capital, it may be forced to implement significant cost cutting measures as early as the fourth quarter of 2016.

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We continue to provide data on a confidential basis to both potential global and geographic partners for both PV-10 for oncology, and PH-10 for dermatology, via a secure electronic data room. We are encouraged by the number of companies doing due diligence on our technologies. For instance, we are discussing transactions with potential partners in China, India, Brazil and Russia.

We also announced throughout 2015 discussions continuing with Sinopharm-China State Institute of Pharmaceutical Industry (Sinopharm-CSIPI), the leader among all pharmaceutical research institutes in China, and Sinopharm A-THINK Pharmaceutical Co., Ltd. (Sinopharm A-THINK), the only injectable anti-tumor drug research and development, manufacture and distribution integrated platform within Sinopharm Group. The discussions are based on the frame of reference established in the original Memorandum of Understanding (MOU) signed in 2014 and extended since the passing of the original deadline. The original MOU was signed in August 2014, and, since then, the parties have sought to enter into a definitive licensing agreement, subject to additional negotiation, due diligence, and any required regulatory and corporate approvals.

Also we announced in July 2015 signing a Letter of Intent (the LOI) with Boehringer Ingelheim (China) Investment Co. Ltd. (Boehringer). The purpose of the LOI is to lay a foundation for the two parties to collaborate in bringing PV-10 to market in mainland China, Hong Kong and Taiwan. Maxim Group LLC acted as strategic advisor to Provectus in structuring and negotiating the LOI. Under the terms of the LOI, Boehringer will provide certain commercially reasonable support in the aspects of product registration with the China Food and Drug Administration (CFDA), communication preparation, market intelligence and other assistance to the Company in China to the extent that is within Boehringer s approved business scope and permissible by Chinese laws.

In return, we will grant Boehringer the first priority to be the exclusive collaborator of the Company in China for PV-10 in the event that PV-10 is successfully registered and approved by the CFDA. The exclusive collaboration may take the form of exclusive distribution and promotion, exclusive licensing or other agreement, subject to both parties mutual agreement. At the appropriate time, the Company and Boehringer may enter into a definitive agreement, including a non-compete provision, for PV-10 to be exclusively developed, distributed and promoted through the collaboration within China, although there can be no assurance that the parties will enter into a definitive agreement.

In the LOI signed July 2, 2015, at the European Society for Medical Oncology (ESMO) World Congress on Gastrointestinal Cancer 2015 in Barcelona, the two parties have agreed to meet regularly and maintain effective communication in order to move forward with the registration and commercialization of the product and assess the potential cooperation between them in China, which may be adopted in a form of exclusive commercial supply, distribution and promotion, partnership or any other forms suitable to both parties interests.

We also have considered co-development transactions since 2015 with one or more pharmaceutical or biotech companies to combine PV-10 with immunology agents such as those referred to as systemic immunomodulatory agents, immune checkpoint inhibitors or systemic immunotherapies. Our announced joint patent issuance in 2015 co-owned with Pfizer supports these efforts from an intellectual property protection perspective. And our initiated phase 1b/2 study in September 2015 combining PV-10 and Merck s KEYTRUDA, a systemic immunotherapy also known as pembrolizumab, potentially demonstrates the relevance of PV-10 synergy with agents such as KEYTRUDA.

If and when we obtain an MOU, definitive agreement or similar indication of interest from a potential partner, we will issue a press release and file a Current Report on Form 8-K with the SEC to notify the market. Furthermore, the strategy of our company for the benefit of stockholders is a series of partnerships followed by an acquisition of our

company along the lines of Celgene-Abraxis, although there can be no assurance that such partnerships or acquisition will occur. An interim transaction could be a co-development deal like Roche-NewLink, Bristol-Celldex or AstraZeneca-Incyte. We are not in discussions regarding the sale of our business, and there can be no assurance that we will be able to monetize PV-10 or PH-10 in the manner described herein.

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We have signed multiple advisory agreements with accomplished individuals and organizations to help identify partners, including collaborators, distribution and joint venture partners, and licensees for PV-10 in China, Brazil and Latin America in general, India and the Indian Subcontinent, MENAT, Russia, European Union (EU), Japan and North America. These agreements are intended to enhance our reach into key markets and will bolster our efforts in developing partnering opportunities in various countries in Asia including China, India, Russia and Japan, where we have held numerous detailed discussions with pharmaceutical companies over the last year, and now also in Brazil, Europe and elsewhere. We are already seeing the results of efforts to enter into partnerships from the activity in our electronic data room. We are not in discussions regarding the sale of our business, and there can be no assurance that we will be able to monetize PV-10 or PH-10 in the manner described herein.

The primary financial objective of our company is to strategically monetize the core value of PV-10 and PH-10 through the various transactions discussed elsewhere in this prospectus. Ultimately, we want to leverage value creation through the sale of the business or a merger that may include upfront cash, acquirer stock, and/or a contingency value right (CVR) as part of the total consideration. A CVR represents the right for its holder to receive certain defined payments upon the achievement of a specified milestone and would be designed to facilitate potential upside for our stockholders on a post-transaction basis. A CVR could trade on an exchange. We are not in discussions regarding the sale of our business and there can be no assurance that we will be able to monetize PV-10 or PH-10 in the manner described herein.

However, we cannot assure you that we will be successful in licensing either PV-10 or PH-10, entering into any equity transaction, or selling a majority stake of the OTC and other non-core assets via a spin-out transaction and licensing our existing non-core products. Moreover, even if we are successful in improving our current cash flow position, we nonetheless plan to seek additional funds to meet our long-term requirements in 2017 and beyond. We anticipate that these funds will otherwise come from the proceeds of private placements, the exercise of existing warrants and outstanding stock options, or public offerings of debt or equity securities, including this Rights Offering. While we believe that we have a reasonable basis for our expectation that we will be able to raise additional funds, we cannot assure you that we will be able to complete additional financing in a timely manner. In addition, any such financing may result in significant dilution to stockholders.

Recent Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, Leases (ASU 2016-02), which amends the existing accounting standards for lease accounting, including requiring lessees to recognize most leases on their balance sheets and making targeted changes to lessor accounting. ASU 2016-02 will be effective beginning in the first quarter of 2019. Early adoption of ASU 2016-02 is permitted. The new standard requires a modified retrospective transition approach for all leases existing at, or entered into after, the date of initial application, with an option to use certain transition relief. We are currently evaluating the impact of adopting ASU 2016-02 on our condensed consolidated financial statements.

In March 2016, the FASB issued ASU No. 2016-08, *Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net)*. This ASU amends the principal versus agent guidance in ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which was issued in May 2014 (ASU 2014-09). Further, in April 2016, the FASB issued ASU No. 2016-10, *Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing*. This ASU also amends ASU 2014-09 and is related to the identification of performance obligations and accounting for licenses. The effective date and transition requirements for both of these amendments to ASU 2014-09 are the same as those of ASU 2014-09, which was

deferred for one year by ASU No. 2015-14, *Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date*. That is, the guidance under these standards is to be applied using a full retrospective method or a modified retrospective method, as outlined in the guidance, and is effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2017.

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Early adoption is permitted only for annual periods, and interim period within those annual periods, beginning after December 15, 2016. We are currently evaluating the provisions of each of these standards and assessing their impact on our condensed consolidated financial statements and disclosures.

In March 2016, the FASB issued ASU No. 2016-09, *Compensation-Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting*. This ASU makes targeted amendments to the accounting for employee share-based payments. This guidance is to be applied using various transition methods such as full retrospective, modified retrospective, and prospective based on the criteria for the specific amendments as outlined in the guidance. The guidance is effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2016. Early adoption is permitted, as long as all of the amendments are adopted in the same period. We are currently evaluating the provisions of this guidance and assessing its impact on our condensed consolidated financial statements and disclosures.

In March 2016, the FASB issued ASU 2016-03, *Derivatives and Hedging (Topic 815): Contingent Put and Call Options in Debt Instruments*, which clarifies the requirements for assessing whether contingent call or put options that can accelerate the repayment of principal on debt instruments are clearly and closely related to their debt hosts. This guidance will be effective for annual reporting periods beginning after December 15, 2016, including interim periods within those annual reporting periods, and early adoption is permitted. We are currently evaluating the provisions of this guidance and assessing its impact on our condensed consolidated financial statements and disclosures.

Quantitative and Qualitative Disclosures About Market Risk

We had no holdings of financial or commodity instruments as of September 30, 2016, other than cash and cash equivalents, short-term deposits, money market funds, and interest bearing investments in U.S. governmental debt securities. We have accounted for certain warrants issued in March and April 2010, January 2011 and February 2013 as liabilities at their fair value upon issuance, which were remeasured at each period end with the change in fair value recorded in the statement of operations. All such warrants were valued at $0 as of December 31, 2015.

All of our business is transacted in U.S. dollars and, accordingly, foreign exchange rate fluctuations have not had a significant impact on us, and they are not expected to have a significant impact on us in the foreseeable future. The formation of our Australian subsidiary is initially for the purpose of enabling lower clinical developments costs in Australia and will not impact our financial statements.

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BUSINESS

General

Provectus Biopharmaceuticals, Inc., a Delaware corporation formed in 2002, together with its six wholly owned subsidiaries and one majority owned subsidiary managed on a consolidated basis, is a development-stage biopharmaceutical company that is primarily engaged in developing ethical pharmaceuticals for oncology and dermatology indications. Our goal is to develop alternative treatments that are safer, more effective, less invasive and more economical than conventional therapies. We develop and intend to license or market and sell our two prescription drug candidates, PV-10 and PH-10. We also hold patents and other intellectual property which we believe may be used in over-the-counter products, which we refer to as OTC products, and various other non-core technologies. We have transferred all our intellectual property related to OTC products and non-core technologies to our subsidiaries and have designated such subsidiaries as non-core to our primary business of developing our oncology and dermatology prescription drug candidates.

Prescription Drugs

We focus on developing our prescription drug candidates PV-10 and PH-10. We are developing PV-10 for treatment of several life threatening cancers including metastatic melanoma, liver cancer, and breast cancer. We are developing PH-10 to provide minimally invasive treatment of chronic severe skin afflictions such as psoriasis and atopic dermatitis, a type of eczema. We believe that our prescription drug candidates will be safer and more specific than currently existing products. All of our prescription drug candidates are in either the pre-clinical or clinical trial stage.

The table below sets forth our two prescription drug candidates and our progress in developing those candidates for the indications shown:

Product Pipeline

Melanoma*

PV-10

Phase 3 study in progress: Opened recruitment in U.S. in April 2015; expansion from limited sites in U.S. to sites in Europe, Latin America and Asia in 2017 in order to increase enrollment

Phase 1 and 2 studies completed, full study reports submitted

Orphan drug status obtained in January 2007

Melanoma

PV-10 +

Pembrolizumab

Phase 1b/2 study initiated September 2015

Melanoma

(Method of Action)

PV-10

Phase 1 study to detect immune cell infiltration into melanomas treated with PV-10 completed, study report in preparation

Data published in peer-reviewed journal May 2016

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Cancers of the Liver

PV-10

Orphan drug status obtained in April 2011

Phase 1 initial patient accrual and treatment completed

Phase 1 protocol expansion (September 2012 into 2017)

Data communicated in 2015

Phase 1b/2 commencement expected in early 2017

Breast Cancer

PV-10

Phase 1 study completed

Further clinical development is being planned

Psoriasis

PH-10

Phase 2c randomized study completed and full report submitted to FDA

Toxicity study R&D for advanced studies 2012 to 2016

Psoriasis

(Mechanism of Action)

PH-10

Phase 2 mechanism of action study initiated in January 2015 by leading research facility

Phase 2 study recruitment began in Q1 2015

Phase 2 study recruitment completed in Q3 2015, advanced immunologic profiling of clinical samples ongoing

Phase 2 study data being compiled for FDA end of Phase 2 meeting

Atopic Dermatitis

PH-10

Phase 2 study completed and full report submitted to FDA

Toxicity study R&D for advanced studies 2012 to 2016

* In addition to clinical trials, 187 patients enrolled in the Compassionate Use Program for PV-10 received PV-10 between June 2009 and June 2016.

Oncology (PV-10)

Reported by Global Cancer Facts & Figures, 3rd Edition, according to estimates from the International Agency for Research on Cancer (IARC), there were 14.1 million new cancer cases in 2012 worldwide, of which

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8 million occurred in economically developing countries, which contain about 82% of the world s population. These estimates do not include non-melanoma skin cancers, which are not tracked in cancer registries. The corresponding estimates for total cancer deaths in 2012 were 8.2 million (about 22,000 cancer deaths a day) 2.9 million in economically developed countries, and 5.3 million in economically developing countries. By 2030, the global burden is expected to grow to 21.7 million new cancer cases and 13 million cancer deaths simply due to the growth and aging of the population. However, the estimated future cancer burden will probably be considerably larger due to the adoption of lifestyles that are known to increase cancer risk, such as smoking, poor diet, physical inactivity, and fewer pregnancies, in economically developing countries. Cancers related to these factors, such as lung, breast, and colorectal cancers, are already on the rise in economically transitioning countries. In economically developed countries, the three most commonly diagnosed cancers were prostate, lung, and colorectal among males, and breast, colorectal, and lung among females. In economically developing countries, the three most commonly diagnosed cancers were lung, liver, and stomach in males, and breast, cervix uteri, and lung in females. In both economically developed and developing countries, the three most common cancer sites were also the three leading causes of cancer death. Rates of cancers common in Western countries will continue to rise in developing countries if preventive measures are not widely applied. The most common types of cancer also vary by geographic area. For example, among women breast cancer was the most common cancer in 19 out of the 21 world areas, while cervical cancer was the most common in the remaining two areas. Further variations are observed by examining individual countries. In 2012, the most common cancer site among males in most economically developed countries was prostate, with the exception of certain countries of Southern and Eastern Europe (lung cancer), Slovakia (colorectal cancer), and Japan (stomach cancer). Lung and stomach cancer were the top cancer sites in Asia. The greatest variation among males was in Africa, where the most common cancer was prostate, liver, Kaposi sarcoma, lung, non-Hodgkin lymphoma, colorectal, leukemia, esophagus, or stomach. Among females, the most common cancer sites were either breast or cervical cancer, with the exceptions of China and North Korea (lung), South Korea (thyroid), and Mongolia and Laos (liver).

We believe our prescription drug candidate PV-10, a novel investigational drug, may afford competitive advantage compared to currently available options for the treatment of certain types of cancer; particularly solid tumors. Additional geographic variations exist as well. In short, we believe PV-10 is appropriate to treat any solid tumor anywhere. We are developing PV-10, a sterile injectable form of rose bengal disodium (Rose Bengal), for direct injection into tumors. It is an ablative immunotherapy or immuno-chemoablative agent that when injected intralesionally is tantamount to an in situ vaccination following acute and durable necrosis of diseased tissue. Because PV-10 is retained in diseased or damaged tissue but quickly dissipates from healthy tissue, we believe we can develop therapies that confine treatment to cancerous tissue and reduce collateral impact on healthy tissue. We have conducted phase 1 and phase 2 studies of PV-10 for the treatment of recurrent and metastatic melanoma, and phase 1 studies of PV-10 for the treatment of liver and breast cancers, each of which are described in more detail below. Furthermore, in 2015, we commenced a phase 3 study of PV-10 to treat locally advanced cutaneous melanoma as well as a phase 1b/2 study that combines PV-10 and pembrolizumab, both of which are described in more detail below.

Recurrent or Locally Advanced Cutaneous Melanoma and Widely Metastatic [Melanoma] Disease

According to Global Cancer Facts & Figures, 3rd Edition, estimated new cases for men in developed countries totaled 99,400 in 2012, and 91,700 for women. Estimated deaths continue to increase as well. PV-10 is potentially applicable for treating all stage III and IV patients, either as a neoadjuvant therapy, monotherapy, or in combination with a systemic agent for late stage patients in particular.

Our Phase 3 clinical trial of intralesional PV-10 as a melanoma treatment opened to enrollment in the first half of 2015, and we are actively recruiting and treating patients in centers in the U.S. and Australia. We are seeking 225 patients for this study, and although initial enrollment has been unacceptably slow due to evolving care standards and intense competition for patients and investigator resources in our traditional regions of clinical development in the U.S. and Australia, we have initiated steps to expand the study to include a total of 61 centers in the U.S., Australia, Europe, Russia, Latin America and China by the end of 2017; this is a substantial increase

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from 30 sites in the U.S., Australia and Europe that we projected would be necessary at the start of the study, and reflects the need to compete for patients on a global scale for large, specialized oncology studies. The primary outcome measure is progression-free survival, PFS, to be assessed every 12 weeks up to 18 months. The secondary outcome measures include complete response rate, CRR, and its duration to be set every 12 weeks up to 18 months and overall survival to be assessed every 12 weeks up to 18 months. Unlike our Phase 2 study, which was a single arm study, the Phase 3 study is a randomized trial. And we hope to demonstrate conclusively that PV-10 is both safe and effective and is statistically superior to the control therapy, investigator s choice of systemic chemotherapy or intralesional oncolytic viral therapy.

Our estimated primary completion date is September 2018, and an estimated study completion date of October 2018. This compares to an estimated primary completion date of September 2017, and an estimated study completion date of October 2017, we made at the time of study initiation, and reflects cumulative delays in site startup and patient accrual due to competition for patients and investigator resources and rapidly evolving care standards for melanoma patients in the U.S. and Australia. When 50 percent of the events required for the primary endpoint have occurred, the Independent Data Monitoring Committee will report an interim assessment of efficacy and safety. So, meaningful clinical data could come well before the primary completion date, as documented on clinicaltrials.gov.

This phase 3 randomized controlled trial of PV-10 in patients with unresectable locally advanced cutaneous melanoma will assess response to PV-10 versus that of the investigator s choice of systemic chemotherapy or intralesional oncolytic viral therapy in patients who have disease limited to cutaneous and subcutaneous sites and who are not candidates for systemic immunotherapy. Progression-free survival and complete response rate will be assessed using standard criteria (RECIST 1.1). Overall survival and exploratory assessment of patient reported outcomes related to lesion pain and other melanoma symptoms will also be assessed.

We are not alone in advocating for an intralesional approach in the treatment of cancer. For melanoma patients with recurrent or in-transit disease confined to their skin this approach has been used to treat patients for many years, as evidenced by guidelines published by the National Comprehensive Cancer Network (NCCN Guidelines®) defining the standard of care for cancer treatment in the United States. Intralesional injection with BCG and certain immunomodulatory agents, local ablation, topical therapy for superficial lesions and regional radiotherapy are recommended interventions for these patients, along with systemic therapy and participation in a clinical trial. We believe that, in this context, PV-10 is well positioned to show superiority in phase 3 testing as a single agent.

For those patients who do not have all disease accessible to injection, medical oncologists have stated that using an agent like PV-10 to prime the immune system could be synergistic in combination with a systemic agent. Our patent application on this strategy was published in 2012 and we have been vigorously pursuing this approach. We believe the nonclinical research we first presented at the Society for Immunotherapy of Cancer (SITC) annual meeting that year, together with ongoing translational clinical research on PV-10 s mechanism of action we are sponsoring at Moffitt and the University of Illinois at Chicago, and our own phase 2 data, provide a rationale for combination testing of PV-10. This development track, separate from the phase 3 study, using PV-10 in combination with checkpoint inhibitors could present a path forward for patients with significant disease burden not amenable to intralesional injection.

While we believe the rapid ablative effect immediately evident in patients treated with PV-10 highlights our path to initial approval, the bystander effect, or secondary immunomodulatory benefit of PV-10 as a result of direct ablation, continues to be of scientific interest and studies to quantify systemic tumor-specific immune response in cancer patients are ongoing. This is why we term the overall function of PV-10 as ablative immunotherapy. This emerging

understanding of the secondary effect of tumor ablation with PV-10 is an important foundation for future studies to assess the long-term impact of PV-10 on distant metastasis and possible combination strategies for use of PV-10 in the treatment of cancer patients with more advanced disease. PV-10 is therefore becoming known as an ablative immunotherapy, and we believe it is therefore a next generation ablative immunological treatment.

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As mentioned above, we are also engaged in studying the use of PV-10 as part of a combination therapy for melanoma for Stage IV patients. Scientifically, combination therapy in cancer treatment is a rapidly maturing area, where a rational combination of agents is replacing the empirical approaches of the past. In this specific instance, we have used insight into the PV-10 mechanism of action and focused pre-clinical testing to begin Phase 1b/2 clinical testing of PV-10 in combination with Merck s KEYTRUDA in patients with Stage IV melanoma. KEYTRUDA is an immune checkpoint inhibitor approved for treatment of patients with advanced or unresectable melanoma. The PV-10 mechanism of action study s clinical findings showed that the immunologic effect of tumor ablation with PV-10 may be complementary to immune checkpoint inhibition. Companion pre-clinical testing of PV-10 in murine models of melanoma also demonstrated that the respective therapeutic effects of PV-10 and immune checkpoint inhibition are increased when the two are used in combination. Put simply, they may work better together, especially for late stage patients. The current Phase 1b/2 study will help us prepare for potential marketing of PV-10 as part of a combination therapy with KEYTRUDA. When we announced the joint patent co-owned with Pfizer in August 2015, it specifically covered the use of PV-10 to treat melanoma and liver cancers in combination with systemic inhibitors of immune system down regulation, such as anti-CTLA-4, PD-1 and PD-L1 antibodies, along with enhancers of immune system up regulation, such as IL-2 and interferon-gamma. In other words, our work with KEYTRUDA, an anti-PD-1 checkpoint inhibitor, is patent protected.

PV-10 represents both a unique opportunity and an incredible responsibility because it may have the potential to change the way cancer is treated around the world. PV-10 is a small molecule designed to be injected directly into tumors, thereby focusing its effect on disease tissue, while limiting exposure in healthy tissue. We believe that this focused effective tumors has the potential to educate the immune system to find other cancer cells with the same characteristics, thereby potentially having an effect on metastases elsewhere in the body. The work previously reported by our collaborators at Moffitt Cancer Center in Tampa and at the University of Illinois at Chicago clearly indicate that this is taking place in laboratory models of multiple tumor types, including melanoma, breast carcinoma, and colorectal cancer. Additional information on how this can translate to patients was reported by the Moffitt team in November 2015 at the Society of Immunotherapy of Cancer Annual Meeting in Washington; in April 2016 at the American Association for Cancer Research Annual Meeting in New Orleans; and in May 2016 in the cancer journal Oncotarget.

We are analyzing data obtained from our Compassionate Use Program for PV-10 for non-visceral cancers, which was closed to new enrollment at the end of June, 2016. One hundred eighty seven patients, enrolled in centers across the U.S. and Australia, received PV-10 on a schedule that was more frequent and extensive, and covering a longer period of time, than was allowed under the protocol used for the phase 2 trials. Safety data obtained from this was very helpful with planning the phase 3 melanoma study as well as treating other types of cutaneous and subcutaneous cancers, and we are gratified we could provide PV-10 for patients that had no other available option.

We are continuing to assess how much additional work we should do by ourselves, and when to partner with a larger company to further co-develop PV-10, as well as potential paths to accelerated and expedited approval in the U.S. and abroad, including in China and India.

We strengthened our position in the Chinese market with our letter of intent with Boehringer Ingelheim (China) Investment Company Limited, signed July 2, 2015. We are benefiting from their 20 plus years of experience in China, and we are building a relationship with them that may help us in commercializing and marketing PV-10 in mainland China, Hong Kong and Taiwan, as we work with the appropriate regulatory bodies. We are committed to being successful in China, in particular, and Asia in general.

Discussions have continued on the basis of a memorandum of understanding signed last year with Sinopharm-China State Institute of Pharmaceutical Industry, CSIPI, the leader among all pharmaceutical research institutes in China and Sinopharm A-Think Pharmaceutical Company Limited, Sinopharm A-Think, the only injectable anti-tumor drug research and development manufacturer and distribution integrated platform within Sinopharm Group. While our working arrangement is more developed with Boehringer, management of Provectus and senior personnel and Sinopharm, CSIPI, and Sinopharm A-Think has held numerous conference

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calls, have met face-to-face in both China and the U.S., and Chinese scientists on staff at Sinopharm have discussed in person PV-10 and its clinical results with various lead investigators we work with globally. Some more formal relationship with them remains an option for us in China, and will endeavor to include Boehringer as well in any future developments and potential partnerships.

Efforts have been active in Brazil as we work with potential partners there, and Latin America in general, as well as in India, as we continue our focus to enter into geographic license and our collaborations that allow us to generate meaningful clinical data more rapidly than otherwise.

We have signed agreements with two manufacturers to supply us with clinical-quality PV-10, and we now have sufficient quantities of PV-10 available to continue the phase 3 trial and our other PV-10 development activities. To assure smooth execution of the study we have lined up specialty contract research organizations (CROs) and other service providers with expertise in clinical operations and integrated data management. As is standard in our industry, this includes full-service, international CROs who will coordinate the global efforts of this team of specialists.

Our lead CRO is coordinating global safety monitoring (pharmacovigilance) appropriate for our growing global clinical operations, and establishment of an independent Clinical Trial Data Monitoring Committee (DMC) to provide independent oversight of our phase 3 melanoma study. The FDA states A clinical trial DMC is a group of individuals with pertinent expertise that reviews on a regular basis accumulating data from one or more ongoing clinical trials. The DMC advises the sponsor regarding the continuing safety of trial subjects and those yet to be recruited to the trial, as well as the continuing validity and scientific merit of the trial. The DMC will ensure that our study provides patients with maximum possible safety while protecting the scientific validity and integrity of the data we gather.

Liver Cancers

According to Global Cancer Facts & Figures, 3rd Edition, liver cancer is the fifth most common cancer in men and the ninth in women. An estimated 782,500 new liver cancer cases occurred in the world during 2012, with China alone accounting for about 50% of the total. Rates are more than twice as high in men as in women. Liver cancer rates are the highest in Central America, West and Central Africa, and East and Southeast Asia (Figure 9). Most primary liver cancers occurring worldwide are hepatocellular carcinoma (HCC), which likely accounts for 70% to 90% of cases. One type of liver cancer (cholangiocarcinoma) that is rare in most parts of the world has high incidence rates in Thailand and other parts of Asia due to the high prevalence of liver fluke infection. Worldwide, liver cancer is the second leading cause of cancer death in men and the sixth leading cause among women, with about 745,500 deaths in 2012.

Early detection is difficult and as a result, most cases reach an advanced metastatic stage and are unresectable. If the cancer cannot be completely removed, the disease is usually deadly within three to six months. Malignant lesions in the liver arising from HCC or metastases from a wide range of cancers represent an ongoing treatment challenge for oncologists. HCC is one of the most common malignancies worldwide, and its incidence is rapidly increasing in the United States. The liver is a common site of metastases from solid tumors, particularly those arising in the gastrointestinal tract. Other tumors, such as lung and breast cancer and melanoma, also readily spread to the liver.

During 2016, we expanded our exploratory phase 1 study of cancers of the liver to four centers (St. Luke s University Health Network, Bethlehem, Pennsylvania; The Southeastern Center for Digestive Disorders & Pancreatic Cancer, Tampa, Florida; Sharp Memorial Hospital, San Diego, California; and Vanderbilt University Medical Center, Nashville, Tennessee), and we are evaluating the addition of several more centers to further advance this initial effort.

We expect to report results from long-term follow-up of our initial patients in the first quarter of 2017. We are assessing strategies to accelerate advancement to phase 1b/2 testing, either alone or in combination with systemic therapy. Any combination studies in the liver are likely to follow similar development strategies to those outlined above for melanoma and rely on much of the same foundational science.

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The current phase 1 study, initially designed solely to establish safety of percutaneous injection of PV-10 into liver tumors (that is, injection through the skin), is providing valuable data crucial for planning such advanced clinical development. This trial is open to patients with hepatocellular carcinoma or other cancers metastatic to the liver who have at least one tumor that has either originated in or spread to the liver and are not candidates for surgery or transplant. All patients enrolled in this open-label study receive the same treatment: an interventional radiologist injects PV-10 percutaneously into a single liver tumor. Patients with multiple injectable tumors may later receive further PV-10 to their other tumors. We have received numerous inquiries about this study from researchers as well as patients and their doctors, and refer these to our investigators through the contact information available on the clinicaltrials.gov website. We plan to commence the phase 1b/2 liver study in early 2017. This study has potential for generating sufficient data to support expedited approval under one or more FDA programs.

In July 2015, data were presented at two conferences that show our progress to date on the treatment of hepatocellular carcinoma and cancers metastatic to the liver. We made a poster presentation at the ESMO 17th World Congress on Gastrointestinal Cancer (ESMO GI) in Barcelona at the beginning of July, and detailed data from our relevant Phase 1 study of PV-10. The main conclusion was that preliminary evidence of efficacy in treatment of cancers of the liver with PV-10 was observed. That same week, Dr. Sanjiv Agarwala presented the data in poster form at the 6th Asia-Pacific Primary Liver Cancer Expert Meeting, APPLE 2015, in Osaka, Japan. Both of these posters can be found on our website. What these data show is that PV-10 affects cancers of the liver in much the same way it does melanoma. More work has to be done, but we believe that these results support advanced clinical development of PV-10 in one or more phase lb/2 studies referred to above.

In November 2016 at the Society of Immunotherapy of Cancer Annual Meeting in Washington, our collaborators at Moffitt Cancer Center reported preliminary data on combination of intralesional PV-10 with systemic gemcitabine, using murine models of metastatic pancreatic adenocarcinoma. Gemcitabine is a standard chemotherapeutic agent used to treat pancreatic cancer, and the Moffitt team showed that PV-10 ablation of pancreatic cancer tumors led to immunologic activation comparable to that previous reported for melanoma, breast carcinoma and colorectal tumors. Addition of gemcitabine enhanced these effects of PV-10, possibly via suppression of myeloid derived suppressor cells (MDSC), which decrease in response to gemcitabine. Since MDSC have an inhibitory effect on a number of immune effector cells, including CD8+ T cells, dendritic cells and NK T cells, the apparent combination effect could result from reduced immune suppression by gemcitabine coupled with immunologic stimulation by PV-10. According to statistics from the America Cancer Society, over 53,000 new cases of pancreatic cancer are expected in the U.S. in 2016, with 41,780 deaths and a 5-year survival of 8%. What we have learned so far about percutaneous PV-10 injection into liver cancers could have applicability to an exploratory clinical study of this cancer where any progress is likely to be clinically meaningful.

Breast Cancer

According to Global Cancer Facts & Figures, 3rd Edition, breast cancer is the most frequently diagnosed cancer in women worldwide with nearly 1.7 million new cases diagnosed in 2012, accounting for 25% of all new cancer cases in women. A little more than half (53%) of these cases occurred in economically developing countries, which represents about 82% of the world population. An estimated 521,900 breast cancer deaths occurred in women in 2012. Breast cancer is the leading cause of cancer death among women in developing countries and the second leading cause of cancer death (following lung cancer) among women in developed countries. Asian countries, which represent 59% of the global population, have the largest burden of breast cancer, with 39% of new cases, 44% of deaths, and 37% of the world s five-year survivors. Although Northern America (US and Canada) represents only 5% of the world population, it accounts for 15% of new cases, 9% of deaths, and 17% of survivors, reflecting the high incidence and

survival rates in the region. In contrast, African countries (15% of world population) represent 8% of the total new cases, but 12% of breast cancer deaths because of poor survival due to late stage at diagnosis and limited treatment.

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In 2005, we began a phase 1 study of PV-10 to assess the safety and tolerability of injections of PV-10 into recurrent breast carcinoma. We completed the phase 1 study in 2008. The primary outcome measure was systemic and locoregional adverse experience. The secondary outcome measures were (i) histopathologic response of PV-10 injected lesions and (ii) wound healing of PV-10 injected lesions.

The goals of the phase 1 clinical trial were to determine the safety of the treatment and the appropriate dosage. We have also wanted to show that PV-10 has multi-indication potential. We continued to demonstrate this objective in 2011 through 2015, and continued to do so in 2016. We are now in a position for a phase 2 study in recurrent breast carcinoma with our lead oncology drug product candidate PV-10. We are evaluating potential for further development of PV-10 to treat recurrent breast cancer based on the published data provided by Moffitt as well as interest to address this important indication.

Colon and Rectum Cancer

According to Global Cancer Facts & Figures, 3rd Edition Colon and Rectum, colorectal cancer is the third most common cancer in men and the second in women. Worldwide, an estimated 1.4 million cases of colorectal cancer occurred in 2012. The highest incidence rates were in Northern America, Australia, New Zealand, Europe, and South Korea. Rates were low in Africa and South Central Asia. About 693,900 deaths from colorectal cancer occurred in 2012 worldwide, accounting for 8% of all cancer deaths. The incidence of colorectal cancer is increasing in certain countries where risk was historically low (e.g., Japan).

The greatest increases are in Asia (Japan, Kuwait, and Israel) and Eastern Europe (Czech Republic, Slovakia, and Slovenia). In fact, incidence rates among males in the Czech Republic, Slovakia, and Japan have exceeded the peak rates observed in longstanding developed countries, such as the United States, Canada, and Australia, and continue to increase. In high-risk/high-income countries, trends over the past 20 years have either gradually increased (Finland and Norway), stabilized (France and Australia), or declined (United States) with time. The decrease in colorectal cancer incidence in the United States among those 50 years of age and older partially reflects the increase in detection and removal of precancerous lesions through screening. In contrast to the stabilizing rates observed in most Western and Northern European countries, relatively large increases have been observed in Spain, which may be related to the increasing prevalence of obesity in recent years in that country. The increase in several Asian and Eastern European countries may also reflect increased prevalence of risk factors for colorectal cancer associated with westernization such as unhealthy diet, obesity, and smoking. In contrast to incidence trends, decreasing colorectal cancer mortality rates have been observed in a large number of countries worldwide and are most likely due to colorectal cancer screening and/or improved treatments. However, increases in mortality rates are still occurring in countries that have more limited resources, including Brazil and Chile in South America and Romania and Russia in Eastern Europe.

On February 2, 2015, data discussing the immunologic effects of PV-10 on colon cancer cells were presented at the 11th Annual Academic Surgical Congress in Jacksonville, Florida. The abstract, titled PV-10 Induces Potent Immunogenic Apoptosis in Colon Cancer Cells, was presented by N. M. Kunda of the University of Illinois at Chicago, Division of Surgical Oncology, Department of Surgery, College of Medicine, Chicago, IL, USA. The research team is led by Dr. A.V. Maker, and co-authors in addition to Drs. Kunda and Maker are: J. Qin, G. Qiao also of UIC, Division of Surgical Oncology, Department of Surgery. The team of authors also includes B. Prabhakar of the University of Illinois at Chicago, Department of Microbiology & Immunology, College of Medicine, Chicago, IL, USA. Dr. Maker belongs to both Departments.

In the presentation, Dr. Kunda noted that in vitro testing of PV-10 on colon cancer (murine CT-26 cells) showed cytotoxicity consistent with immunogenic apoptosis. Further, he stated that the researchers observed cell arrest, apoptosis, autophagy and endoplasmic reticulum (ER) stress. He concluded that these results are consistent with immunologic cell death caused by PV-10.

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The work reported in Dr. Kunda s presentation further expands our understanding of the mechanism of action of PV-10 as an ablative immunotherapy for solid tumors, and parallels immunologic signaling noted upon ablation of melanoma with PV-10.

Other Indications

The compassionate use program for PV-10, which was closed to new patient enrollment at the end of June, 2016, was available for cancer indications that do not involve treatment of visceral organs and were not subject to enrollment in ongoing clinical trials. These indications include certain breast cancers, basal cell carcinoma, squamous cell carcinoma, certain head and neck cancers and melanoma. Compassionate use programs provide patients with access to experimental therapeutics prior to FDA approval.

The protocol for the compassionate use program allowed patients to receive PV-10 on a schedule that was more frequent and extensive, and covering a longer period of time, than was allowed under the protocol used for the phase 2 trial of PV-10. Safety data obtained helped define the dose regimen for the phase 3 study for melanoma. The majority of patients enrolled in the program were treated for melanoma (177), with ten other patients treated for other indications such as recurrent squamous cell carcinoma and refractory scalp sarcoma.

Additionally, we are considering a clinical study of PV-10 for each of multiple other solid tumor indications.

Dermatology (PH-10)

Our prescription drug candidate PH-10 is an aqueous hydrogel formulation of Rose Bengal for topical administration to the skin. It is a novel nonsteroidal anti-inflammatory agent that interacts with ambient and other light sources. We believe PH-10 is appropriate to treat all indications that are described as inflammatory dermatoses. We are developing PH-10 for the treatment of cutaneous skin disorders, specifically psoriasis and atopic dermatitis, and we believe that PH-10 may be successful in treating other skin diseases. We believe that PH-10 may offer a superior treatment for psoriasis and atopic dermatitis because it selectively treats diseased tissue with negligible potential for side effects in healthy tissue.

We have been actively discussing licensing transactions with a number of potential out licensing partners for PH-10. We believe that our phase 2c trial of PH-10 for psoriasis will further solidify the commercial viability of PH-10 in these discussions. In August 2011, we completed follow-up of all phase 2c patients and communicated data of the study to both prospective partners as well as the public market in early 2012. In January 2015, we commenced a mechanism of action study of PH-10 to better characterize the unique immunologic signaling aspects along with PH-10 safety and efficacy. This study was completed in January 2016 and advanced immunologic profiling of clinical samples obtained is ongoing.

Psoriasis

Psoriasis is a common chronic disorder of the skin characterized by dry scaling patches, called plaques, for which current treatments are few and those that are available have potentially serious side effects. There is no known cure for the disease at this time. According to the National Institutes of Health, as many as 7.5 million Americans, or approximately 2.2 percent of the U.S. population, have psoriasis. The National Psoriasis Foundation reports that approximately 125 million people worldwide, 2 to 3 percent of the total population, have psoriasis. It also reports that total direct and indirect health care costs of psoriasis for patients exceed $11 billion annually.

According to the National Psoriasis Foundation, the majority of psoriasis sufferers, those with mild to moderate cases, are treated with topical steroids that can have unpleasant side effects. None of the other treatments for moderate cases of psoriasis have proven completely effective. The 25-30% of psoriasis patients

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who suffer from more severe cases generally are treated with more intensive drug therapies or PUVA, a light-based therapy that combines the drug Psoralen with exposure to ultraviolet A light. While PUVA is one of the more effective treatments, it increases a patient s risk of skin cancer.

Our phase 1 study for PH-10 was initiated in April 2001 to evaluate the safety of three different doses of PH-10 in separate patient segment groups. Subjects in the study each received a single dose of PH-10 followed by administration of green light on psoriatic plaques. Subjects were examined post-treatment, with a final follow-up examination at 90 days.

Detailed phase 2 study of PH-10 for treatment of psoriasis was initiated in 2009 and completed in April 2010. There were 30 subjects treated in the completed phase 2 study, and an additional six subjects were treated in an earlier study that was terminated in favor of an increased dosing frequency. Consistent with the preliminary data that we announced in December 2009, 70% of the 30 subjects enrolled in the phase 2 clinical trial of PH-10 for psoriasis demonstrated improvement in their Psoriasis Severity Index (PSI) scores at the end of four weeks of daily treatment with PH-10. In addition, 86% of subjects reported no or only mild pruritus (itching) by week four of the trial, and no significant safety issues were noted. At the four-week interval substantial improvement was observed across all standard disease assessment scores.

During 2010, we initiated a phase 2c clinical trial of PH-10 for psoriasis. This multicenter, randomized controlled phase 2c study enrolled 99 subjects at four different sites, which began in December 2010. The subjects were randomized sequentially by center to one of four treatment cohorts, and assessed efficacy and safety of topical PH-10 applied once daily to areas of mild to moderate plaque psoriasis. The primary efficacy endpoint was treatment success, a static endpoint assessed at day 29 after initial PH-10 treatment and defined as 0 or 1 on all Psoriasis Severity Index (PSI) components and 0 or 1 on the Plaque Response scale. The primary safety endpoint was incidence of adverse experiences, including pain and dermatologic/skin toxicity (incidence, severity, frequency, duration and causality). The secondary outcome measures were (i) Psoriasis Severity Index (PSI) score changes at each visit from day 1 pre-treatment, (ii) Plaque Response score changes at each visit from day 1 pre-treatment, and (iii) Pruritus Self-Assessment score changes at each visit from day 1 pre-treatment.

The phase 2c trial was conducted at four sites in the U.S. including the Mount Sinai School of Medicine in New York City, Wake Research Associates in Raleigh, North Carolina, Dermatology Specialists in Oceanside, California, and International Dermatology Research in Miami, Florida. With over 90 subjects, this trial is the largest dermatological trial that we have conducted to date.

The results of this study helped define the parameters necessary for the design of a pivotal phase 3 trial, and it was an important milestone on the regulatory pathway leading towards commercialization. In addition, we have held discussions with a number of potential out licensing partners, and we believe this phase 2c trial has further solidified the commercial viability of PH-10 in these discussions. We have also continued important toxicology research and development from 2012 into 2016 to prepare for a phase 3 study and to support possible filing of a New Drug Application filing.

In December 2014, we announced commencement of a phase 2 study of the mechanism of action of PH-10 in psoriasis. The purpose of the trial was to study the safety and efficacy of PH-10, a 0.005% preparation of Rose Bengal, in the treatment of psoriasis. Officially titled, A Phase 2 Study of Cellular and Immunologic Changes in the Skin of Subjects Receiving PH-10 Aqueous Hydrogel to Plaque Psoriasis, total enrollment was up to 30 patients. Subjects applied PH-10 vehicle daily for 28 consecutive days followed by active PH-10 daily for 28 consecutive days

to their plaque psoriasis areas on the trunk or extremities (excluding palms, soles, scalp, facial and intertriginous sites). Biopsies of one target plaque were collected at baseline (at least 7 days prior to first study treatment on Day 1) and at Days 29 and 64, with a 7-day interval between biopsy at Day 29 at the end of vehicle application and commencement of application of active PH-10 on Day 36. Study data from each subject serves as an internal control (i.e., with assessment at baseline and at the end of application of PH-10 vehicle) for evaluation of clinical and cellular response to active investigational agent.

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The multicenter study was designed to assess treated psoriatic plaque for changes in immunologic, structural and hyperproliferative state and for any evidence of cellular atypia when treated with PH-10 and to correlate observed changes in the skin with clinical response to treatment. These assessments may advance the understanding of the mechanism of action of PH-10 in psoriasis and other inflammatory dermatoses, such as atopic dermatitis, and further substantiate the safety profile of the agent. Biopsy specimens will be assessed for changes in epidermal hyperplasia (i.e., disordered condition of the skin creating thickening and scaling); infiltration with immune cells; and molecular markers of inflammation. Correlation of clinical response to these cellular and molecular changes will be performed at the plaque level using Psoriasis Severity Index (PSI) assessment data. Safety will be assessed by monitoring the frequency, duration, severity and attribution of clinical adverse events; evaluating changes in laboratory values and vital signs; and by correlation of clinical adverse events with observed histopathologic and immunohistopathologic changes in the skin.

By capturing data at the clinical and cellular level, we expect this study to allow us to establish how PH-10 affects psoriatic plaque and other similar inflammatory diseases of the skin, and to relate the safety profile from earlier studies to such effects. We believe that understanding these effects with this level of detail will allow us to properly position PH-10 within the competitive landscape and should provide crucial safety data to support extended dosing. We expect this effort to provide a comparable level of understanding of the effects of PH-10 in diseased skin to the keen insight we have gained through our clinical and nonclinical mechanism studies of PV-10, our novel investigational cancer drug, in melanoma and other cancers. Because there are no good model systems for psoriasis, we believe this study affords a critical opportunity to link the clinical effects we have observed to changes in well-established immunologic drivers of the disease. The clinical portion of the study was performed at three centers in the United States. The first patient entered the study in January 2015, and the last patient completed clinical activities in December 2015. Preliminary analysis of biopsy specimens was completed in April 2016, and advanced immunologic profiling of clinical samples obtained is ongoing. This work is expected to be completed in late 2016 or early 2017. We will use data from this study to guide further development of PH-10 with our objective to co-develop or license PH-10 with dermatological partner as we continue to prepare to advance PH-10 for approval as topical anti-inflammatory non-steroidal agent for treating psoriasis and other inflammatory dermatoses.

Atopic Dermatitis

Atopic Dermatitis, the most severe and common type of eczema, is a long-term skin disease that causes dry and itchy skin, rashes on the face, inside the elbows, behind the knees, and on the hands and feet. Scratching of the afflicted skin can cause redness, swelling, cracking, weeping clear fluid, crusting, thick skin, and scaling. According to the National Eczema Association, physicians estimate that 65% of eczema patients are diagnosed in the first year of life and 90% of patients experience it before age five. Often the symptoms fade during childhood, though most will have atopic dermatitis for life. The National Eczema Association estimates that atopic dermatitis affects over 30 million Americans.

In 2008, we initiated a phase 2 study of PH-10 for the treatment of atopic dermatitis. This phase 2 study assessed whether topical PH-10 applied once daily to mild, moderate or severe atopic dermatitis may ameliorate inflammation of the skin when activated by ambient light. The subjects applied PH-10 daily for 28 days to skin areas affected by atopic dermatitis. The subjects were assessed weekly during the treatment period and for four weeks following the treatment period. The primary outcome measures were (i) treatment success, defined as a score of 0 to 1 at day 28, the end of the study treatment period, by the Investigator s Global Assessment (IGA) scoring system for atopic dermatitis status, and (ii) adverse experience, including pain and dermatologic/skin toxicity (incidence, severity, frequency, duration and causality) during the eight weeks following treatment.

Data from the subjects indicated that a substantial majority of subjects had improvement in the Eczema Area Severity Index (EASI) during four weeks of treatment. The treatments were generally well tolerated with no significant safety issues identified. At the four-week interval substantial improvement was observed across all standard disease assessment scores. We have also continued important toxicity study research and development

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in 2012 through 2015 and thus far in 2016 to prepare for continued development in this indication and to support a New Drug Application filing.

Other Indications

We have investigated the use of PH-10 for treatment of actinic keratosis (also called solar keratosis or senile keratosis), which is the most common pre-cancerous skin lesion among fair-skinned people and is estimated to occur in over 50% of elderly fair-skinned persons living in sunny climates. We have previously conducted a phase 1 clinical trial of PH-10 for actinic keratosis to examine the safety profile of a single treatment using topical PH-10 with green light photoactivation. No significant safety concerns were identified in the study. We have decided to prioritize further clinical development of PH-10 for treatment of psoriasis and atopic dermatitis rather than actinic keratosis at this time since the market is much larger for psoriasis and atopic dermatitis.

We have also conducted pre-clinical studies of PH-10 for use in treating severe acne vulgaris. Moderate to severe forms of the disease have proven responsive to several photodynamic regimens, and we anticipate that PH-10 can be used as an advanced treatment for this disease. Our pre-clinical studies show that the active ingredient in PH-10 readily kills bacteria associated with acne. This finding, coupled with our clinical experience in psoriasis, atopic dermatitis, and actinic keratosis, suggests that therapy with PH-10 should exhibit no significant side effects and could afford improved performance relative to other therapeutic alternatives. If correct, this would be a major advance over currently available products for severe acne.

The active ingredient in PH-10 is photoactive in that it reacts to light of certain wavelengths thereby potentially increasing its therapeutic effects. We believe that photodynamic treatment regimens can deliver a higher therapeutic effect at lower dosages of active ingredient, thus minimizing potential side effects including damage to nearby healthy tissues. PH-10 is especially responsive to green light, which is strongly absorbed by the skin and thus only penetrates the body to a depth of about three to five millimeters. For this reason, in the past we have investigated PH-10 combined with green-light activation, for topical use in surface applications where serious damage could result if medicinal effects were to occur in deeper tissues.

Over-the-Counter Pharmaceuticals

We have designated our subsidiary that holds our OTC products, GloveAid and Pure-ific, Pure-Stick, Pure N Clear as non-core. The potential further development and licensure of our OTC products would likely be facilitated by selling a majority stake of the underlying assets of the non-core subsidiary holding the OTC products. This transaction would likely be accomplished through a non-core spin-out process, which would enable the non-core subsidiary to become a separate publicly held company. The new public entity could then raise funds without diluting the ownership of the then current stockholders of the Company, although there can be no assurance that this process will occur.

GloveAid

Personnel in many occupations and industries now use disposable gloves daily in the performance of their jobs, including airport security personnel, food handling and preparation personnel, health care workers such as hospital and blood bank personnel, laboratory researchers, police, fire and emergency response personnel, postal and package delivery handlers and sorters, and sanitation workers.

Accompanying the increased use of disposable gloves is a mounting incidence of chronic skin irritation. To address this market, we have developed GloveAid, a hand cream with both antiperspirant and antibacterial properties, to increase the comfort of users hands during and after the wearing of disposable gloves. During 2003, we ran a pilot scale run at the manufacturer of GloveAid.

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Pure-ific

Our Pure-ific line of products includes two quick-drying sprays, Pure-ific and Pure-ific Kids, that immediately kill up to 99.9% of germs on skin and prevent regrowth for six hours. We have determined the effectiveness of Pure-ific based on our internal testing and testing performed by Paratus Laboratories H.B., an independent research lab. Pure-ific products help prevent the spread of germs and thus complement our other OTC products designed to treat irritated skin or skin conditions such as acne, eczema, dandruff and fungal infections. Our Pure-ific sprays have been designed with convenience in mind and are targeted towards mothers, travelers, and anyone concerned about the spread of sickness-causing germs. During 2003 and 2004, we identified and engaged sales and brokerage forces for Pure-ific. We emphasized getting sales in independent pharmacies and mass (chain stores) markets. The supply chain for Pure-ific was established with the ability to support large-scale sales and a starting inventory was manufactured and stored in a contract warehouse/fulfillment center. In addition, a website for Pure-ific was developed with the ability for supporting online sales of the antibacterial hand spray. During 2005 and 2006, most of our sales were generated from customers accessing our website for Pure-ific and making purchases online. We discontinued our proof-of-concept program in November 2006 and have, therefore, ceased selling our OTC products. We now intend to license the Pure-ific product, a strategy we have been discussing with interested groups. Additionally, we also intend to sell a majority stake in the underlying assets via a non-core spin-out transaction, as discussed below.

On December 15, 2011, we sold Units to accredited investors which included shares of common stock in Pure-ific and a warrant to purchase 3/4 of a share of the Company s common stock. A total of 666,666 Units were sold for gross proceeds of $500,000 resulting in the sale of a 33% non-controlling interest in Pure-ific. At the time of the sale and as of December 31, 2011, the carrying value of the net assets in Pure-ific was $0. The sale also resulted in the issuance of warrants to purchase 500,000 shares of the Company s common stock at an exercise price of $1.25 per share with a five-year term. We intend to use the proceeds, after deducting offering expenses of approximately $56,500, to spin-off Pure-ific as a new publicly-traded company, a process we have initiated but have not yet completed. Network 1 Financial Securities, Inc., served as placement agent for the offering.

Acne

Our acne products Pure-Stick and Pure N Clear work by decreasing the production of fats, oils and sweat that create an environment conducive to unchecked growth of bacteria. Secondly, the products also act to reduce the number of bacteria already present. Pure-Stick and Pure N Clear represent new formulations of proven, safe ingredients that achieve both steps required to successfully treat acne. Since Pure-Stick and Pure N Clear are applied topically to affected areas there are no safety concerns with healthy skin. The unique combinations have allowed the Company to secure patent protection for these products.

Medical Devices

We have non-core medical device technologies that we believe may address two major markets:

- cosmetic treatments, such as reduction of wrinkles and elimination of spider veins and other cosmetic blemishes; and

therapeutic uses, including photoactivation of PH-10, other prescription drugs and non-surgical destruction of certain skin cancers.

We expect to further develop our non-core medical devices through partnerships with, or selling our assets to, third-party device manufacturers or, if appropriate opportunities arise, through acquisition of one or more device manufacturers. Additionally, we also intend to sell a majority stake in the underlying assets via a non-core spin-out transaction.

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Laser-Based Treatment of Melanoma

We have conducted extensive research on ocular melanoma at the Massachusetts Eye and Ear Infirmary (a teaching affiliate of Harvard Medical School) using a new laser treatment that may offer significant advantage over current treatment options. A single quick non-invasive treatment of ocular melanoma tumors in a rabbit model resulted in elimination of over 90% of tumors, and may afford significant advantage over invasive alternatives, such as surgical excision, enucleation, or radiotherapy implantation. Ocular melanoma is rare, with approximately 2,000 new cases annually in the U.S., but based on these results, we believe that a device for laser treatment of melanomas of the eye is nearly ready for human studies. We anticipate partnering with, or selling our assets to, a medical device manufacturer to bring it to market in reliance on a 510(k) notification. For more information about the 510(k) notification process, see Federal Regulation of Therapeutic Products below.

Research and Development

We continue to actively develop projects that are product-directed and are attempting to conserve available capital and achieve full capitalization of our company through equity and convertible debt offerings, generation of product revenues, and other means. All ongoing research and development activities are directed toward maximizing shareholder value and advancing our corporate objectives in conjunction with our OTC product licensure, our current product development and maintaining our intellectual property portfolio.

Research and development costs of $2,461,407 for the three months ended September 30, 2016 included amortization of patents of $167,780, payroll of $206,563, consulting and contract labor of $1,866,360, legal of $109,828, insurance of $65,772, lab supplies and pharmaceutical preparations of $23,975, rent and utilities of $18,195, and depreciation expense of $2,934. Research and development costs of $2,864,331 for the three months ended September 30, 2015 included amortization of patents of $167,780, payroll of $542,851, consulting and contract labor of $1,538,362, legal of $11,664, insurance of $60,598, lab supplies and pharmaceutical preparations of $517,529, rent and utilities of $22,256, and depreciation expense of $3,291. Research and development costs of $6,874,353 for the nine months ended September 30, 2016 included amortization of patents of $503,340, payroll of $737,704, consulting and contract labor of $5,054,234, legal of $256,238, insurance of $177,567, lab supplies and pharmaceutical preparations of $63,718, rent and utilities of $71,626, and depreciation expense of $9,926. Research and development costs of $7,537,440 for the nine months ended September 30, 2015 included amortization of patents of $503,340, payroll of $1,372,200, consulting and contract labor of $4,142,207, legal of $222,623, insurance of $127,432, lab supplies and pharmaceutical preparations of $1,096,333, rent and utilities of $63,636, and depreciation expense of $9,669.

Research and development costs totaling $10,708,569 for 2015 included payroll of $2,292,710, consulting and contract labor of $6,652,406, lab supplies and pharmaceutical preparations of $1,115,140, legal of $358,582, insurance of $189,358, rent and utilities of $87,208, and depreciation expense of $13,165. Research and development costs totaling $5,137,927 for 2014 included payroll of $1,395,321, consulting and contract labor of $2,355,780, lab supplies and pharmaceutical preparations of $790,653, legal of $384,061, insurance of $115,957, rent and utilities of $87,623, and depreciation expense of $8,532. Research and development costs totaling $3,595,555 for 2013 included payroll of $1,459,057, consulting and contract labor of $1,317,472, lab supplies and pharmaceutical preparations of $310,160, legal of $262,720, insurance of $161,268, rent and utilities of $78,512, and depreciation expense of $6,366.

Production

We have determined that the most efficient use of our capital in further developing our OTC products is to license the products. We have been discussing this strategy with interested groups. Additionally, we also intend to sell a majority stake in the underlying assets via a non-core spin-out transaction.

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Sales

We have not had any significant sales of any of our OTC products, though we commenced limited sales of Pure-ific, our antibacterial hand spray in 2004 through 2006, in a proof-of-concept program. We discontinued our proof-of-concept program in 2006 and have, therefore, ceased selling our OTC products. We will continue to seek additional markets for our products through existing distributorships that market and distribute medical products, ethical pharmaceuticals, and OTC products for the professional and consumer marketplaces through licensure, partnership and asset sale arrangements, and through potential merger and acquisition candidates.

In addition to developing products ourselves, we are negotiating actively with a number of potential licensees for several of our intellectual properties, including patents and related technologies. To date, we have not yet entered into any licensing agreements; however, we anticipate consummating one or more such licenses in the future.

Intellectual Property

Patents

We hold a number of U.S. patents covering the technologies we have developed and are continuing to develop for the production of prescription drugs, non-core technologies and OTC pharmaceuticals. All patents material to an understanding of the Company are included and a cross reference to a discussion that explains the patent technologies and products is identified for each patent in the following table:

U.S. Patent No	Title and Cross Reference	Issue Date	Expiration Date
5,829,448	Method for improved selectivity in activation of molecular agents; see discussion under Medical Devices in Description of Business	November 3, 1998	October 30, 2016
5,832,931	Method for improved selectivity in photo-activation and detection of diagnostic agents; see discussion under Medical Devices in Description of Business	November 10, 1998	October 30, 2016
5,998,597	Method for improved selectivity in activation of molecular agents; see discussion under Medical Devices in Description of Business	December 7, 1999	October 30, 2016
6,042,603	Method for improved selectivity in photo-activation of molecular agents; see discussion under Medical Devices in Description of Business	March 28, 2000	October 30, 2016
6,331,286	Methods for high energy phototherapeutics; see discussion under Oncology in Description of Business	December 18, 2001	February 27, 2019
6,451,597	Method for enhanced protein stabilization and for production of cell lines useful production of such stabilized proteins; see discussion under Material Transfer Agreement in Description of Intellectual Property	September 17, 2002	April 6, 2020

6,468,777	Method for enhanced protein stabilization and for production of cell lines useful production of such stabilized proteins; see discussion under Material Transfer Agreement in Description of Intellectual Property	October 22, 2002	April 6, 2020
6,493,570	Method for improved imaging and photodynamic therapy; see discussion under Oncology in Description of Business	December 10, 2002	November 2, 2018

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6,495,360	Method for enhanced protein stabilization for production of cell lines useful production of such stabilized proteins; see discussion under Material Transfer Agreement in Description of Intellectual Property	December 17, 2002	April 6, 2020
6,519,076	Methods and apparatus for optical imaging; see discussion under Medical Devices in Description of Business	February 11, 2003	October 30, 2016
6,525,862	Methods and apparatus for optical imaging; see discussion under Medical Devices in Description of Business	February 25, 2003	October 30, 2016
6,541,223	Method for enhanced protein stabilization and for production of cell lines useful production of such stabilized proteins; see discussion under Material Transfer Agreement in Description of Intellectual Property	April 1, 2003	April 6, 2020
6,986,740	Ultrasound contrast using halogenated xanthenes; see discussion under Oncology in Description of Business	January 17, 2006	August 3, 2019
6,991,776	Intracorporeal medicaments for high energy phototherapeutic treatment of disease; see discussion under Oncology in Description of Business	January 31, 2006	February 24, 2019
7,036,516	Treatment of pigmented tissues using optical energy; see discussion under Medical Devices in Description of Business	May 2, 2006	October 30, 2016
7,201,914	Combination antiperspirant and antimicrobial compositions; see discussion under Over-the-Counter Pharmaceuticals in Description of Business	April 10, 2007	May 15, 2024
7,338,652	Diagnostic Agents for Positron Emission Imaging; see discussion under Oncology in Description of Business	March 4, 2008	November 2, 2018
7,346,387	Methods Of Improved Selectivity in Photo-Activation and Detection of Molecular Diagnostic Agents; see discussion under Medical Devices in Description of Business	March 18, 2008	October 30, 2016
7,353,829	Improved Methods and Apparatus For Multi-Photon Photo-Activation of Therapeutic Agents; see discussion under Medical Devices in Description of Business	April 8, 2008	October 30, 2016
7,384,623	A Radiosensitizer Agent comprising Tetrabromoerythrosin; see discussion under Oncology in Description of Business	June 10, 2008	October 30, 2016
7,390,668	Intracorporeal photodynamic medicaments for photodynamic treatment containing a halogenated xanthene or derivative; see discussion under Dermatology in Description of Business	June 24, 2008	October 30, 2016
7,402,299	Intracorporeal photodynamic medicaments for photodynamic treatment containing a halogenated xanthene or derivative; see discussion under Dermatology in Description of Business	July 22, 2008	September 1, 2017

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7,427,389	Diagnostic Agents for Positron Emission Imaging; see discussion under Oncology in Description of Business	September 23, 2008	October 30, 2016
7,648,695	Improved Medicaments for chemotherapeutic treatment of disease; see discussion under Oncology in Description of Business	January 19, 2010	October 30, 2016
7,863,047	Improved intracorporeal medicaments for photodynamic treatment of disease; see discussion under Dermatology in Description of Business	January 4, 2011	October 30, 2016
8,470,296	Improved intracorporeal medicaments for high energy photodynamic treatment of disease; see discussion under Dermatology in Description of Business	June 25, 2013	July 28, 2022
8,530,675	Process for the synthesis rose bengal and related xanthenes; see discussion under Oncology in Description of Business	September 10, 2013	April 21, 2031
8,557,298	Chemotherapeutic agents for cancer; see discussion under Oncology in Description of Business	October 15, 2013	October 30, 2016
8,974,363	Topical medicaments for disease; see discussion under Dermatology in Description of Business	March 10, 2015	December 2, 2019
9,107,887	Combination therapy for cancer; see discussion under Oncology in Description of Business	August 15, 2015	March 9, 2032
9,273,022	Process for the synthesis of 4,5,6,7-tetrachloro-3',6'-dihydroxy-2', 4', 5'7'-tetraiodo-3H-spiro[isobenzofuran-1,9'-xanthen]-3-one (Rose Bengal) and related xanthenes	March 1, 2016	September 17, 2030
9,422,260	Process for the synthesis of 4,5,6,7-tetrachloro-3',6'-dihydroxy-2',4',5',7'-tetraiodo-3H-spiro[isoben-zofuran-1,9'-xanthen]-3-one(Rose Bengal) and related xanthenes	August 23, 2016	September 26, 2030

We continue to pursue patent applications on numerous other developments we believe to be patentable. We consider our issued patents, our pending and patent applications, and any patentable inventions which we may develop to be extremely valuable assets of our business.

Material Transfer Agreement

We have entered into a Material Transfer Agreement dated as of July 31, 2003 with Schering-Plough Animal Health Corporation, which we refer to as SPAH , the animal-health subsidiary of Schering-Plough Corporation, a major international pharmaceutical company which is still in effect. Under the Material Transfer Agreement, we will provide SPAH with access to some of our patented technologies to permit SPAH to evaluate those technologies for use in animal-health applications. If SPAH determines that it can commercialize our technologies, then the Material Transfer Agreement obligates us and SPAH to enter into a license agreement providing for us to license those technologies to SPAH in exchange for progress payments upon the achievement of goals.

The Material Transfer Agreement covers four U.S. patents that cover biological material manufacturing technologies (i.e., biotech related). The Material Transfer Agreement continues indefinitely, unless SPAH terminates it by giving us notice or determines that it does not wish to secure from us a license for our technologies. The Material Transfer Agreement can also be terminated by either of us in the event the other party

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breaches the agreement and does not cure the breach within 30 days of notice from the other party. We cannot assure you that SPAH will determine that it can commercialize our technologies or that the goals required for us to obtain progress payments from SPAH will be achieved.

We have received no progress payments in relation to our Material Transfer Agreement with SPAH. Progress payments could potentially total $50,000 for the first cell line for which SPAH uses our technology and $25,000 for each use of the same technology thereafter. We do not know how many cell lines SPAH may have and we currently have no indication from SPAH that it intends to use any of our technologies in the foreseeable future.

Additionally, we also intend to sell a majority stake in these underlying assets via a non-core spin-out transaction.

Competition

In general, the pharmaceutical and biotechnology industries are intensely competitive, characterized by rapid advances in products and technology. A number of companies have developed and continue to develop products that address the areas we have targeted. Some of these companies are major pharmaceutical companies and biotechnology companies that are international in scope and very large in size, while others are niche players that may be less familiar but have been successful in one or more areas we are targeting. Existing or future pharmaceutical, device, or other competitors may develop products that accomplish similar functions to our technologies in ways that are less expensive, receive faster regulatory approval, or receive greater market acceptance than our products. Many of our competitors have been in existence for considerably longer than we have, have greater capital resources, broader internal structure for research, development, manufacturing and marketing, and are in many ways further along in their respective product cycles.

While it is possible that eventually we may compete directly with major pharmaceutical companies, we believe it is more likely that we will enter into joint development, marketing, or other licensure arrangements with such competitors. Eventually, we believe that we will be acquired.

We also have a number of market areas in common with traditional skincare cosmetics companies, but in contrast to these companies, our products are based on unique, proprietary formulations and approaches. For example, we are unaware of any products in our targeted OTC skincare markets that are similar to our Pure-ific product. Further, proprietary protection of our products may help limit or prevent market erosion until our patents expire.

Federal Regulation of Therapeutic Products

All of the prescription drugs we currently contemplate developing will require approval by the FDA prior to sales within the United States and by comparable foreign agencies prior to sales outside the United States. The FDA and comparable regulatory agencies impose substantial requirements on the manufacturing and marketing of pharmaceutical products and medical devices. These agencies and other entities extensively regulate, among other things, research and development activities and the testing, manufacturing, quality control, safety, effectiveness, labeling, storage, record keeping, approval, advertising and promotion of our proposed products. While we attempt to minimize and avoid significant regulatory bars when formulating our products, some degree of regulation from these regulatory agencies is unavoidable. Some of the things we do to attempt to minimize and avoid significant regulatory bars include the following:

Using chemicals and combinations already allowed by the FDA;

Using drugs that have been previously approved by the FDA and that have a long history of safe use; and

Using chemical compounds with known safety profiles.

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The regulatory process required by the FDA, through which our drug or device products must pass successfully before they may be marketed in the U.S., generally involves the following:

Pre-clinical laboratory and animal testing;

Submission of an application that must become effective before clinical trials may begin;

Adequate and well-controlled human clinical trials to establish the safety and efficacy of the product for its intended indication; and

FDA approval to market a given product for a given indication after the appropriate application has been filed. For pharmaceutical products, pre-clinical tests include laboratory evaluation of the product, its chemistry, formulation and stability, as well as animal studies to assess the potential safety and efficacy of the product. Where appropriate (for example, for human disease indications for which there exist inadequate animal models), we will attempt to obtain preliminary data concerning safety and efficacy of proposed products using carefully designed human pilot studies. We will require sponsored work to be conducted in compliance with pertinent local and international regulatory requirements, including those providing for Institutional Review Board approval, national governing agency approval and patient informed consent, using protocols consistent with ethical principles stated in the Declaration of Helsinki and other internationally recognized standards. We expect any pilot studies to be conducted outside the United States; but if any are conducted in the United States, they will comply with applicable FDA regulations. Data obtained through pilot studies will allow us to make more informed decisions concerning possible expansion into traditional FDA-regulated clinical trials.

If the FDA is satisfied with the results and data from pre-clinical tests, it will authorize human clinical trials. Human clinical trials typically are conducted in three sequential phases which may overlap. Each of the three phases involves testing and study of specific aspects of the effects of the pharmaceutical on human subjects, including testing for safety, dosage tolerance, side effects, absorption, metabolism, distribution, excretion and clinical efficacy.

Phase 1 clinical trials include the initial introduction of an investigational new drug into humans. These studies are closely monitored and may be conducted in patients, but are usually conducted in healthy volunteer subjects. These studies are designed to determine the metabolic and pharmacologic actions of the drug in humans, the side effects associated with increasing doses, and, if possible, to gain early evidence on effectiveness. While the FDA can cause us to end clinical trials at any phase due to safety concerns, phase 1 clinical trials are primarily concerned with safety issues. We also attempt to obtain sufficient information about the drug s pharmacokinetics and pharmacological effects during phase 1 clinical trial to permit the design of well-controlled, scientifically valid, phase 2 studies.

Phase 1 studies also evaluate drug metabolism, structure-activity relationships, and the mechanism of action in humans. These studies also determine which investigational drugs are used as research tools to explore biological phenomena or disease processes. The total number of subjects included in phase 1 studies varies with the drug, but is generally in the range of 20 to 80.

Phase 2 clinical trials include the early controlled clinical studies conducted to obtain some preliminary data on the effectiveness of the drug for a particular indication or indications in patients with the disease or condition. This phase of testing also helps determine the common short-term side effects and risks associated with the drug. Phase 2 studies are typically well-controlled, closely monitored, and conducted in a relatively small number of patients, usually involving up to several hundred people.

Phase 3 studies are expanded controlled and uncontrolled trials. They are performed after preliminary evidence suggesting effectiveness of the drug has been obtained in phase 2, and are intended to gather the additional information about effectiveness and safety that is needed to evaluate the overall benefit-risk relationship of the drug. Phase 3 studies also provide an adequate basis for extrapolating the results to the general

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population and transmitting that information in the physician labeling. Phase 3 studies usually include several hundred to several thousand people.

Applicable medical devices can be cleared for commercial distribution through a notification to the FDA under Section 510(k) of the applicable statute. The 510(k) notification must demonstrate to the FDA that the device is as safe and effective and substantially equivalent to a legally marketed or classified device that is currently in interstate commerce. Such devices may not require detailed testing. Certain high-risk devices that sustain human life, are of substantial importance in preventing impairment of human health, or that present a potential unreasonable risk of illness or injury, are subject to a more comprehensive FDA approval process initiated by filing a premarket approval, also known as a PMA, application (for devices) or accelerated approval (for drugs).

We have established a core clinical development team and have been working with outside FDA consultants to assist us in developing product-specific development and approval strategies, preparing the required submittals, guiding us through the regulatory process, and providing input to the design and site selection of human clinical studies.

The testing and approval process requires substantial time, effort, and financial resources, and we may not obtain FDA approval on a timely basis, if at all. Success in preclinical or early-stage clinical trials does not assure success in later-stage clinical trials. The FDA or the research institution conducting the trials may suspend clinical trials or may not permit trials to advance from one phase to another at any time on various grounds, including a finding that the subjects or patients are being exposed to an unacceptable health risk. Once issued, the FDA may withdraw a product approval if we do not comply with pertinent regulatory requirements and standards or if problems occur after the product reaches the market. If the FDA grants approval of a product, the approval may impose limitations, including limits on the indicated uses for which we may market a product. In addition, the FDA may require additional testing and surveillance programs to monitor the safety and/or effectiveness of approved products that have been commercialized, and the agency has the power to prevent or limit further marketing of a product based on the results of these post-marketing programs. Further, later discovery of previously unknown problems with a product may result in restrictions on the product, including its withdrawal from the market.

Marketing our products abroad will require similar regulatory approvals by equivalent national authorities and is subject to similar risks. To expedite development, we may pursue some or all of our initial clinical testing and approval activities outside the United States, and in particular in those nations where our products may have substantial medical and commercial relevance. In some such cases, any resulting products may be brought to the U.S. after substantial offshore experience is gained. Accordingly, we intend to pursue any such development in a manner consistent with U.S. and International Council of Harmonisation (ICH) standards so that the resultant development data is maximally applicable for potential global approval.

OTC products are subject to regulation by the FDA and similar regulatory agencies, but the regulations relating to these products are much less stringent than those relating to prescription drugs and medical devices. The types of OTC products developed and previously sold by us only require that we follow cosmetic rules relating to labeling and the claims that we make about our product. The process for obtaining approval of prescription drugs with the FDA does not apply to the OTC products, which we have sold. The FDA can, however, require us to stop selling our product if we fail to comply with the rules applicable to our OTC products.

Employees

We currently have three employees, all of whom are full-time employees, and an independent contractor, John R. Glass, our Interim Chief Financial Officer. We currently engage four full-time consultants, including a Director of Clinical Operations, a clinical data associate, a process chemist, and an information technology

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consultant. We also work with various vendors and disclose on our corporate website that we currently have human resources focused on our activities that equate to sixty (60) full-time equivalents, including our seven full-time employees and consultants.

Equity Issuances and Financing During 2015

During the three months ended March 31, 2015, we issued 75,000 shares of common stock to consultants in exchange for services. Consulting costs charged to operations were $64,000. During the three months ended March 31, 2015, we issued 3,000 fully vested warrants to consultants in exchange for services. Consulting costs charged to operations were $1,632. During the three months ended March 31, 2015, we completed a private offering of common stock and warrants to accredited investors for gross proceeds of $776,000. We received subscriptions, in the aggregate, for 776,000 shares of common stock and five year warrants to purchase 388,000 shares of common stock. Investors received five year fully vested warrants to purchase up to 50% of the number of shares purchased by the investors in the offering. The warrants have an exercise price of $1.25 per share. The purchase price for each share of common stock together with the warrants is $1.00. We used the proceeds for working capital and other general corporate purposes. Network 1 Financial Securities, Inc. served as placement agent for the offering. In connection with the offering, we paid $100,880 and issued five year fully vested warrants to purchase 77,600 shares of common stock with an exercise price of $1.25 to Network 1 Financial Securities, Inc., which represents 10% of the total number of shares of common stock subscribed for by investors solicited by Network 1 Financial Securities, Inc.

During the three months ended June 30, 2015, we issued 75,000 shares of common stock to consultants in exchange for services. Consulting costs charged to operations were $63,000. During the three months ended June 30, 2015, we issued 100,000 fully vested warrants to consultants in exchange for services. Consulting costs charged to operations were $53,582. During the three months ended June 30, 2015, we completed a private offering of common stock and warrants to accredited investors for gross proceeds of $1,011,100. We received subscriptions, in the aggregate, for 1,011,100 shares of common stock and five year warrants to purchase 505,550 shares of common stock. Investors received five year fully vested warrants to purchase up to 50% of the number of shares purchased by the investors in the offering. The warrants have an exercise price of $1.25 per share. The purchase price for each share of common stock together with the warrants is $1.00. We used the proceeds for working capital and other general corporate purposes. Network 1 Financial Securities, Inc. served as placement agent for the offering. In connection with the offering, we paid $131,443 and issued five year fully vested warrants to purchase 101,110 shares of common stock with an exercise price of $1.25 to Network 1 Financial Securities, Inc., which represents 10% of the total number of shares of common stock subscribed for by investors solicited by Network 1 Financial Securities, Inc.

During the three months ended September 30, 2015, we issued 78,877 shares of common stock to consultants in exchange for services. Consulting costs charged to operations were $38,439. During the three months ended September 30, 2015, we issued 79,500 fully vested warrants to consultants in exchange for services. Consulting costs charged to operations were $24,262.

During the three months ended December 31, 2015, we issued 76,750 shares of common stock to consultants in exchange for services. Consulting costs charged to operations were $37,375. During the three months ended December 31, 2015, we issued 1,766,202 fully vested warrants to consultants in exchange for services. Consulting costs charged to operations were $472,882.

The issuances of the securities were exempt from the registration requirements of the Securities Act of 1933 by virtue of Section 4(a)(2) and Rule 506 promulgated under Regulation D thereunder as transactions not involving a public

offering.

On June 24, 2015, we completed a public offering of common stock and warrants for gross proceeds of $13,151,250 (the Offering). The Offering consisted of 17,500,000 shares of common stock and warrants to

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purchase 17,500,000 shares of common stock with a public offering price of $0.75 for a fixed combination of one share of common stock and a warrant to purchase one share of common stock. Investors received five year fully vested warrants to purchase up to 100% of the number of shares purchased by the investors in the Offering. The warrants have an exercise price of $0.85 per share. At the closing, the underwriters exercised their over-allotment option with respect to warrants to purchase up to an additional 2,625,000 shares of common stock at $0.01 per warrant. The warrants issued in the Offering began trading on the NYSE MKT on June 22, 2015, under the ticker symbol PVCTWS. As of November 30, 2016, 28,482,344 Listed Warrants are outstanding, including the 7,798,507 Replacement Warrants discussed below under Equity Issuances and Financing During 2016 ; however, on October 13, 2016, NYSE MKT suspended trading in our common stock and Listed Warrants and commenced delisting procedures as a result of the abnormally low trading price of our common stock, which determination we are currently appealing. Effective October 17, 2016, our common stock and Listed Warrants trade on the OTCQB under the symbols PVCT and PVCTWS, respectively. We used the proceeds of the Offering for clinical development, working capital and general corporate purposes. Maxim Group LLC acted as sole book-running manager for the Offering. In connection with the Offering, we paid $1,052,100 to Maxim Group LLC.

Equity Issuances and Financing During 2016

During the three months ended March 31, 2016, we issued 51,745 shares of common stock to consultants in exchange for services. Consulting costs charged to operations were $20,163. During the three months ended March 31, 2016, 1,048,494 warrants expired.

During the three months ended June 30, 2016, 1,757,253 warrants expired. During the three months ended June 30, 2016, our employees forfeited 3,830,000 stock options due to the expiration of such options.

During the three months ended September 30, 2016, 53,500 warrants were forfeited.

As of December 28, 2015, we had outstanding warrants to purchase an aggregate of 59,861,601 shares of common stock, which were issued between January 6, 2011 and November 1, 2015 in transactions exempt from registration under the Securities Act (the Existing Warrants). Each Existing Warrant has an exercise price of between $1.00 and $3.00 per share, and expires between January 6, 2016 and November 1, 2020. On December 31, 2015, we offered pursuant to an Offer Letter/Prospectus 59,861,601 shares of our common stock for issuance upon exercise of the Existing Warrants. The shares issued upon exercise of the Existing Warrants are unrestricted and freely transferable. The Offer was to temporarily modify the terms of the Existing Warrants so that each holder who tendered Existing Warrants during the Offer Period for early exercise were able to do so at a discounted exercise price of $0.50 per share. Each Existing Warrant holder who tendered Existing Warrants for early exercise during the Offer Period received, in addition to the shares of common stock purchased upon exercise, an equal number of new warrants to purchase common stock, with an exercise price of $0.85 per share, expiring June 19, 2020 (the Replacement Warrants). The modification of the exercise price of the Existing Warrants and the Replacement Warrants are treated as an inducement to enter into the exchange offer and were accounted for as of the closing date. The exchange offer expired at 4:00 p.m., Eastern Time, on March 28, 2016. We accepted for purchase approximately 7,798,507 Existing Warrants properly tendered, resulting in the issuance of approximately 7,798,507 shares of common stock upon exercise of Existing Warrants and the issuance of approximately 7,798,507 Replacement Warrants, resulting in gross proceeds of $3,899,254 upon closing of the exchange offer. Maxim Group LLC and Network 1 Financial Securities, Inc. received a total of $264,214 in placement agent fees and 467,910 warrants with a cash exercise price of $0.85 per share which expire on June 19, 2020, unless sooner exercised. In connection with the exchange offer, a warrant incentive expense totaling $2,718,407 was recorded. The value was determined using the Black-Scholes

option-pricing model between the Existing Warrants exchanged and the common stock and Replacement Warrants received.

On May 13, 2016, we offered pursuant to an Offer Letter/Prospectus 51,149,594 shares of its common stock for issuance upon exercise of the Existing Warrants. The Offer was to temporarily modify the terms of the

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Existing Warrants so that each holder who tendered Existing Warrants during the Offer Period for early exercise were able to do so at a discounted exercise price of $0.75 per share. Each Existing Warrant holder who tendered Existing Warrants for early exercise during the Offer Period were to receive, in addition to the shares of common stock purchased upon exercise, an equal number of new warrants to purchase common stock, with an exercise price of $0.85 per share, expiring June 19, 2020 (the Replacement Warrants). The exchange offer expired at 4:00 p.m., Eastern Time, on July 28, 2016 with no warrants tendered.

On August 30, 2016, we closed a public offering of 240,000 shares of our Series B Preferred Stock (which were initially convertible into an aggregate of 24,000,000 shares of the our common stock), and August 2016 Warrants, which were initially exercisable to purchase an aggregate of 24,000,000 shares of common stock at an exercise price of $0.275 per share of common stock. The Series B Preferred Stock and August 2016 Warrants were sold together at a price of $25.00 for a combination of one share of Series B Preferred Stock and 100 August 2016 Warrants to purchase one share of common stock each, resulting in gross offering proceeds of $6,000,000 to us before the payment of placement agent fees and expenses related to the offering.

The conversion feature embedded within the Series B Preferred Stock was subject to anti-dilution price protection such that if the conversion price in effect on the Price Reset Date exceeded 85% of the average of the 45 lowest volume weighted average trading prices of the common stock during the period commencing on the date of issuance of the Series B Preferred Stock and ending on the Price Reset Date (as adjusted for stock splits, stock dividends, recapitalizations, reorganizations, reclassification, combinations, reverse stock splits or other similar events during such period), which we refer to as the Adjusted Conversion Price, then the conversion price shall be reset to the Adjusted Conversion Price and shall be further subject to adjustment as provided in the Certificate of Designation. In either case, if a holder of Series B Preferred Stock converted its shares of Series B Preferred Stock prior to any such price reset event, then such holder was entitled to receive additional shares of common stock equal to the number of shares of common stock that would have been issued assuming for such purposes the Adjusted Conversion Price were in effect at such time less the shares issued at the then Conversion Price (subject to being held in abeyance based on beneficial ownership limitations). On the Price Reset Date, the Adjusted Conversion Price was set at $0.0533 pursuant to the terms of the Certificate of Designation. Accordingly, on November 28, 2016, we issued holders who had previously converted their shares of Series B Preferred Stock 112,442,685 shares of common stock pursuant to the price reset provisions in the Certificate of Designation, and we are obligated to issue an additional 6,330,316 shares of common stock, which shares are currently being held in abeyance pursuant to beneficial ownership limitations.

The August 2016 Warrants expire on August 30, 2021. Pursuant to the terms of the August 2016 warrants, because the exercise price in effect on the Price Reset Date exceeded 85% of the average of the 45 lowest volume weighted average trading prices of the common stock during the period commencing on the date of issuance of the August 2016 Warrants and ending on the Price Reset Date (as adjusted for stock splits, stock dividends, recapitalizations, reorganizations, reclassification, combinations, reverse stock splits or other similar events during such period), which we refer to as the Adjusted Exercise Price, then (i) the exercise price was reset to the Adjusted Exercise Price (and without giving effect to any prior conversions) and shall be further subject to adjustment as provided in the August 2016 Warrants, and (ii) the number of shares of common stock issuable upon exercise of the August 2016 Warrants will be reset to equal the number of shares of common stock issuable upon conversion of Series B Preferred Stock after giving effect to the Adjusted Exercise Price. If a holder of August 2016 Warrants exercised its August 2016 Warrants prior to such repricing, then such holder was entitled to receive shares of common stock equal to the difference between the exercise price and the Adjusted Exercise Price. The exercise price of the August 2016 Warrants is subject to appropriate adjustment in the event of certain stock dividends and distributions, stock splits, stock combinations, reclassifications or similar events affecting the common stock. On the Price Reset Date, the

Adjusted Exercise Price was set at $0.0533 pursuant to the terms of the August 2016 Warrants. No holder of August 2016 Warrants had exercised its August 2016 Warrants prior to the Price Reset Date, so no additional shares of common stock were due to holders of August 2016 Warrants as of the Price Reset Date. Holders of August 2016 Warrants are entitled to exercise their August 2016 Warrants

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at the Adjusted Exercise Price and will receive an aggregate of 112,564,964 shares of common stock upon exercise of the August 2016 Warrants.

Properties

We currently lease approximately 6,000 square feet of space outside of Knoxville, Tennessee for our corporate office and operations. Our monthly rental charge for these offices is approximately $5,000 per month, and the lease is on an annual basis, renewable for one year at our option. We have a lease commitment of $15,000 as of September 30, 2016. We believe that these offices generally are adequate for our needs currently and in the immediate future.

Legal Proceedings

Except as described below, we are not involved in any legal proceedings nor are we party to any pending claims that we believe could reasonably be expected to have a material adverse effect on our business, financial condition, or results of operations.

Kleba Shareholder Derivative Lawsuit

On January 2, 2013, Glenn Kleba, derivatively on behalf of the Company, filed a shareholder derivative complaint in the Circuit Court for the State of Tennessee, Knox County (the Court), against H. Craig Dees, Timothy C. Scott, Eric A. Wachter, and Peter R. Culpepper (collectively, the Executives), Stuart Fuchs, Kelly M. McMasters, and Alfred E. Smith, IV (collectively, together with the Executives, the Individual Defendants), and against the Company as a nominal defendant (the Shareholder Derivative Lawsuit). The Shareholder Derivative Lawsuit alleged (i) breach of fiduciary duties, (ii) waste of corporate assets, and (iii) unjust enrichment, all three claims based on Mr. Kleba s allegations that the defendants authorized and/or accepted stock option awards in violation of the terms of the Company s 2002 Stock Plan (the Plan) by issuing stock options in excess of the amounts authorized under the Plan and delegated to defendant H. Craig Dees, the Former CEO, the sole authority to grant himself and the other Executives cash bonuses that Mr. Kleba alleges to be excessive.

In April 2013, the Company s Board of Directors appointed a special litigation committee to investigate the allegations of the Shareholder Derivative Complaint and make a determination as to how the matter should be resolved. The special litigation committee conducted its investigation, and proceedings in the case were stayed pending the conclusion of the committee s investigation. At that time, the Company established a reserve of $100,000 for potential liabilities because such is the amount of the self-insured retention of its insurance policy. On February 21, 2014, an Amended Shareholder Derivative Complaint was filed which added Don B. Dale (Mr. Dale) as a plaintiff.

On March 6, 2014, the Company filed a Joint Notice of Settlement (the Notice of Settlement) in the Shareholder Derivative Lawsuit. In addition to the Company, the parties to the Notice of Settlement are Mr. Kleba, Mr. Dale and the Individual Defendants.

On June 6, 2014, the Company, in its capacity as a nominal defendant, entered into a Stipulated Settlement Agreement and Mutual Release (the Settlement) in the Shareholder Derivative Lawsuit. In addition to the Company and the Individual Defendants, Plaintiffs Glenn Kleba and Don B. Dale are parties to the Settlement.

By entering into the Settlement, the settling parties resolved the derivative claims to their mutual satisfaction. The Individual Defendants have not admitted the validity of any claims or allegations and the settling plaintiffs have not

admitted that any claims or allegations lack merit or foundation. Under the terms of the Settlement, (i) the Executives each agreed (A) to re-pay to the Company $2.24 million of the cash bonuses they each received in 2010 and 2011, which amount equals 70% of such bonuses or an estimate of the after-tax

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net proceeds to each Executive; provided, however, that subject to certain terms and conditions set forth in the Settlement, the Executives are entitled to a 2:1 credit such that total actual repayment may be $1.12 million each; (B) to reimburse the Company for 25% of the actual costs, net of recovery from any other source, incurred by the Company as a result of the Shareholder Derivative Lawsuit; and (C) to grant to the Company a first priority security interest in 1,000,000 shares of the Company s common stock owned by each such Executive to serve as collateral for the amounts due to the Company under the Settlement; (ii) Drs. Dees and Scott and Mr. Culpepper agreed to retain incentive stock options for 100,000 shares but shall forfeit 50% of the nonqualified stock options granted to each such Executive in both 2010 and 2011. The Settlement also requires that each of the Executives enter into new employment agreements with the Company, which were entered into on April 28, 2014, and that the Company adhere to certain corporate governance principles and processes in the future. Under the Settlement, Messrs. Fuchs and Smith and Dr. McMasters have each agreed to pay the Company $25,000 in cash, subject to reduction by such amount that the Company s insurance carrier pays to the Company on behalf of such defendant pursuant to such defendant s directors and officers liability insurance policy. The Settlement also provides for an award to plaintiffs counsel of attorneys fees and reimbursement of expenses in connection with their role in this litigation, subject to Court approval.

On July 24, 2014, the Court approved the terms of the proposed Settlement and awarded $911,000 to plaintiffs counsel for attorneys fees and reimbursement of expenses in connection with their role in the Shareholder Derivative Lawsuit. The payment to plaintiff s counsel was made by the Company during October 2014 and was recorded as other current assets at December 31, 2014, as the Company is seeking reimbursement of the full amount from its insurance carrier. If the full amount is not received from insurance, the amount remaining will be reimbursed to the Company from the Individual Defendants. The amount was reclassed to long-term receivable at December 31, 2015. A reserve for uncollectibility of $227,750 was established at December 31, 2015 in connection with the resignation of the Former CEO. As of September 30, 2016, the Company has the net amount of the receivable of $683,250 included in long term assets on its condensed balance sheet.

On October 3, 2014, the Settlement was effective and stock options for the Former CEO, Dr. Scott and Mr. Culpepper were rescinded, totaling 2,800,000. $900,000 was repaid by the Executives as of December 31, 2015. The first year payment due has been paid. The remaining cash settlement amounts will continue to be repaid to the Company over a period of four years with the second payment due in total by October 2016 and the final payment is expected to be received by October 3, 2019. $150,000 was repaid by the Executives during the three months ended September 30, 2016, and a total of $450,000 was repaid for the nine months ended September 30, 2016. An additional $19,962 of the settlement discount was amortized as of September 30, 2016, and a total of $63,774 was amortized for the nine months ended September 30, 2016. $167,743 of the settlement discount was amortized as of September 30, 2016. The remaining balance due the Company as of September 30, 2016 is $2,125,509, including a reserve for uncollectibility of $870,578 in connection with the resignation of the Former CEO, with a present value discount remaining of $133,912. As a result of his resignation, the Former CEO is no longer entitled to the 2:1 credit, such that his total repayment obligation of $2,040,000 (the total $2.24 million owed by the Former CEO pursuant to the Settlement less the $200,000 that he repaid as of December 31, 2015) plus the Former CEO s proportionate share of the litigation costs is immediately due and payable. The Company sent the Former CEO a notice of default in March 2016 for the total amount he owes the Company.

Class Action Lawsuits

On May 27, 2014, Cary Farrah and James H. Harrison, Jr., individually and on behalf of all others similarly situated (the Farrah Case), and on May 29, 2014, each of Paul Jason Chaney, individually and on behalf of all others similarly situated (the Chaney Case), and Jayson Dauphinee, individually and on behalf of all others similarly situated (the

Dauphinee Case) (the plaintiffs in the Farrah Case, the Chaney Case and the Dauphinee Case collectively referred to as the Plaintiffs), each filed a class action lawsuit in the United States District Court for the Middle District of Tennessee against the Company, the Former CEO, Timothy C. Scott and Peter R. Culpepper (the Defendants) alleging violations by the Defendants of Sections 10(b) and 20(a) of the Exchange

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Act and Rule 10b-5 promulgated thereunder and seeking monetary damages. Specifically, the Plaintiffs in each of the Farrah Case, the Chaney Case and the Dauphinee Case allege that the Defendants are liable for making false statements and failing to disclose adverse facts known to them about the Company, in connection with the Company s application to the FDA for Breakthrough Therapy Designation (BTD) of the Company s melanoma drug, PV-10, in the Spring of 2014, and the FDA s subsequent denial of the Company s application for BTD.

On July 9, 2014, the Plaintiffs and the Defendants filed joint motions in the Farrah Case, the Chaney Case and the Dauphinee Case to consolidate the cases and transfer them to United States District Court for the Eastern District of Tennessee. By order dated July 16, 2014, the United States District Court for the Middle District of Tennessee entered an order consolidating the Farrah Case, the Chaney Case and the Dauphinee Case (collectively and, as consolidated, the Securities Litigation) and transferred the Securities Litigation to the United States District Court for the Eastern District of Tennessee.

On November 26, 2014, the United States District Court for the Eastern District of Tennessee (the Court) entered an order appointing Fawwaz Hamati as the Lead Plaintiff in the Securities Litigation, with the Law Firm of Glancy Binkow & Goldberg, LLP as counsel to Lead Plaintiff. On February 3, 2015, the Court entered an order compelling the Lead Plaintiff to file a consolidated amended complaint within 60 days of entry of the order.

On April 6, 2015, the Lead Plaintiff filed a Consolidated Amended Class Action Complaint (the Consolidated Complaint) in the Securities Litigation, alleging that Provectus and the other individual defendants made knowingly false representations about the likelihood that PV-10 would be approved as a candidate for BTD, and that such representations caused injury to Lead Plaintiff and other shareholders. The Consolidated Complaint also added Eric Wachter as a named defendant.

On June 5, 2015, Provectus filed its Motion to Dismiss the Consolidated Complaint (the Motion to Dismiss). On July 20, 2015, the Lead Plaintiff filed his response in opposition to the Motion to Dismiss (the Response). Pursuant to order of the Court, Provectus replied to the Response on September 18, 2015.

On October 1, 2015, the Court entered an order staying a ruling on the Motion to Dismiss pending a mediation to resolve the Securities Litigation in its entirety. A mediation occurred on October 28, 2015. On January 28, 2016, a settlement terms sheet (the Terms Sheet) was executed by counsel for the Company and counsel for the Lead Plaintiff in the consolidated Securities Litigation.

Pursuant to the Terms Sheet, the parties agree, contingent upon the approval of the court in the consolidated Securities Litigation, that the cases will be settled as a class action on the basis of a class period of December 17, 2013 through May 22, 2014. The Company and its insurance carrier agreed to pay the total amount of $3.5 million (the Settlement Funds) into an interest bearing escrow account upon preliminary approval by the court in the Consolidated Securities Litigation. The Company has determined that it is probable that the Company will pay $1.85 million of the total, which has been accrued at December 31, 2015 and was paid in March 2016. The insurance carrier will pay $1.65 million of the total directly to the plaintiff s trust escrow account and it will not pass through the Company. Notice will be provided to shareholder members of the class. Shareholder members of the class will have both the opportunity to file claims to the Settlement Funds and to object to the settlement. If the court enters final approval of the settlement, the Securities Litigation will be dismissed with full prejudice, the Defendants will be released from any and all claims in the Securities Litigation and the Securities Litigation will be fully concluded. If the court does not give final approval of the settlement, the Settlement Funds, less any claims administration expenses, will be returned to the Company and its insurance carrier.

A Stipulation of Settlement encompassing the details of the settlement and procedures for preliminary and final court approval was filed on March 8, 2016. The Stipulation of Settlement incorporates the provisions of the Terms Sheet and includes the procedures for providing notice to stockholders who bought or sold stock of the Company during the class period. The Stipulation of Settlement further provides for (1) the methodology of

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administering and calculating claims, final awards to stockholders, and supervision and distribution of the Settlement Funds and (2) the procedure for preliminary and final approval of the settlement of the Securities Litigation.

On April 7, 2016, the court in the Securities Litigation held a hearing on preliminary approval of the settlement, entered an order preliminarily approving the settlement, ordered that the class be notified of the settlement as set forth in the Stipulation of Settlement, and set a hearing on September 26, 2016 to determine whether the proposed settlement is fair, reasonable, and adequate to the class; whether the class should be certified and the plan of allocation of the Settlement Funds approved; whether to grant Lead Plaintiff s request for expenses and Lead Plaintiff s counsel s request for fees and expenses; and whether to enter judgment dismissing the Securities Litigation as provided in the Stipulation of Settlement. On September 16, 2016, the Lead Plaintiff notified the court that approximately 6,300 stockholders did not receive notification of the proposed settlement until late August 2016 because of the delayed receipt of potential Settlement Class Member information from a number of brokers. As a result, on September 22, 2016, the parties filed a joint motion requesting that the court extend the deadlines to file a Proof of Claim, request exclusion from the settlement, or file an objection to the settlement, and that the court schedule a continued settlement hearing. The court granted the motion, cancelling the settlement hearing that had been set for September 26 and re-setting the hearing to take place on December 12, 2016. On December 2, 2016, the Lead Plaintiffs counsel reported to the court that there have been no requests for exclusion from the settlement and no objections to the proposed settlement. If the settlement is not approved and consummated, the Company intends to defend vigorously against all claims in the Consolidated Complaint.

2014-2015 Derivative Lawsuits

On June 4, 2014, Karla Hurtado, derivatively on behalf of the Company, filed a shareholder derivative complaint in the United States District Court for the Middle District of Tennessee against the Former CEO, Timothy C. Scott, Jan E. Koe, Kelly M. McMasters, and Alfred E. Smith, IV (collectively, the Individual Defendants), and against the Company as a nominal defendant (the Hurtado Shareholder Derivative Lawsuit). The Hurtado Shareholder Derivative Lawsuit alleges (i) breach of fiduciary duties and (ii) abuse of control, both claims based on Ms. Hurtado s allegations that the Individual Defendants (a) recklessly permitted the Company to make false and misleading disclosures and (b) failed to implement adequate controls and procedures to ensure the accuracy of the Company s disclosures. On July 25, 2014, the United States District Court for the Middle District of Tennessee entered an order transferring the case to the United States District Court for the Eastern District of Tennessee and, in light of the pending Securities Litigation, relieving the Individual Defendants from responding to the complaint in the Hurtado Shareholder Derivative Lawsuit pending further order from the United States District Court for the Eastern District of Tennessee.

On October 24, 2014, Paul Montiminy brought a shareholder derivative complaint on behalf of the Company in the United States District Court for the Eastern District of Tennessee (the Montiminy Shareholder Derivative Lawsuit) against the Former CEO, Timothy C. Scott, Jan E. Koe, Kelly M. McMasters, and Alfred E. Smith, IV (collectively, the Individual Defendants). As a practical matter, the factual allegations and requested relief in the Montiminy Shareholder Derivative Lawsuit are substantively the same as those in the Hurtado Shareholder Derivative Lawsuit. On December 29, 2014, the United States District Court for the Eastern District of Tennessee (the Court) entered an order consolidating the Hurtado Shareholder Derivative Lawsuit and the Montiminy Derivative Lawsuit. On April 9, 2015, the United States District Court for the Eastern District of Tennessee entered an Order staying the Hurtado and Montiminy Shareholder Derivative Lawsuits pending a ruling on the Motion to Dismiss filed by the Company in the Securities Litigation.

On October 28, 2014, Chris Foley, derivatively on behalf of the Company, filed a shareholder derivative complaint in the Chancery Court of Knox County, Tennessee against the Former CEO, Timothy C. Scott, Jan E. Koe, Kelly M. McMasters, and Alfred E. Smith, IV (collectively, the Individual Defendants), and against the Company as a nominal defendant (the Foley Shareholder Derivative Lawsuit). The Foley Shareholder Derivative Lawsuit was brought by the same attorney as the Montiminy Shareholder Derivative Lawsuit, Paul

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Kent Bramlett of Bramlett Law Offices. Other than the difference in the named plaintiff, the complaints in the Foley Shareholder Derivative Lawsuit and the Montiminy Shareholder Derivative Lawsuit are identical. On March 6, 2015, the Chancery Court of Knox County, Tennessee entered an Order staying the Foley Derivative Lawsuit until the United States District Court for the Eastern District of Tennessee issues a ruling on the Motion to Dismiss filed by the Company in the Securities Litigation.

On June 24, 2015, Sean Donato, derivatively on behalf of the Company, filed a shareholder derivative complaint in the Chancery Court of Knox County, Tennessee against the Former CEO, Timothy C. Scott, Jan. E. Koe, Kelly M. McMasters, and Alfred E. Smith, IV (collectively, the Individual Defendants), and against the Company as a nominal defendant (the Donato Shareholder Derivative Lawsuit). Other than the difference in the named plaintiff, the Donato Shareholder Derivative Lawsuit is virtually identical to the other pending derivative lawsuits. All of these cases assert claims against the Defendants for breach of fiduciary duties based on the Company s purportedly misleading statements about the likelihood that PV-10 would be approved by the FDA. We are not in a position at this time to give you an evaluation of the likelihood of an unfavorable outcome, or an estimate of the amount or range of potential loss to the Company.

As a nominal defendant, no relief is sought against the Company itself in the Hurtado, Montiminy, Foley, and Donato Shareholder Derivative Lawsuits.

While the parties to the Securities Litigation were negotiating and documenting the Stipulation of Settlement in the Securities Litigation, the parties to the Hurtado, Montiminy, and Foley Shareholder Derivative Lawsuits, through counsel, engaged in settlement negotiations as well. On or about April 11, 2016, the parties entered into a Stipulation of Settlement, which was filed with the United States District Court for the Eastern District of Tennessee on April 29, 2016.

Pursuant to the Stipulation of Settlement, the parties agreed to settle the cases, contingent upon the approval of the court. The Company agreed to implement certain corporate governance changes, including the adoption of a Disclosure Controls and Procedures Policy, and to use its best efforts to replace one of its existing directors with an independent outside director by June 30, 2017. The Company agreed to pay from insurance proceeds the amount of $300,000 to plaintiffs counsel in the Hurtado, Montiminy, Foley, and Donato Shareholder Derivative Lawsuits. The insurance carrier will pay directly to the plaintiff s trust escrow account and it will not pass through the Company. Notice of the proposed settlement will be provided to shareholders as set forth in the Stipulation of Settlement. If the court enters final approval of the settlement, the Individual Defendants will be released from any and all claims in the Hurtado, Montiminy, Foley, and Donato Shareholder Derivative Lawsuits.

The United States District Court for the Eastern District of Tennessee preliminarily approved the settlement by order dated June 2, 2016. Pursuant to this court order, the notice to the class was filed with the Securities and Exchange Commission, published on the Company s website, and posted on plaintiffs counsel s websites by June 13, 2016. On August 26, 2016, the court held a final hearing on the fairness of the settlement and entered an order approving the settlement and dismissing the action with prejudice.

Collection Lawsuit

On May 5, 2016, the Company filed a lawsuit in the United States District Court for the Eastern District of Tennessee at Knoxville against the Former CEO and his wife, and together with the Former CEO, the Defendants). The Company alleges that between 2013 and the present, the Former CEO received approximately $2.4 million in

advanced or reimbursed travel and entertainment expenses from the Company and that the Former CEO did not use these funds for legitimate travel and entertainment expenses as he requested and the Company intended. Instead, the Company believes that the Former CEO created false receipts and documentation for the expenses and applied the funds to personal use. The Company and the Former CEO are parties to a Stipulated Settlement Agreement dated October 3, 2014 (the Kleba Settlement Agreement) that was

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negotiated to resolve certain claims asserted against the Former CEO derivatively. Pursuant to the terms of the Kleba Settlement Agreement, the Former CEO agreed to repay the Company compensation that was paid to him along with legal fees and other expenses incurred by the Company. As of the date of his resignation, the Former CEO still owed the Company $2,267,750 under the Kleba Settlement Agreement. The Former CEO has failed to make such payment, and the Company has notified him that he is in default and demanded payment in full. Therefore, the Company is alleging counts of conversion, fraud, breach of fiduciary duty, breach of contract, breach of Kleba Settlement Agreement, unjust enrichment and punitive damages in this lawsuit. We are seeking that the Defendants be prohibited from disposing of any property that may have been paid for with the misappropriated funds, the Defendants be disgorged of any funds shown to be fraudulently misappropriated and that the Company be awarded compensatory damages in an amount not less than $5 million. Furthermore, we are seeking for the damages to be joint and several as to the Defendants and that punitive damages be awarded against the Former CEO in our favor. We are also seeking foreclosure of our first-priority security interest in the 1,000,000 shares of common stock granted by Dr. Dees to the Company as collateral pursuant to that certain Stock Pledge Agreement dated October 3, 2014, between Dr. Dees and the Company in order to secure Dr. Dees obligations under the Kleba Settlement Agreement. The United States District Court for the Eastern District of Tennessee at Knoxville entered a default judgment against Dr. Dees on July 20, 2016; however, the Company cannot predict when these shares will be recovered by the Company. The Court recently issued a Temporary Restraining Order upon the Company s application for same upon notice that Dr. Dees was attempting to sell his shares of the Company s common stock. The Temporary Restraining Order was converted to a Preliminary Injunction on September 16, 2016, which order will remain in place until the trial of the underlying lawsuit absent further court order.

The Bible Harris Smith Lawsuit

On November 17, 2016, the Company filed a lawsuit in the Circuit Court for Knox County, Tennessee against Bible Harris Smith PC (BHS) for professional negligence, common law negligence and breach of fiduciary duty arising from accounting services provided by BHS to the Company. The Company alleges that between 2013 and the present, the Former CEO received approximately $2.4 million in advanced or reimbursed travel and entertainment expenses from the Company and that the Former CEO did not submit back-up documentation in support of substantially all of the advances he received purportedly for future travel and entertainment expenses. The Company further alleges that had BHS provided competent accounting and tax preparation services, it would have discovered the Former CEO s failure to submit back-up documentation supporting the advanced travel funds at the inception of the Former CEO s conduct, and prevented the misuse of these and future funds. The Company has made a claim for damages against BHS in an amount in excess of $3 million. The Complaint against BHS has been filed and served, but no Answer has been received.

Other Regulatory Matters

From time to time the Company receives subpoenas and/or requests for information from governmental agencies with respect to our business. We have received a subpoena from the staff of the Securities and Exchange Commission related to the travel expense advancements and reimbursements received by our Former CEO. At this time, the staff s investigation into this matter remains ongoing. The Company is cooperating with the staff but cannot predict with any certainty what the outcome of the foregoing may be.

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MANAGEMENT

Executive Officers and Directors

Name	Age	Position Held with Provectus
Peter R. Culpepper	57	Interim Chief Executive Officer and Chief Operating Officer
John R. Glass, CPA	73	Interim Chief Financial Officer
Timothy C. Scott, Ph.D.	58	President and Director
Eric A. Wachter, Ph.D.	54	Chief Technology Officer and Director
Jan E. Koe	66	Director
Alfred E. Smith IV	65	Director and Chairman of the Board
Kelly M. McMasters, PhD, MD	55	Director

There are no family relationships among our directors and executive officers. All directors are elected to hold office until the next annual meeting of stockholders following election and until their successors are duly elected and qualified. Executive officers are appointed by the Board of Directors and serve at the discretion of the Board.

Peter R. Culpepper, 57, serves as our Interim Chief Executive Officer (since February 2016) and Chief Operating Officer (since July 2008). Mr. Culpepper previously served as Chief Financial Officer from February 2004 to April 18, 2016. Previously, Mr. Culpepper served as Chief Financial Officer for Felix Culpepper International, Inc. from 2001 to 2004; was a Registered Representative with AXA Advisors, LLC from 2002 to 2003; has served as Chief Accounting Officer and Corporate Controller for Neptec, Inc. from 2000 to 2001; has served in various Senior Director positions with Metromedia Affiliated Companies from 1998 to 2000; has served in various Senior Director and other financial positions with Paging Network, Inc. from 1993 to 1998; and has served in a variety of financial roles in public accounting and industry from 1982 to 1993. Mr. Culpepper is a member of the AICPA and Financial Executives International and serves on the Accounting Council of Gerson Lehrman Group. He earned a Masters in Business Administration in Finance from the University of Maryland College Park in 1992. He earned an AAS in Accounting from the Northern Virginia Community College Annandale, Virginia in 1985. He earned a BA in Philosophy from the College of William and Mary Williamsburg, Virginia in 1982. He is a licensed Certified Public Accountant in both Tennessee and Maryland.

John R. Glass, CPA, 73, serves as our Interim Chief Financial Officer (since April 18, 2016). Mr. Glass is the President of J.R. Glass & Associates, a consulting firm he founded in 1990 to assist clients in the financial, operational and marketing segments of their business. In this role, his responsibilities have included, among others, preparation of periodic reports to be filed with the Securities and Exchange Commission and Sarbanes-Oxley compliance documentation. From January 2007 to May 2014, Mr. Glass served as controller for CytoCore, Inc. (OTCBB: CYOE) (now known as Medite Cancer Diagnostics Inc.), a late development stage bio molecular diagnostics company. His prior chief financial officer experience includes serving as Chief Financial Officer of U. S. RealTel, Inc., a publicly traded company in the telecommunications industry, Vice President and Chief Financial Officer of Health Charge Corporation, a financial services company in the health care industry, and Vice President and Chief Financial Officer of Aluminum Distributors, Inc., a metal processor and distributor. He also previously served as Vice President of Fulton Manufacturing Industries, Inc. and as a Manager at Grant Thornton LLP, a registered public accounting firm. Mr. Glass is chairman of the Plan Commission of Elk Grove Village, a member of the Illinois CPA Society and past chairman and member of the board of directors for the Greater O Hare Service Corporation. He received his B.B.A. in Accounting from Loyola University.

Timothy C. Scott, Ph.D., 58, 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 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 Oak Ridge National Laboratory. Dr. Scott earned a Ph.D. in Chemical Engineering from the University of Wisconsin Madison in 1985.

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Eric A. Wachter, Ph.D., 54, serves as our Chief Technology Officer since May 14, 2012 and as a member of our board of directors since February 29, 2016. Dr. Wachter previously served as Executive Vice President Pharmaceuticals and as a member of our board of directors since we acquired PPI on April 23, 2002 until May 14, 2012. 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 Oak Ridge National Laboratory. He earned a Ph.D. in Chemistry from the University of Wisconsin Madison in 1988.

Jan E. Koe, 66, has served as a member of our board of directors since May 14, 2012. Mr. Koe has a 30-year track record of success in consulting, asset management, real estate and public company governance, and has represented major insurance firms, national retailers and Fortune 500 companies. He is President of GoStar, which is the manager of Real Solutions Opportunity Fund 2005-I and Real Solutions Fund Management LLC and Real Solutions Investment LLC. He is also Principal of Method K Partners, Inc., a commercial real estate firm, which he founded in 1988. He has served on the Board of Directors of ONE Bio, Corp. where he was Chair of the Compensation Committee and a member of the Financial Audit Committee. He holds a degree in Business Administration and Psychology from Luther College.

Kelly M. McMasters, M.D., Ph.D., 55, has served as a member of our board of directors since June 9, 2008. Additionally, Dr. McMasters serves as chairman of our scientific advisory board. Dr. McMasters received his undergraduate training at Colgate University prior to completing the MD/PhD program at the University of Medicine and Dentistry of New Jersey, Robert Wood Johnson Medical School and Rutgers University. He then completed the residency program in General Surgery at the University of Louisville, and a fellowship in Surgical Oncology at M.D. Anderson Cancer Center in Houston. He is currently the Sam and Lolita Weakley Professor of Surgical Oncology at the University of Louisville in Kentucky, a position he has held since 1996. Since 2005, he has chaired the Department of Surgery at the University of Louisville and also has been Chief of Surgery at University of Louisville Hospital. Since 2000, he has also been Director of the Multidisciplinary Melanoma Clinic of the James Graham Brown Cancer Center at the University of Louisville. His is an active member of the surgery staff at the University of Louisville Hospital, Norton Hospital and Jewish Hospital in Louisville. He is on the editorial boards of the Annals of Surgical Oncology, Cancer Therapy and the Journal of Clinical Oncology as well as an ad hoc reviewer for 9 other publications. He holds several honors, chief among them is Physician of the Year awarded by the Kentucky Chapter of the American Cancer Society. He is the author and principal investigator (PI) of the Sunbelt Melanoma Trial, a multi-institutional study involving 3500 patients from 79 institutions across North America and one of the largest prospective melanoma studies ever performed. He has been a PI, Co-PI or local PI in over thirty clinical trials ranging from Phase 1 to Phase 3. For the past 12 years he has also directed a basic and translational science laboratory studying adenovirus-mediated cancer gene therapy funded by the American Cancer Society and the National Institutes of Health (NIH).

Alfred E. Smith, IV, 65, also known as Al, IV, is the Founder of AE Smith Associates, LLC and serves as its Chief Executive Officer. Mr. Smith served as a Senior Advisor for Kroll Bond Rating Agency; and K2 Global Consulting, N.A., LLC from 2008 to 2014. Mr. Smith served as Senior Managing Director of Bear Wagner Specialists LLC from April 2001 to 2006. Mr. Smith served as a Managing Director of Hunter Specialists LLC from January 1997 to April 2001. He served as a Partner of CMJ Partners, LLC, a firm he served at from 1979 to 1996. He served as Vice President of Mitchell, Hutchins & Co. from 1978 to 1979. Mr. Smith began his career on Wall Street as an independent broker on the New York Stock Exchange in 1972. He served as Chairman of Saint Vincents Catholic Medical Centers Of New York from 2006 to 2010. Mr. Smith was a Director of Genco Shipping & Trading Ltd from 2012 to 2014. He was an Independent Director of Rica Foods Inc. from 1994 to 2003. He served as Member of the

Strategic Advisory Board at Next Health, LLC from 2012 to 2014. Mr. Smith served as a member of the Board of Trustees of Iona Prep School, Saint Agnes Hospital, and Lady of Mercy Medical Center. He served as Director of Saint Vincent Catholic Medical Centers from 1986 to 2012. He founded Hackers for Hope in 1989 and has been its Chairman since 1989. He serves as Dinner Chairman, Secretary and Director of the Alfred Emanuel Smith Memorial Foundation. Mr. Smith is a Member of the Association of the Sovereign Military Order

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of Malta. He was a Member of the President s Council of Memorial Sloan Kettering Hospital from 1986 to 1996, and is a Member of the New York City Advisory Board of the Enterprise Foundation. Mr. Smith serves on the boards of directors of the Tony Blair Faith Foundation and Mutual of America Capital Management LLC. He was Director at the Catholic Youth Organization until 1997. He has been the Chairman of the Cardinal s Committee for the Laity-Wall Street Division since 1985. He has received numerous awards for his charity humanitarian work, including Wall Street 50 Honoree Humanitarian Award, Terence Cardinal Cooke Center in 1999; Man of the Year Award at Iona Prep in 1986, Club of Champions Gold Medal Award of the Catholic Youth Organization, Ellis Island Medal of Honor, the National Brotherhood Award of the National Conference of Christians and Jews, the Graymoor Community Service Award by the Franciscan Friars of the Atonement, the American Cancer Society s Gold Sword of Hope Award, and the Terence Cardinal Cooke Humanitarian Award by Lady of Mercy Medical Center. Mr. Smith attended Villanova University.

Board Leadership Structure

Our Board of Directors consists of five members, Timothy C. Scott, Eric Wachter, Jan E. Koe, Kelly M. McMasters and Alfred E. Smith, IV. Mr. Smith serves as chairman of our Board of Directors effective February 27, 2016. H. Craig Dees served as our Chief Executive Officer and Chairman of the Board of Directors until his resignation effective February 27, 2016. Three members of our Board of Directors, Mr. Koe, Dr. McMasters and Mr. Smith, are considered independent under the independence standards of the NYSE MKT.

We believe that it was appropriate to separate the positions of Chairman and Chief Executive Officer following Dr. Dees resignation because this new leadership structure enhances the ability of our Board of Directors to ensure that the appropriate level of independent oversight is applied to all management decisions and avoids any potential conflicts of interest. It also permits our Interim Chief Executive Officer, who has served in that capacity for only seven months, to focus on Company operations while our Chairman can focus on critical Board matters. Our entire Board of Directors is responsible for our risk oversight function due to the fact that we have only three employees, two of whom are members of our Board of Directors, and an independent contractor serving as our Interim Chief Financial Officer.

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

The primary objectives of our compensation committee with respect to executive compensation are to attract, retain, and motivate the best possible executive talent. Our focus is to tie short- and long-term cash and equity incentives to achievement of measurable corporate and individual performance objectives, and to align our executive officers incentives with stockholder value creation. To achieve these objectives, our compensation committee has maintained, and continues to develop, compensation plans that tie a substantial portion of executives overall compensation to our scientific, medical and clinical milestones. Our compensation committee has reviewed these compensation practices and now also takes into consideration commercial and operational performance in addition to our scientific, medical and clinical milestones in determining the amount and types of compensation awarded to our executive officers.

Our compensation committee has a pay-for-performance compensation philosophy, which is intended to bring base salaries and total executive compensation in line to ensure the competitiveness of the compensation packages we provide to our named executive officers. In 2012, we undertook a comprehensive review of our executive compensation practices with respect to compensation of our executive officers, other than base salaries, which

remained the same. We undertook this review because we had completed certain scientific, medical and clinical milestones, which was the basis for executive compensation (other than base salaries) until April 30, 2012. As a result of this review and feedback we received from our stockholders with respect to our executive compensation practices, we decided to eliminate, on a temporary basis, the payment of cash bonuses as part of our compensation package for executive officers after April 30, 2012. We determined at that time that any cash bonuses that the compensation committee awarded in the future would be made with the consideration of commercial and operational performance milestones, achievement of specific scientific, medical and clinical

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milestones, as well as peer company compensation data. Based on the Company s achievement of those specified scientific, medical and clinical milestones, the compensation committee approved cash bonuses in 2015 of $200,000 to each of our named executive officers.

We work within the framework of this pay-for-performance philosophy to determine each component of an executive officer s initial compensation package based on numerous factors, including:

- the individual s particular background and circumstances, including training and prior relevant work experience;
- the individual s role with us and the compensation paid to similar persons in the companies represented in the compensation data that we review;
- the demand for individuals with the individual s specific expertise and experience at the time of hire;
- performance goals and other expectations for the position;
- comparison to other executive officers within our company having similar levels of expertise and experience; and
- uniqueness of industry skills.

Our compensation committee has also maintained an annual performance management program, under which annual performance goals are determined and set forth in writing at the beginning of each calendar year for the company as a whole. These corporate goals specify the achievement of specific scientific, medical and clinical milestones. The named executive officers propose these annual corporate performance goals to the compensation committee for its review and approval. Any bonuses, and any stock option awards granted to our employees are tied to the achievement of these corporate goals, including each individual s contribution to the achievement of those specific corporate goals.

Our compensation committee, which is composed solely of independent directors, makes all compensation decisions for our executive officers.

Compensation Consultant

In 2015, to assist the compensation committee in assessing the market competitiveness of our compensation program and establishing executive officer and director compensation for 2016, the compensation committee retained Pearl Meyer, which is a nationally recognized compensation consulting firm, to:

compile market data and business performance statistics of comparable companies for compensation committee comparison and review;

assist in establishing a peer group of companies;

summarize trends and developments affecting executive compensation;

provide guidance on compensation structure as well as levels of compensation for our executive officers and directors;

review equity compensation grant practices and other topics as requested by the compensation committee; and

report directly to the compensation committee and participate in compensation committee meetings as requested by the compensation committee.

The compensation committee has the sole authority to establish the nature and scope of Pearl Meyer s engagement, to approve Pearl Meyer s fees and to terminate Pearl Meyer s engagement. Pearl Meyer does not provide any services to Provectus other than those requested by the compensation committee with respect to executive and director compensation. Based on these considerations, the compensation committee has

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determined that the advice it receives from Pearl Meyer is independent and objective. All of the decisions with respect to determining the amount or form of compensation for our named executive officers and directors are made by the compensation committee and may reflect factors and considerations other than the information and advice provided by Pearl Meyer.

While the compensation committee retained Pearl Meyer to provide guidance on compensation structure as well as levels of compensation for our executive officers and directors, the compensation committee has not yet made any changes to our executive officer or director compensation structure.

Compensation Components

The components of our compensation package are as follows:

Base Salary & Employment Agreements

We pay salaries to provide fixed compensation for the daily responsibilities of our named executive officers.

On April 28, 2014, we entered into amended and restated executive employment agreements with each of H. Craig Dees, Ph.D., Peter R. Culpepper, Timothy C. Scott, Ph.D., and Eric A. Wachter, Ph.D., to serve as our Chief Executive Officer, Chief Financial Officer and Chief Operating Officer, President, and Chief Technology Officer, respectively. Each agreement provides that such named executive officer will be employed for a five-year term with automatic one-year renewals unless previously terminated pursuant to the terms of the agreement or either party gives notice that the term will not be extended. Each named executive officer s initial base salary is $500,000 per year and any increases to such base salary shall be determined by the compensation committee in its sole discretion. Named executive officers are also eligible for annual bonuses and annual equity incentive awards as determined by the compensation committee in its sole discretion. Named executive officers are entitled to reimbursement for all reasonable out-of-pocket expenses incurred during their performance of services under the agreements. Our named executive officers will be entitled to the payments upon termination of their employment, with or without a change of control, as described under the heading Potential Payments upon Termination or Change in Control below. The employment agreements for our named executive officers also include non-competition, non-solicitation and confidentiality obligations. Prior to April 28, 2014, each of our named executive officers was a party to an executive employment agreement with substantially similar terms as the agreements entered into on April 28, 2014. Effective February 27, 2016, Dr. Dees resigned from his position as Chief Executive Officer and Chairman of the Board of Directors and his employment agreement was terminated.

Bonus Awards

Our compensation committee terminated our former longevity bonus policy effective April 30, 2012 as a result of several considerations, including but not limited to feedback we received from our ongoing communications with our stockholders about our executive compensation practices. We did not award any cash bonuses to our named executive officers in 2013 or 2014, but the compensation committee awarded cash bonuses in 2015 to each of our named executive officers in the amount of $200,000 based on the Company s achievement of such pre-established scientific, medical and clinical milestones.

401(k) Profit Sharing Plan and Other Benefits

Our named executive officers participate in our 401(k) Profit Sharing Plan, which was formed in 2010. Contributions to the 401(k) Profit Sharing Plan by us are discretionary. Contributions by us in 2013 totaled approximately $226,000. Contributions by us in 2014 totaled approximately $320,000. Contributions by us in 2015 totaled approximately $212,000. We maintain broad-based benefits that are provided to all employees, including health insurance, life and disability insurance, dental insurance, and a vacation policy that requires a minimum amount of vacation time used but provides for cash compensation in lieu of vacation taken if appropriate.

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Long-Term Incentives

We believe that long-term performance is achieved through an ownership culture that encourages long-term participation by our executive officers in equity-based awards. Our Amended and Restated 2002 Stock Plan, or our 2002 Stock Plan, allowed the grant to employees of stock options, restricted stock, and other equity-based awards. The 2002 Stock Plan expired by its terms on April 22, 2012. At the 2012 annual meeting of stockholders, our stockholders approved the 2012 Stock Plan, which replaced the 2002 Stock Plan. The 2012 Stock Plan allowed the grant to employees of stock options, restricted stock, and other equity-based awards. At the 2014 annual meeting of stockholders, our stockholders approved the Provectus Biopharmaceuticals, Inc. 2014 Equity Compensation Plan (the 2014 Equity Compensation Plan). The 2014 Equity Compensation Plan authorizes our Board of Directors to grant the following types of equity-based awards: (i) options that qualify as incentive stock options within the meaning of Section 422 of the Internal Revenue Code of 1986 (the Code), and (ii) options that do not qualify as incentive stock options under the Code (non-qualified stock options, and collectively with incentive stock options, options). We are authorized to grant options under the 2014 Equity Compensation Plan for up to 20,000,000 shares of our common stock. If any options granted under the 2014 Equity Compensation Plan are forfeited or terminated for any reason, the shares of common stock that were subject to the options will again be available for future distribution under the 2014 Equity Compensation Plan. We no longer issue any awards under the 2012 Stock Plan.

Our practice is to make periodic annual stock option awards as part of our overall performance management program, when approved by our compensation committee. Our compensation committee believes that stock options provide management with a strong link to long-term corporate performance and the creation of stockholder value. We intend that the periodic annual aggregate cumulative total of these awards will not exceed 10% of our fully diluted outstanding common stock. As is the case when the amounts of base salary and equity awards are determined, a review of all components of the executive officer s compensation is conducted when determining annual option awards to ensure that an executive officer s total compensation conforms to our overall philosophy and objectives. A pool of options is reserved for our non-employee directors to receive their annual grant and the pool of options is only increased for employees when approved by our stockholders.

Potential Payments Upon Termination or Change in Control

Each of the employment agreements for our named executive officers generally provides that in the event that the executive s employment is terminated (i) voluntarily by the executive without Good Reason (as defined in the respective employment agreement) or (ii) by the Company for Cause (as defined in the respective employment agreement), the Company shall pay the executive s compensation only through the last day of the employment period and, except as may otherwise be expressly provided, the Company shall have no further obligation to the executive. In the event that the executive s employment is terminated by the Company other than for Cause (including death or disability), or if the executive voluntarily resigns for Good Reason, for so long as the executive is not in breach of his continuing obligations under the non-competition, non-solicitation and confidentiality restrictions contained in such executive s employment agreement, the Company shall continue to pay the executive (or his estate) an amount equal to his base salary in effect immediately prior to the termination of his employment for a period of 24 months, to be paid in accordance with the Company s regular payroll practices through the end of the fiscal year in which termination occurs and then in one lump sum payable to the executive in the first month of the fiscal year following termination, as well as any prorated bonuses based upon the bonuses paid with regard to the prior fiscal year, plus benefits on a substantially equivalent basis to those which would have been provided to the executive in accordance with the terms of such benefit plans.

Under the terms of the Amended and Restated Executive Employment Agreement entered into by H. Craig Dees and the Company on April 28, 2014 (the Dees Agreement), Dr. Dees was owed no severance payments as a result of his resignation as the Company s Chief Executive Officer and Chairman of the Board of Directors effective February 27, 2016. Dr. Dees employment terminated due to his resignation without Good Reason (as that term is defined in the Dees Agreement). Under section 6 of the Dees Agreement (Effect of Termination) a resignation by Dr. Dees without Good Reason terminates any payments that would otherwise be due to Dr. Dees as of the last day of his employment.

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The following table shows the base salary compensation the named executive officers would have received under their employment agreements had a change in control occurred as of December 31, 2015 and had the named executive officers been terminated within six months following such change in control.

Name	Amount
H. Craig Dees, Ph.D.	$ 1,000,000
Timothy C. Scott, Ph.D.	1,000,000
Eric A. Wachter, Ph.D.	1,000,000
Peter R. Culpepper	1,000,000

Under the terms of our 2014 Equity Compensation Plan, prior to the occurrence of a change in control (as defined in the 2014 Equity Compensation Plan), and unless otherwise determined by our Board of Directors, any stock options outstanding on the date such change in control is determined to have occurred that are not yet exercisable and vested on such date shall become fully exercisable and vested. As of December 31, 2015, none of our named executive officers had outstanding unvested stock options.

Consideration and Effect of the Results of the Most Recent Stockholder Advisory Vote on Executive Compensation in Determining Compensation Policies and Decisions

In 2015, our compensation committee reviewed our compensation policies to ensure any bonuses and stock option grants are made with the consideration of commercial and operational performance milestones as well as peer company compensation data, in addition to the achievement of specific scientific, medical and clinical milestones. In determining executive compensation for 2015, our compensation committee considered our stockholders approval of our executive compensation at our June 19, 2015 Annual Meeting of Stockholders, as well as feedback we have received from ongoing communications with our stockholders. We will continue to consider stockholder feedback in the future with respect to both our stockholder advisory votes on executive compensation and informal feedback we receive from our stockholders.

Compensation-Related Risk Assessment

SEC regulations require that we assess our compensation policies and practices and determine whether those policies and practices are reasonably likely to result in a material adverse effect upon Provectus. Based upon a review by our Board of Directors and management of our compensation policies and practices, we have determined that our current compensation policies and practices are not reasonably likely to result in a material adverse effect on us. In reaching this conclusion, we considered the multiple performance metrics in the annual incentive plan, combination of short-term and longer-term incentives, using periodic stockholder approved equity grants, stock ownership guidelines for executive officers, clawback of compensation in event of restatement of financial statements in cases of fraud, and a further review of our compensation policies in the future to maximize stockholder value.

Conclusion

Our compensation policies are designed to retain and motivate our employees; namely, our executive officers, and to ultimately reward them for outstanding individual and corporate performance.

Compensation Committee Report on Executive Compensation

Our compensation committee has reviewed and discussed with management the Compensation Discussion and Analysis appearing in this Proxy Statement. Based on the review and discussions noted above, our Board of Directors recommended that the Compensation Discussion and Analysis be included in this Proxy Statement and incorporated by reference into our Annual Report on Form 10-K for the year ended December 31, 2015.

Jan E. Koe

Kelly M. McMasters

Alfred E. Smith, IV (Chairman)

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Recent Developments

Stockholders holding 57% of the shares voting on the non-binding advisory vote on the compensation of our named executive officers, which we refer to as Say on Pay, at our annual meeting of stockholders held on June 16, 2016 voted to approve the compensation paid to our named executive officers, while stockholders holding 39% of the shares voting on Say on Pay voted against such compensation. Although Say on Pay passed by a majority of the shares that were voted at the annual meeting, our compensation committee considers it significant that (i) stockholders holding less than 60% of the voting shares voted for Say on Pay and (ii) stockholders holding more than 35% of the voting shares voted against Say on Pay.

As a result of the results of the Say on Pay vote, our compensation committee immediately initiated and directed a comprehensive review of our compensation policies and practices. Our compensation committee had previously retained Pearl Meyer, an independent executive compensation consultant, to update the market pay analysis for executive officers and non-employee directors based on a review of peer group proxy statement filings and published compensation surveys. As part of its comprehensive review, our compensation committee studied the data provided by Pearl Meyer and met in executive session with Pearl Meyer to discuss Pearl Meyer s reports. Our compensation committee also conducted additional analysis on execute compensation for the peer companies identified by Pearl Meyer. Members of our compensation committee also reached out to certain of our stockholders representing approximately 10% of our outstanding shares of common stock to better understand the reasons for the relatively low percentage of for votes on Say on Pay and held direct conversations with each of these stockholders. The primary focus of these stockholder meetings was to seek specific feedback on executive compensation and review potential changes to existing compensation practices. The feedback received from these participating stockholders was incorporated into our compensation committee s discussion and determination of the changes to executive compensation.

Executive Compensation

The following is a summary of the material changes to our executive compensation and decisions made by our compensation committee in response to our compensation committee s comprehensive review and best practices:

2016 Base Salaries

Under each executive officer s employment agreement, the compensation committee has the sole discretion to increase each executive s base salary. The compensation committee opted not to increase the base salary for any of our executive officers in 2016.

Annual Cash Bonus Incentives

2015 cash bonuses. The compensation committee decided to defer any decision with respect to cash bonuses for our executive officers for 2015 performance until a later date.

Eligibility for 2016 cash bonuses. In prior years, decisions on cash bonuses were decided based upon achievement of only our goals, and all executive officers received the same bonus amount. In March 2016, management submitted our proposed corporate goals for 2016. The compensation committee thereafter determined that, in addition to corporate goals, the cash bonus for fiscal year 2016 will also be based upon the achievement of personal goals that each executive officer individually submits to the compensation committee by July 1. After the compensation committee

has approved each executive officer s personal goals, the compensation committee will monitor progress toward achievement of those goals, and will retain the sole discretion to determine whether each executive officer has achieved his applicable individual performance goals. The compensation committee determined that cash bonuses will not exceed 20% of such executive officer s base

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salary and may be awarded upon achievement of both corporate and individual performance goals; provided, however, the compensation committee may award a cash bonus of as much as 33% of an executive officer s base salary, but only in the event of superior performance. Finally, the compensation committee will suspend its historical practice of paying the executive officers the same bonus amount.

Long-Term Incentive Awards

The compensation committee deferred any decision on equity compensation to our executive officers for 2015 performance until a later date. For 2016, any stock options that may be awarded to our executive officers will be a mix of 50% stock options with time-based vesting and 50% performance-based stock options, which performance-based stock options will be awarded only after the achievement of both the corporate performance goals and the executive officer s respective individual performance goals described above.

Perquisites

Payment for accrued but unused vacation. In the past, our executive officers received a total of eight weeks of vacation annually, and an executive officer could receive a cash payment for accrued but unused vacation up to a maximum of six weeks of unused vacation per year. The compensation committee elected to (i) reduce the amount of vacation executive officers are entitled to receive to a total of six weeks per year, effective immediately, and (ii) limit the cash payment for accrued but unused vacation to two weeks per year beginning in 2017, which will be paid on the last business day of each fiscal year. Any accrued but unused vacation days in excess of two weeks will be forfeited. Because the compensation committee approved these changes at the midpoint of our fiscal year, the compensation committee approved the payment of up to a maximum of four weeks of accrued but unused vacation for 2016.

401(k) contributions for 2017. In prior years, we contributed the maximum amount permitted to be contributed by us with regard to each executive officer pursuant to our 401(k) plan, regardless of the amount, if any, contributed by the respective executive officers. Beginning in 2017, we will match the 401(k) contributions of each executive officer participating in our 401(k) plan in an amount equal to such executive officer s own contribution, up to an amount equal to half of the maximum amount we are permitted to contribute.

Board Compensation

The compensation committee also reviewed and analyzed Board and committee compensation, noting that cash compensation for board service and committee service is in-line with a selected group of what the compensation committee viewed as our peers, that equity compensation to Board members is lower than that of our peer companies, and that we are alone in our peer group in failing to pay our chairman/lead independent director for service in that capacity.

Accordingly, the compensation committee adopted the following policies and practices regarding non-employee director compensation:

Retainers

Committee and Chairperson retainers modified.

Audit committee member compensation will be increased to $20,000 per year from $15,000 per year; the audit committee chairperson will receive $25,000 per year, up from $20,000 per year.

Corporate governance and nominating committee members will receive $10,000 per year, down from $15,000 per year, while the corporate governance and nominating committee chairperson compensation will be $15,000 per year, down from $20,000 per year.

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Compensation committee members will continue to be paid $15,000 per year; the compensation committee chairperson will still be paid $20,000 per year.

Each non-employee member of the search committee for the chief executive officer will receive $20,000 per year; the chairperson of the search committee will receive $25,000 per year.

Compensation for serving as Chairperson of the Board of Directors or lead independent director, as applicable, will be set at $20,000 per year.

Chairpersons of Committees. Kelly M. McMasters, M.D., Ph.D has replaced Alfred E. Smith, IV as chairperson of the corporate governance and nominating committee, and Jan E. Koe has replaced Alfred E. Smith, IV as the chairperson of the compensation committee. Alfred E. Smith, IV remains chairperson of the audit committee.

Restricted Stock

The compensation committee has opted to amend our 2014 Equity Compensation Plan to allow for restricted stock awards to non-employee directors, subject to approval by our stockholders. If the amendment to the Plan is approved by our stockholders, each non-employee director will be awarded 100,000 restricted stock awards annually.

Summary Compensation Table

The table below shows the compensation for services in all capacities we paid during the years ended December 31, 2015, 2014 and 2013 to our Chief Executive Officer, Chief Financial Officer and our two other executive officers during 2015 (whom we refer to collectively as our named executive officers):

Name and Principal Position	Year	Salary	Bonus	Option Awards[1]	All Other Compensation[2]	Total
H. Craig Dees[3]	2015	$ 500,000	$ 200,000	$ 153,274	$ 110,692[6]	$ 963,966
CEO	2014	$ 500,000			137,692[6]	$ 637,692
	2013	$ 500,000		$ 28,462	114,192[6]	$ 642,654
Peter R. Culpepper[4]	2015	$ 500,000[5]	$ 200,000	$ 153,274	$ 110,692	$ 963,966
CFO, CAO and COO	2014	$ 500,000			$ 137,692	$ 637,692
	2013	$ 500,000			$ 114,192	$ 614,192
Timothy C. Scott	2015	$ 500,000[5]	$ 200,000	$ 153,274	$ 110,692	$ 963,966
President	2014	$ 500,000[5]			$ 137,692	$ 637,692
	2013	$ 500,000		$ 28,462	$ 114,192	$ 642,654

Eric A. Wachter	2015	$ 500,000[5]	$ 200,000	$ 153,274	$ 110,692	$ 963,966
Chief Technology Officer	2014	$ 500,000[5]			$ 137,692	$ 637,692
	2013	$ 500,000			$ 114,192	$ 614,192

(1) The amounts in the Option Awards column represent grant date fair values computed in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 718, *Stock Compensation* (FASB ASC Topic 718). The assumptions used in determining the values of option awards are provided in Note 4 to the Consolidated Financial Statements contained in our Form 10-K for the fiscal year ended December 31, 2015. The fair value reflected in the Option Awards column for 2015 includes 400,000 stock options granted to each of our named executive officers at an exercise price of $0.75 on December 9, 2015. The fair value reflected in the Option Awards column for 2013 includes, for Drs. Dees and Scott, compensation for service in 2013 as a director of 50,000 stock options granted at an exercise price of $0.67 on August 19, 2013. All the options vested immediately on the date of grant and expire ten years from the date of grant. For purposes of estimating the fair value of each stock option on the date of

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grant, we utilized the Black-Scholes option-pricing model which totaled $153,274 in 2015 and $28,462 in 2013.

(2) Amounts in this column for 2015 are comprised of the following: unused vacation that was paid out in cash ($57,692 for each named executive officer); and Company contributions to our 401(k) plan ($53,000 for each named executive officer).

(3) H. Craig Dees resigned as Chief Executive Officer effective February 27, 2016.

(4) Effective February 27, 2016, Peter R. Culpepper was appointed Interim Chief Executive Officer and, effective April 18, 2016, upon the appointment of John R. Glass as our Interim Chief Financial Officer, now serves as our Interim Chief Executive Officer and Chief Operating Officer.

(5) This amount reflects the annual base salary for each of Drs. Scott and Wachter and Mr. Culpepper for 2015 and Drs. Scott and Wachter for 2014; however, Dr. Scott had $200,000 withheld from his salary in 2015 and $33,334 withheld from his salary in 2014, Dr. Wachter had $200,001 withheld from his salary in 2015 and $33,333 withheld from his salary in 2014, and Mr. Culpepper had $233,333 withheld from his salary in 2015 in connection with the settlement of the Shareholder Derivative Lawsuit discussed above under Business Legal Proceedings.

(6) Excludes amounts advanced to Dr. Dees as travel expenses, for which the Company plans to seek recoupment for all unsubstantiated amounts. See Certain Relationships and Related Transactions Related Party Transactions below for more information.

Grants of Plan-Based Awards

The following Grants of Plan-Based Awards table provides additional information regarding the plan-based equity awards granted to the named executive officers during 2015:

		All Other Option Awards:		Grant Date Fair Value of Stock And Option Awards
Name	**Grant Date**	**Number of Securities Underlying Options (#)**	**Exercise or Base Price of Option Awards ($/Sh)**	**($/Sh)**
H. Craig Dees	12/09/2015	400,000	$ 0.75	$ 0.38
Peter R. Culpepper	12/09/2015	400,000	$ 0.75	$ 0.38
Timothy C. Scott	12/09/2015	400,000	$ 0.75	$ 0.38
Eric A. Wachter	12/09/2015	400,000	$ 0.75	$ 0.38

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Outstanding Equity Awards at 2015 Fiscal Year-End

The following table shows the number of equity awards outstanding as of December 31, 2015 for our named executive officers. All the options were exercisable as of December 31, 2015.

	Option Awards		
Name	**Number of Shares of Common Stock Underlying Unexercised Options Exercisable (#)**	**Option Exercise Price ($)**	**Option Expiration Date**
H. Craig Dees	50,000	1.02	6/23/2016
	1,000,000	1.02	6/23/2016
	50,000	1.50	6/21/2017
	50,000	1.00	6/27/2018
	50,000	1.04	6/19/2019
	50,000	1.16	6/18/2020
	525,000(1)	1.00	7/22/2020
	50,000	1.04	7/6/2021
	525,000(1)	0.93	9/6/2021
	50,000	0.84	6/28/2022
	50,000	0.67	8/19/2023
	400,000	0.75	12/9/2025
Peter R. Culpepper	1,000,000	1.02	6/23/2016
	550,000(1)	1.00	7/22/2020
	550,000(1)	0.93	9/6/2021
	400,000	0.75	12/9/2025
Timothy C. Scott	50,000	1.02	6/23/2016
	1,000,000	1.02	6/23/2016
	50,000	1.50	6/21/2017
	50,000	1.00	6/27/2018
	50,000	1.04	6/19/2019
	50,000	1.16	6/18/2020
	525,000(1)	1.00	7/22/2020
	50,000	1.04	7/6/2021
	525,000(1)	0.93	9/6/2021
	50,000	0.84	6/28/2022
	50,000	0.67	8/19/2023
	400,000	0.75	12/9/2025
Eric A. Wachter	680,000	1.02	6/23/2016
	50,000	1.50	6/21/2017

50,000	1.04	6/19/2019
50,000	1.16	6/18/2020
50,000	1.04	7/6/2021
400,000	0.75	12/9/2025

(1) Pursuant to the settlement of the Shareholder Derivative Lawsuit discussed above under Business Legal Proceedings, Drs. Dees and Scott and Mr. Culpepper agreed to retain incentive stock options for 100,000 shares but forfeited 50% of the nonqualified stock options granted to each such Executive in both 2010 and 2011. The amounts set forth in the table reflect the outstanding options after rescission of 50% of the nonqualified stock options granted to Drs. Dees and Scott and Mr. Culpepper in 2010 and 2011.

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Option Exercises and Stock Vested

The following named executive officers exercised options in 2015:

	Option Awards	
Name	**Number of Shares Acquired on Exercise (#)**	**Value Realized on Exercise ($)[1]**
H. Craig Dees		$
Peter R. Culpepper	208,334	$ 2,333
Timothy C. Scott	76,764	$ 13,818
Eric A. Wachter	305,000	$

(1) Amount reflects the difference between the exercise price of the stock option and the price of our common stock at the time of exercise, multiplied by the number of shares underlying the option exercised.

Equity Compensation Plan Information

The following table summarizes share and exercise price information about our equity compensation plans as of December 31, 2015:

Plan category	**Number of securities to be issued upon exercise of outstanding options, warrants and rights**	**Weighted-average exercise price of outstanding options, warrants and rights**	**Number of securities remaining available for future issuance under equity compensation plans[1]**
Equity compensation plans approved by security holders	10,630,000	$ 0.96	18,100,000
Equity compensation plans not approved by security holders			
Total	10,630,000	$ 0.96	18,100,000

(1) This amount represents shares of common stock available for issuance under the 2014 Equity Compensation Plan as of December 31, 2015. Awards available for grant under the 2014 Equity Compensation Plan include stock options, stock appreciation rights, restricted stock, long-term performance awards and other forms of equity awards.

Director Compensation

Two of our five directors in 2015, Drs. Dees and Scott, were also full-time employees. Effective February 27, 2016, Dr. Dees resigned from his positions as our Chief Executive Officer and Chairman of the Board of Directors. As discussed above under the heading Compensation Discussion and Analysis, our employee directors are compensated for their service as executive officers. Our employee directors are not separately compensated for their service as directors.

Our director compensation structure consists of: (1) on an annual basis, each non-employee director of the Board receives the following fees as compensation for service as a member of the Board: (i) an annual retainer equal to $40,000 cash and (ii) an annual stock option grant giving each non-employee director the right to purchase 50,000 shares of our common stock, or such lesser number of shares of our common stock to be determined at a future date in order to comply with NYSE MKT requirements with respect to director compensation, which stock options shall vest immediately on the date of grant at a strike price to be determined at the date of grant; (2) each non-employee director who serves as a non-chairman member of any of: (i) the audit

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committee; (ii) the compensation committee; or (iii) the nominating committee receive an additional annual retainer equal to $15,000 as compensation for serving as a non-chair member of each such committee; and (3) each non-employee director who serves as a chairman of any of: (i) the audit committee; (ii) the compensation committee; or (iii) the nominating committee receive an additional annual retainer equal to $20,000 as compensation for serving as a chairman of each such committee.

Each of our directors is also reimbursed for expenses incurred in fulfilling his duties as a director, including attending meetings.

Director Compensation Table for 2015

Name[1]	Fees Earned or Paid in Cash	Warrant and Option Awards[2]	All Other Compensation	Total
Jan Koe	$ 85,000	$ 19,159	$	$ 104,159
Kelly McMasters	$ 85,000	$ 19,159	$	$ 104,159
Alfred E. Smith, IV	$ 100,000	$ 19,159	$	$ 119,159

(1) Our other two directors in 2015 were also full-time employees whose compensation is discussed above under the headings Compensation Discussion and Analysis and Summary Compensation Table.

(2) A total of 50,000 stock options were granted to both Dr. McMasters and Messrs. Koe and Smith at an exercise price of $0.75 for each director, which was the fair market price on the date of issuance. The options vested immediately on the date of grant, December 9, 2015, for each director and expire on December 9, 2025 for each director. The amounts in the Warrant and Option Awards column represent grant date fair values computed in accordance with FASB ASC Topic 718. The assumptions used in determining the values of option awards are provided in Note 4 to the Consolidated Financial Statements contained in our Form 10-K for the fiscal year ended December 31, 2015. For purposes of estimating the fair value of each stock option on the date of grant, we utilized the Black-Scholes option-pricing model. As of December 31, 2015, Dr. McMasters had a total of 400,000 stock options outstanding, Mr. Smith had a total of 250,000 stock options outstanding, and Mr. Koe had a total of 200,000 stock options outstanding.

Compensation Committee Interlocks and Insider Participation

During 2015, Dr. McMasters and Messrs. Koe and Smith served as members of the compensation committee. None of the members of the compensation committee was or had previously been an officer or employee of the Company or our subsidiaries or had any relationship requiring disclosure pursuant to Item 404 of Regulation S-K. Additionally, during 2015, none of our executive officers was a member of the board of directors, or any committee thereof, of any other entity one of the executive officers of which served as a member of our Board of Directors, or any committee thereof.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Policies and Procedures for Related Person Transactions

We have adopted a written related person transactions policy, pursuant to which our executive officers, directors and principal stockholders, including their immediate family members, are not permitted to enter into a related person transaction with us without the consent of our audit committee. Any request for us to enter into a transaction with an executive officer, director, principal stockholder or any of such persons immediate family members, other than transactions available to all employees generally or involving less than $10,000 when aggregated with similar transactions, must be presented to our audit committee for review, consideration and approval, unless the transaction involves an employment or other compensatory arrangement approved by the

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compensation committee. All of our directors, executive officers and employees are required to report to our audit committee any such related person transaction. In approving or rejecting the proposed agreement, our audit committee will take into account, among other factors it deems appropriate, whether the proposed related person transaction is on terms no less favorable than terms generally available to an unaffiliated third party under the same or similar circumstances, the extent of the person s interest in the transaction and, if applicable, the impact on a director s independence. After consideration of these and other factors, the audit committee may approve or reject the transaction. Consistent with the policy, if we should discover related person transactions that have not been approved, the audit committee will be notified and will determine the appropriate action, including ratification, rescission or amendment of the transaction.

Related Party Transactions

On March 15, 2016, the audit committee made the following findings related to travel expense advances to its former Chief Executive Officer and Chairman of the Board of Directors, Dr. Dees: (1) in 2015, Dr. Dees received $898,430 in travel expense advances but submitted receipts totaling only $297,170, most of which did not appear to be authentic; (2) in 2014, Dr. Dees received $819,000 for travel expense advances, for which no receipts were submitted; and (3) in 2013, Dr. Dees received $752,034 for travel expense advances; no receipts were submitted by Dr. Dees for $698,000 of these expenses and $54,034 of submitted receipts did not appear to be authentic. The Company intends to pursue collection efforts on all of Dr. Dees unsubstantiated travel expenses, including those which did not appear to be authentic. On May 5, 2016, we filed a lawsuit in the United States District Court for the Eastern District of Tennessee at Knoxville against Dr. Dees and his wife, (together with Dr. Dees, the Defendants). We allege that between 2013 and the present, Dr. Dees received approximately $2.4 million in advanced or reimbursed travel and entertainment expenses from us and that Dr. Dees did not use these funds for legitimate travel and entertainment expenses as he requested and we intended. Instead, we believe that Dr. Dees created false receipts and documentation for the expenses and applied the funds to personal use. The Company and Dr. Dees are parties to a Stipulated Settlement Agreement dated October 3, 2014 (the Kleba Settlement Agreement) that was negotiated to resolve certain claims previously asserted against Dr. Dees derivatively. Pursuant to the terms of the Kleba Settlement Agreement, Dr. Dees agreed to repay us compensation that was paid to him along with legal fees and other expenses incurred by us. As of the date of his resignation, Dr. Dees still owed us $2,267,750 under the Kleba Settlement Agreement. Dr. Dees has failed to make such payment, and we have notified him that he is in default and demanded payment in full. Therefore, we are alleging counts of conversion, fraud, breach of fiduciary duty, breach of contract, breach of Kleba Settlement Agreement, unjust enrichment and punitive damages in this lawsuit. We are seeking that the Defendants be prohibited from disposing of any property that may have been paid for with the misappropriated funds, the Defendants be disgorged of any funds shown to be fraudulently misappropriated and that we be awarded compensatory damages in an amount not less than $5 million. Furthermore, we are seeking for the damages to be joint and several as to the Defendants and that punitive damages be awarded against Dr. Dees our favor.

The travel expense advances to Dr. Dees could be deemed to be in violation of Section 402 of the Sarbanes-Oxley Act of 2002. If it were determined that these advances violated the prohibitions of Section 402 from making personal loans to executive officers or directors, we could be subject to investigation and/or litigation that could involve significant time and costs and may not be resolved favorably. The Company is unable to predict the extent of its ultimate liability with respect to these advances.

Other than as set forth above, we had no transactions during 2015 that would be required to be disclosed under Item 404(a) of Regulation S-K, and no such transactions are currently proposed for 2016.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Directors, Executive Officers, and Other Stockholders

The following table provides information about the beneficial ownership of common stock as of November 30, 2016, by each of our directors, each of our named executive officers and all of our directors and

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executive officers as a group. We do not believe any person beneficially owns more than 5% of our outstanding common stock.

Name and Address[1]	Amount and Nature of Beneficial Ownership[2]	Percentage of Class[3]
Directors and Executive Officers:		
H. Craig Dees, Ph.D. [4]	1,497,859[5]	*
Peter R. Culpepper	3,474,998[6]	1.0%
Timothy C. Scott, Ph.D.	3,880,966[7]	1.1%
Eric A. Wachter, Ph.D.	7,915,964[8]	2.2%
Alfred E. Smith, IV	250,000[9]	*
Kelly M. McMasters, MD, Ph.D.	400,000[10]	*
Jan Koe	1,486,300[11]	*
All directors and executive officers as a group (7 persons**)	17,408,228[12]	4.8%

* Less than 1% of the outstanding shares of common stock.

** Excluding Dr. Dees, who is no longer an executive officer.

(1) Each named individual other than Dr. Dees is an officer or director of Provectus Biopharmaceuticals, 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 November 30, 2016 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 November 30, 2016, there were 357,458,037 shares of common stock issued and outstanding.

(4) Dr. Dees resigned as Chief Executive Officer and Chairman of the Board of Directors effective February 27, 2016.

(5) Does not include any shares of common stock subject to options which are exercisable within 60 days, as all of Dr. Dees options have expired as a result of Dr. Dees resignation. Dr. Dees pledged 1,000,000 shares of his common stock pursuant to that certain Stock Pledge Agreement, dated October 3, 2014, between Dr. Dees and the Company in order to secure Dr. Dees obligations under that certain Stipulated Settlement Agreement and Mutual Release between the Company and Dr. Dees, dated June 6, 2014 (Dees Settlement Agreement). As a result of Dr. Dees resignation from the Company, he was required to pay the Company under the Dees Settlement Agreement the sum of Two Million Two Hundred Sixty Seven Thousand and Seven Hundred Fifty Dollars ($2,267,750) immediately. Dr. Dees failure to pay this sum resulted in a breach of the Dees Settlement Agreement, and on March 10, 2016, the Company sent a demand letter for Dr. Dees to cure such default within thirty (30) days. Dr. Dees failed to pay these amounts outstanding under the Settlement Agreement (including interest due thereon) within the thirty (30) days cure period. Accordingly, the Company intends to exercise all rights and remedies available to it under the Dees Settlement Agreement, Stock Pledge Agreement and at law and equity, including but not limited to foreclosure of its first-priority security interest in the 1,000,000 shares of

common stock granted as collateral pursuant to the Stock Pledge Agreement. On May 5, 2016, the Company filed a lawsuit in the United States District Court for the Eastern District of Tennessee at Knoxville (the Court) against Dr. Dees and his wife, based upon breach of the Dees Settlement Agreement seeking, among other relief, appointment of a receiver for the 1,000,000 shares of common stock Dr. Dees granted as collateral pursuant to the Stock Pledge Agreement. The Court entered a default judgment against Dr. Dees on July 20, 2016; however, the Company cannot predict when these shares will be recovered by the Company. The Court recently issued a Temporary Restraining Order upon the Company s application for same upon notice that Dr. Dees was attempting to sell his shares of the Company s common stock. The Temporary Restraining Order was converted to a Preliminary Injunction on September 16, 2016, which order will remain in place until the trial of the underlying lawsuit absent further court order or agreement of the parties, and the Company is presently engaged in discovery regarding damages.

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(6) Mr. Culpepper s beneficial ownership includes 296,503 shares of common stock held in a 401(k) plan, 1,500,000 shares of common stock subject to options which are exercisable within 60 days and 266,666 shares of common stock issuable upon the exercise of warrants. Mr. Culpepper pledged 1,000,000 shares of his common stock pursuant to that certain Stock Pledge Agreement, dated October 3, 2014, between Mr. Culpepper and the Company in order to secure Mr. Culpepper s obligations under that certain Stipulated Settlement Agreement and Mutual Release between the Company and Mr. Culpepper, dated June 6, 2014.

(7) Dr. Scott s beneficial ownership includes 503,125 shares of common stock held in a 401(k) plan, and 1,800,000 shares of common stock subject to options which are exercisable within 60 days. Dr. Scott pledged 1,000,000 shares of his common stock pursuant to that certain Stock Pledge Agreement, dated October 3, 2014, between Dr. Scott and the Company in order to secure Dr. Scott s obligations under that certain Stipulated Settlement Agreement and Mutual Release between the Company and Dr. Scott, dated June 6, 2014.

(8) Dr. Wachter s beneficial ownership includes 4,867 shares of common stock held by the Eric A. Wachter 1998 Charitable Remainder Unitrust, 930,248 shares of common stock held in a 401(k) plan, 600,000 shares of common stock subject to options which are exercisable within 60 days and 666,666 shares of common stock issuable upon the exercise of warrants. Dr. Wachter pledged 1,000,000 shares of his common stock pursuant to that certain Stock Pledge Agreement, dated October 3, 2014, between Dr. Wachter and the Company in order to secure Dr. Wachter s obligations under that certain Stipulated Settlement Agreement and Mutual Release between the Company and Dr. Wachter, dated June 6, 2014.

(9) Mr. Smith s beneficial ownership includes 250,000 shares of common stock subject to options which are exercisable within 60 days.

(10) Dr. McMasters beneficial ownership includes 400,000 shares of common stock subject to options which are exercisable within 60 days.

(11) Mr. Koe s beneficial ownership includes 200,000 shares of common stock subject to options which are exercisable within 60 days, 150,000 shares of common stock held by Vekoe Partners LLC, of which Mr. Koe is an affiliate, and 350,000 shares of common stock issuable upon the exercise of warrants. Mr. Koe disclaims beneficial ownership of the shares held by Vekoe Partners LLC except to the extent of his pecuniary interest therein.

(12) Includes 6,033,332 shares of common stock subject to options and warrants which are exercisable within 60 days.

LEGAL MATTERS

The validity of the issuance of the securities offered hereby will be passed upon for us by Baker, Donelson, Bearman, Caldwell & Berkowitz, PC, Nashville, Tennessee.

EXPERTS

The consolidated financial statements as of December 31, 2015 and 2014 and for each of the three years in the period ended December 31, 2015 and management s assessment of the effectiveness of internal control over financial reporting as of December 31, 2015 included in this prospectus have been so included in reliance on the reports of BDO USA, LLP, an independent registered public accounting firm (the report on the effectiveness of internal control over financial reporting expresses an adverse opinion on the effectiveness of the Company s internal control over financial reporting as of December 31, 2015), appearing elsewhere herein, given on the authority of said firm as experts in auditing and accounting.

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We have filed with the SEC a registration statement on Form S-1 under the Securities Act, as amended by Amendment No. 1 to Form S-1 and Amendment No. 2 to Form S-1 of which this prospectus forms a part. The rules and regulations of the SEC allow us to omit from this prospectus certain information included in the registration statement. For further information about us and the securities we are offering under this prospectus, you should refer to the registration statement and the exhibits and schedules filed with the registration statement. With respect to the statements contained in this prospectus regarding the contents of any agreement or any other document, in each instance, the statement is qualified in all respects by the complete text of the agreement or document, a copy of which has been filed as an exhibit to the registration statement.

We file reports, proxy statements and other information with the SEC under the Exchange Act. You may read and copy this information from the Public Reference Room of the SEC, 100 F Street, N.E., Room 1580, Washington, D.C. 20549, at prescribed rates. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC also maintains an Internet website that contains reports, proxy statements and other information about issuers, like us, that file electronically with the SEC. The address of that website is *www.sec.gov*.

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PART I FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

PROVECTUS BIOPHARMACEUTICALS, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

	September 30, 2016 (Unaudited)	December 31, 2015
Assets		
Current Assets		
Cash and cash equivalents	$ 5,178,076	$ 14,178,902
Short-term receivable - settlement	50,000	500,000
Other current assets	187,222	41,192
Total Current Assets	5,415,298	14,720,094
Equipment and furnishings, less accumulated depreciation of $460,954 and $451,028, respectively	75,219	85,145
Patents, net of amortization of $9,306,197 and $8,802,857, respectively	2,409,248	2,912,588
Long-term receivable reimbursable legal fees, net of reserve for uncollectibility	683,250	683,250
Long-term receivable settlement, net of discount	2,075,509	2,011,735
Other assets	27,000	27,000
Total Assets	$ 10,685,524	$ 20,439,812
Liabilities and Stockholders Equity		
Current Liabilities		
Accounts payable trade	$ 1,486,240	$ 1,887,171
Accrued consulting expense	192,000	133,282
Accrued settlement expense		1,850,000
Other accrued expenses	355,232	252,418
Warrant liability	3,342,340	
Total Current Liabilities	5,375,812	4,122,871
Commitments and Contingencies Stockholders Equity		
Preferred stock; par value $0.001 per share; 25,000,000 shares authorized; 240,000 Series B Convertible Preferred shares designated; 18,100 shares and no shares issued and outstanding, respectively	18	
	243,895	204,979

Common stock; par value $0.001 per share; 1,000,000,000 (See Note 4) authorized; 243,895,352 and 204,979,100 shares issued and outstanding, respectively			
Additional paid-in capital		205,288,577	196,908,112
Accumulated deficit		(200,222,778)	(180,796,150)
Total Stockholders Equity		5,309,712	16,316,941
Total Liabilities and Stockholders Equity	$	10,685,524	$ 20,439,812

See accompanying notes to condensed consolidated financial statements.

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PROVECTUS BIOPHARMACEUTICALS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

	Three Months Ended September 30, 2016	Three Months Ended September 30, 2015	Nine Months Ended September 30, 2016	Nine Months Ended September 30, 2015
Operating expenses				
Research and development	$ 2,461,407	$ 2,864,331	$ 6,874,353	$ 7,537,440
General and administrative	3,315,555	2,914,375	12,454,661	7,453,401
Total operating loss	(5,776,962)	(5,778,706)	(19,329,014)	(14,990,841)
Investment income	318	1,260	1,985	3,745
Public offering issuance expense (See Note 4)	(436,248)		(436,248)	
Gain (loss) on change in fair value of warrant liability	336,649	(2,607)	336,649	136,987
Net loss	(5,876,243)	(5,780,053)	(19,426,628)	(14,850,109)
Dividend paid in-kind to preferred shareholders	(2,257,432)		(2,257,432)	
Deemed dividend	(726,989)		(726,989)	
Net loss attributable to common shareholders	$ (8,860,664)	$ (5,780,053)	$ (22,411,049)	$ (14,850,109)
Basic and diluted loss per common share	$ (0.04)	$ (0.03)	$ (0.10)	$ (0.08)
Weighted average number of common shares outstanding basic and diluted	222,959,570	204,610,080	213,722,977	192,604,128

See accompanying notes to condensed consolidated financial statements.

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PROVECTUS BIOPHARMACEUTICALS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOW

(Unaudited)

	Nine Months Ended September 30, 2016	Nine Months Ended September 30, 2015
Cash Flows From Operating Activities		
Net loss	$ (19,426,628)	$ (14,850,109)
Adjustments to reconcile net loss to net cash used in operating activities		
Depreciation	9,926	9,669
Amortization of patents	503,340	503,340
Warrant incentive expense	2,718,407	
Issuance of stock for services	20,163	165,439
Issuance of warrants for services		79,476
Public offering issuance expense (See Note 4)	436,248	
Gain on change in fair value of warrant liability	(336,649)	(136,987)
(Increase) decrease in assets		
Settlement receivable	386,226	653,228
Other current assets	(146,030)	(87,956)
Increase (decrease) in liabilities		
Accounts payable	(400,931)	531,991
Accrued settlement expense	(1,850,000)	
Accrued expenses	161,532	685,354
Net cash used in operating activities	(17,924,396)	(12,446,555)
Cash Flows From Investing Activities		
Capital expenditures		(6,139)
Net cash used in investing activities		(6,139)
Cash Flows From Financing Activities		
Net proceeds from sales of common stock and warrants		13,653,927
Gross proceeds from sales of convertible preferred stock and warrants	6,000,000	
Payment of offering costs in connection with August 2016 financing	(711,470)	
Net proceeds from the issuance of common stock and warrants pursuant to warrant exchange offer	3,635,040	
Proceeds from exercises of warrants and stock options		290,828
Net cash provided by financing activities	8,923,570	13,944,755

Net change in cash and cash equivalents		(9,000,826)		1,492,061
Cash and cash equivalents, at beginning of period		14,178,902		17,391,601
Cash and cash equivalents, at end of period	$	5,178,076	$	18,883,662
Interest and Taxes:	$		$	

Supplemental Disclosure of Noncash Investing and Financing Activities:

	Nine Months Ended September 30, 2016	Nine Months Ended September 30, 2015
Conversion of preferred stock into common stock	$ 31,066	$
Contractual dividend on preferred stock	$ 729,989	$
Issuance in-kind of preferred stock dividends	$ 2,257,432	$

See accompanying notes to condensed consolidated financial statements.

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PROVECTUS BIOPHARMACEUTICALS, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

1. Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) for interim financial information pursuant to Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements and should be reviewed in conjunction with the Company s audited consolidated financial statements included elsewhere in this registration statement. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three and nine months ended September 30, 2016 are not necessarily indicative of the results that may be expected for the year ending December 31, 2016.

2. Liquidity and Financial Condition

The Company s cash and cash equivalents were $5,178,076 at September 30, 2016, compared with $14,178,902 at December 31, 2015. The Company continues to incur significant operating losses and management expects that significant on-going operating expenditures will be necessary to successfully implement the Company s business plan and develop and market its products. These circumstances raise substantial doubt about the Company s ability to continue as a going concern. Implementation of the Company s plans and its ability to continue as a going concern will depend upon the Company s ability to develop PV-10 and raise additional capital.

On October 13, 2016, the Company received notice from NYSE MKT that NYSE MKT commenced delisting procedures and immediately suspended trading in the Company s common stock and class of warrants that was listed on NYSE MKT. On November 10, 2016, the Company provided its written submission to the Listing Qualifications Panel in connection with its appeal. The NYSE Regulation staff s delisting action has been stayed pending the outcome of this review. In addition, on November 23, 2016, the Company received notice from NYSE MKT indicating that the Company is not in compliance with Section 1003(a)(iii) of the NYSE MKT Company Guide (requiring stockholders equity of $6.0 million or more if the Company has reported losses from continuing operations and/or net losses in its five most recent fiscal years). As of September 30, 2016, the Company had stockholders equity of approximately $5.3 million. The Company must submit a plan of compliance by December 23, 2016, addressing how it intends to regain compliance with section 1003(a)(iii) by May 23, 2018. The Company intends to submit such plan on or before December 23, 2016.

Management believes that the Company has access to capital resources through possible public or private equity offerings, exchange offers, debt financings, corporate collaborations or other means. In addition, the Company continues to explore opportunities to strategically monetize its lead drug candidates, PV-10 and PH-10, through potential co-development and licensing transactions, although there can be no assurance that the Company will be successful with such plans. The Company has historically been able to raise capital through equity offerings, although no assurance can be provided that it will continue to be successful in the future. Beginning in the second half of 2016, the Company undertook and continues to undertake cost cutting measures on expenses. If the Company is unable to raise sufficient capital through the planned Rights Offering (see Footnote 8 to the financial statements, Subsequent

Events), it may be forced to implement further significant cost cutting measures as early as the first quarter of 2017.

3. Nature of Operations and Significant Accounting Policies

Nature of Operations

Provectus Biopharmaceuticals, Inc., a Delaware corporation (together with its subsidiaries, the Company), is a biopharmaceutical company that is focusing on developing minimally invasive products for the treatment of psoriasis and other topical diseases, and certain forms of cancer including melanoma, breast cancer, and cancers of the liver. To date, the Company has not generated any revenues from planned principal operations. The

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Company s activities are subject to significant risks and uncertainties, including failing to successfully develop and license or commercialize the Company s prescription drug candidates, or sell or license the Company s over-the-counter (OTC) products or non-core technologies.

Principles of Consolidation

Intercompany balances and transactions have been eliminated in consolidation.

Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Research and Development

Research and development costs are charged to expense when incurred. An allocation of payroll expenses to research and development is made based on a percentage estimate of time spent. The research and development costs include the following: amortization of patents, payroll, consulting and contract labor, lab supplies and pharmaceutical preparations, legal, insurance, rent and utilities, and depreciation.

Sequencing Policy

As a result of the issuance of preferred stock and warrants, for which such instruments contained a variable conversion feature with no floor until November 23, 2016, the Company has adopted a sequencing policy in accordance with Accounting Standards Codification (ASC) 815-40-35-12 whereby all future instruments may be classified as a derivative liability with the exception of instruments related to share-based compensation issued to employees or directors.

Fair Value of Financial Instruments

The carrying amounts reported in the condensed consolidated balance sheets for cash and cash equivalents, short-term settlement receivable, other current assets and accounts payable approximate their fair value because of the short-term nature of these items.

The fair value of derivative instruments is determined by management with the assistance of an independent third party valuation specialist. Certain derivatives with limited market activity are valued using Level 3 inputs with externally developed models that consider unobservable market parameters. See Note 6.

Recent Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, Leases (ASU 2016-02), which amends the existing accounting standards for lease accounting, including requiring lessees to recognize most leases on their balance sheets and making targeted changes to lessor accounting. ASU 2016-02 will be effective beginning in the first quarter of 2019. Early adoption of ASU 2016-02 is permitted.

The new standard requires a modified retrospective transition approach for all leases existing at, or entered into after, the date of initial application, with an option to use certain transition relief. The Company is currently evaluating the impact of adopting ASU 2016-02 on our condensed consolidated financial statements.

In March 2016, the FASB issued ASU No. 2016-08, *Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net)*. This ASU amends the principal versus agent guidance in ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which was issued in May 2014 (ASU 2014-09). Further, in April 2016, the FASB issued ASU No. 2016-10, *Revenue from*

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Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing. This ASU also amends ASU 2014-09 and is related to the identification of performance obligations and accounting for licenses. The effective date and transition requirements for both of these amendments to ASU 2014-09 are the same as those of ASU 2014-09, which was deferred for one year by ASU No. 2015-14, *Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date*. That is, the guidance under these standards is to be applied using a full retrospective method or a modified retrospective method, as outlined in the guidance, and is effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2017. Early adoption is permitted only for annual periods, and interim period within those annual periods, beginning after December 15, 2016. The Company is currently evaluating the provisions of each of these standards and assessing their impact on the Company s condensed consolidated financial statements and disclosures.

In March 2016, the FASB issued ASU No. 2016-09, *Compensation-Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting*. This ASU makes targeted amendments to the accounting for employee share-based payments. This guidance is to be applied using various transition methods such as full retrospective, modified retrospective, and prospective based on the criteria for the specific amendments as outlined in the guidance. The guidance is effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2016. Early adoption is permitted, as long as all of the amendments are adopted in the same period. The Company is currently evaluating the provisions of this guidance and assessing its impact on the Company s condensed consolidated financial statements and disclosures.

In March 2016, the FASB issued ASU 2016-03, *Derivatives and Hedging (Topic 815): Contingent Put and Call Options in Debt Instruments*, which clarifies the requirements for assessing whether contingent call or put options that can accelerate the repayment of principal on debt instruments are clearly and closely related to their debt hosts. This guidance will be effective for annual reporting periods beginning after December 15, 2016, including interim periods within those annual reporting periods, and early adoption is permitted. The Company is currently evaluating the provisions of this guidance and assessing its impact on the Company s condensed consolidated financial statements and disclosures.

In September 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments,* which clarifies whether the following items should be categorized as operating, investing or financing in the statement of cash flows: (i) debt prepayments and extinguishment costs, (ii) settlement of zero-coupon debt, (iii) settlement of contingent consideration, (iv) insurance proceeds, (v) settlement of corporate-owned life insurance (COLI) and bank-owned life insurance (BOLI) policies, (vi) distributions from equity method investees, (vii) beneficial interests in securitization transactions, and (viii) receipts and payments with aspects of more than one class of cash flows. The new standard takes effect in 2018 for public companies. If an entity elects early adoption, it must adopt all of the amendments in the same period. The Company is currently evaluating the provisions of this guidance and assessing its impact on the Company s condensed consolidated financial statements and disclosures.

Reclassifications

Certain prior period amounts have been reclassified for comparative purposes to conform to the fiscal 2016 presentation. These reclassifications have no impact on the previously reported net loss.

Basic and Diluted Loss Per Common Share

Basic loss per share is computed by dividing the net loss by the weighted average number of shares of common stock outstanding during the period. Diluted loss per share is computed using the weighted average number of common shares and, if dilutive, potential common shares outstanding during the period. Potential common shares consist of the incremental common shares issuable upon the exercise of warrants and stock options (using the treasury stock method). Diluted loss per share excludes the shares issuable upon the conversion of the exercise of stock options and warrants from the calculation of net loss per share as their effect would be anti-dilutive. Loss per share excludes the impact of outstanding options and warrants as they are antidilutive. Potential common

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shares excluded from the calculation at September 30, 2016 and 2015, respectively, relate to 101,821,186 and 78,607,893 from warrants, 5,000,000 and 9,545,214 from options and 1,810,000 and 0 from convertible preferred stock.

4. Equity Transactions

Common Stock Issued for Services

During the three months ended March 31, 2016, the Company issued 51,745 shares of common stock to consultants in exchange for services. Consulting costs charged to operations were $20,163. During the three months ended March 31, 2015, the Company issued 75,000 shares of common stock to consultants in exchange for services. Consulting costs charged to operations were $64,000.

During the three months ended June 30, 2015, the Company issued 75,000 shares of common stock to consultants in exchange for services. Consulting costs charged to operations were $63,000.

During the three months ended September 30, 2015, the Company issued 78,877 shares of common stock to consultants in exchange for services. Consulting costs charged to operations were $38,439.

Warrant Activity

During the three months ended March 31, 2016, 1,048,494 warrants expired. During the three months ended March 31, 2015, the Company issued 3,000 fully vested warrants to consultants in exchange for services. Consulting costs charged to operations were $1,632. During the three months ended March 31, 2015, 3,693,898 warrants expired.

During the three months ended June 30, 2016, 1,757,253 warrants expired. During the three months ended June 30, 2016, employees of the Company forfeited 3,830,000 stock options. During the three months ended June 30, 2015, the Company issued 100,000 fully vested warrants to consultants in exchange for services, and charged to consulting costs $53,582. During the three months ended June 30, 2015, 1,161,790 warrants expired.

During the three months ended September 30, 2016, 53,500 warrants were forfeited. During the three months ended September 30, 2015, the Company issued 79,500 fully vested warrants to consultants in exchange for services. Consulting costs charged to operations were $24,262. During the three months ended September 30, 2015, 1,152,135 warrants were forfeited.

Warrant Exchange Programs

As of December 28, 2015, the Company had outstanding warrants to purchase an aggregate of 59,861,601 shares of common stock, which were issued between January 6, 2011 and November 1, 2015 in transactions exempt from registration under the Securities Act (the Existing Warrants). Each Existing Warrant has an exercise price of between $1.00 and $3.00 per share, and expires between January 6, 2016 and November 1, 2020. On December 31, 2015, the Company offered pursuant to an Offer Letter/Prospectus 59,861,601 shares of its common stock for issuance upon exercise of the Existing Warrants. The shares issued upon exercise of the Existing Warrants are unrestricted and freely transferable. The Offer was to temporarily modify the terms of the Existing Warrants so that each holder who tendered Existing Warrants during the Offer Period for early exercise were able to do so at a discounted exercise price of $0.50 per share. Each Existing Warrant holder who tendered Existing Warrants for early exercise during the Offer Period

received, in addition to the shares of Common Stock purchased upon exercise, an equal number of new warrants to purchase common stock, with an exercise price of $0.85 per share, expiring June 19, 2020 (the Replacement Warrants). The modification of the exercise price of the Existing Warrants and the Replacement Warrants are treated as an inducement to enter into the exchange offer and were accounted for as of the closing date. The exchange offer expired at 4:00 p.m., Eastern Time, on

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March 28, 2016. The Company accepted for purchase approximately 7,798,507 Existing Warrants properly tendered, resulting in the issuance of approximately 7,798,507 shares of common stock upon exercise of Existing Warrants and the issuance of approximately 7,798,507 Replacement Warrants, resulting in gross proceeds of $3,899,254 upon closing of the exchange offer. Maxim Group LLC and Network 1 Financial Securities, Inc. received a total of $264,214 in placement agent fees and 467,910 warrants with a cash exercise price of $0.85 per share which expire on June 19, 2020, unless sooner exercised. In connection with the exchange offer, a warrant incentive expense totaling $2,718,407 was recorded. The value was determined using the Black-Scholes option-pricing model between the Existing Warrants exchanged and the common stock and Replacement Warrants received.

On May 13, 2016, the Company offered pursuant to an Offer Letter/Prospectus 51,149,594 shares of its common stock for issuance upon exercise of the Existing Warrants. The Offer was to temporarily modify the terms of the Existing Warrants so that each holder who tendered Existing Warrants during the Offer Period for early exercise were able to do so at a discounted exercise price of $0.75 per share. Each Existing Warrant holder who tendered Existing Warrants for early exercise during the Offer Period were to receive, in addition to the shares of Common Stock purchased upon exercise, an equal number of new warrants to purchase common stock, with an exercise price of $0.85 per share, expiring June 19, 2020 (the Replacement Warrants). The exchange offer expired at 4:00 p.m., Eastern Time, on July 28, 2016 with no warrants tendered.

August 2016 Public Offering

On August 25, 2016, the Company filed the Certificate of Designation of Preferences, Rights and Limitations of the Series B Convertible Preferred Stock with the Delaware Secretary of State (the Certificate of Designation). The Certificate of Designation provides for the issuance of the Series B Convertible Preferred Stock, par value $0.001 per share (the Series B Preferred Stock). In the event of the Company s liquidation, dissolution, or winding up, holders of Series B Preferred Stock will be entitled to receive the amount of cash, securities or other property to which such holder would be entitled to receive with respect to such shares of Series B Preferred Stock if such shares had been converted to Common Stock immediately prior to such event (without giving effect for such purposes to any beneficial ownership limitation), subject to the preferential rights of holders of any class or series of the Company s capital stock specifically ranking by its terms senior to the Series B Preferred Stock as to distributions of assets upon such event, whether voluntarily or involuntarily. The Series B Preferred Stock has no voting rights.

The holders of Series B Preferred Stock will be entitled to receive cumulative dividends at the rate per share of 8% per annum of the stated value per share, until the fifth anniversary of the date of issuance of the Series B Preferred Stock. The dividends become payable, at the Company s option in either cash or in shares of Common Stock, (i) upon any conversion of the Series B Preferred Stock, (ii) on each such other date as the Board may determine, subject to written consent of the holders of Series B Preferred Stock holding a majority of the then issued and outstanding Series B Preferred Stock, (iii) upon the Company s liquidation, dissolution or winding up, and (iv) upon occurrence of a fundamental transaction, which includes any merger or consolidation, sale of all or substantially all of the Company s assets, exchange or conversion of all of the Common Stock by tender offer, exchange offer or reclassification; provided, however, that if Series B Preferred Stock is converted into shares of Common Stock at any time prior to the fifth anniversary of the date of issuance of the Series B Preferred Stock, the holder will receive a make-whole payment in an amount equal to all of the dividends that, but for the early conversion, would have otherwise accrued on the applicable shares of Series B Preferred Stock being converted for the period commencing on the conversion date and ending on the fifth anniversary of the date of issuance, less the amount of all prior dividends paid on such converted Series B Preferred Stock before the date of conversion. Make-whole payments are payable at the Company s option in either cash or in shares of Common Stock. With respect to any dividend payments and make-whole payments paid in

shares of Common Stock, the number of shares of Common Stock to be issued to a holder of Series B Preferred Stock will be an amount equal to the quotient of (i) the amount of the dividend payable to such holder divided by (ii) the conversion price then in effect. The dividends related to preferred stock that was not converted during the three months ended September 30, 2016 of $38,432 represent an in-kind dividend.

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On August 30, 2016, the Company closed a public offering of 240,000 shares of its Series B Preferred Stock (which were initially convertible into an aggregate of 24,000,000 shares of the Company s common stock) and warrants, which were initially exercisable to purchase an aggregate of 24,000,000 shares of common stock at an exercise price of $0.275 per share of common stock (the August 2016 Warrants). The Series B Preferred Stock and August 2016 Warrants were sold together at a price of $25.00 for a combination of one share of Series B Preferred Stock and 100 August 2016 Warrants to purchase one share of common stock each, resulting in aggregate net proceeds of $5,288,530 (gross proceeds of $6,000,000 less issuance costs of $711,470) to the Company. Maxim Group LLC served as placement agent for the transaction.

The conversion feature embedded within the Series B Preferred Stock was subject to anti-dilution price protection such that if the conversion price in effect on the 60th trading day following the date of issuance of the Series B Preferred Stock (the Price Reset Date) exceeded 85% of the average of the 45 lowest volume weighted average trading prices of the common stock during the period commencing on the date of issuance of the Series B Preferred Stock and ending on the Price Reset Date (as adjusted for stock splits, stock dividends, recapitalizations, reorganizations, reclassification, combinations, reverse stock splits or other similar events during such period) (the Adjusted Conversion Price), then the conversion price shall be reset to the Adjusted Conversion Price and shall be further subject to adjustment as provided in the Certificate of Designation. In either case, if a holder of Series B Preferred Stock converted its shares of Series B Preferred Stock prior to any such price reset event, then such holder was entitled to receive additional shares of common stock equal to the number of shares of common stock that would have been issued assuming for such purposes the Adjusted Conversion Price were in effect at such time less the shares issued at the then Conversion Price (subject to being held in abeyance based on beneficial ownership limitations). During the three months ended September 30, 2016, investors converted 221,900 shares of Series B Preferred Stock and Series B Preferred Stock dividends (including make-whole payments) into 31,066,000 shares of Common Stock. On the Price Reset Date, the Adjusted Conversion Price was set at $0.0533 pursuant to the terms of the Certificate of Designation. Accordingly, on November 28, 2016, the Company issued holders who had previously converted their shares of Series B Preferred Stock 112,442,685 shares of common stock pursuant to the price reset provisions in the Certificate of Designation, and the Company is obligated to issue an additional 6,330,316 shares of common stock, which shares are currently being held in abeyance pursuant to beneficial ownership limitations.

The August 2016 Warrants expire on August 30, 2021. Pursuant to the terms of the August 2016 Warrants, because the exercise price in effect on the Price Reset Date exceeded 85% of the average of the 45 lowest volume weighted average trading prices of the common stock during the period commencing on the date of issuance of the August 2016 Warrants and ending on the Price Reset Date (as adjusted for stock splits, stock dividends, recapitalizations, reorganizations, reclassification, combinations, reverse stock splits or other similar events during such period) (the Adjusted Exercise Price), then (i) the exercise price was reset to the Adjusted Exercise Price (and without giving effect to any prior conversions) and shall be further subject to adjustment as provided in the August 2016 Warrants, and (ii) the number of shares of common stock issuable upon exercise of the August 2016 Warrants will be reset to equal the number of shares of common stock issuable upon conversion of Series B Preferred Stock after giving effect to the Adjusted Exercise Price. If a holder of August 2016 Warrants exercised its August 2016 Warrants prior to such repricing, then such holder was entitled to receive shares of common stock equal to the difference between the exercise price and the Adjusted Exercise Price. The exercise price of the August 2016 Warrants is further subject to appropriate adjustment in the event of certain stock dividends and distributions, stock splits, stock combinations, reclassifications or similar events affecting the common stock. On the Price Reset Date, the Adjusted Exercise Price was set at $0.0533 pursuant to the terms of the August 2016 Warrants. No holder of August 2016 Warrants had exercised its August 2016 Warrants prior to the Price Reset Date, so no additional shares of common stock were due to holders of August 2016 Warrants as of the Price Reset Date. Holders of August 2016 Warrants are entitled to

exercise their August 2016 Warrants at the Adjusted Exercise Price and will receive an aggregate of 112,564,964 shares of common stock upon exercise of the August 2016 Warrants.

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The Series B Preferred Stock does not contain a redemption provision and an overall analysis of its features performed by the Company determined that it is more akin to equity and therefore, has been classified within stockholders equity on the condensed consolidated balance sheet. While the embedded conversion option (ECO) was subject to an anti-dilution price adjustment, since the ECO is clearly and closely related to the equity host, it is not required to be bifurcated and accounted for as a derivative liability under ASC 815. To analyze whether the Series B Preferred Stock included a beneficial conversion feature (BCF), the Company allocated the $6,000,000 of the gross proceeds between the August 2016 Warrants and the Series B Preferred Stock. The Company allocated the commitment date fair value of $3,678,989 to the August 2016 Warrants (which is allocated at fair value because the August 2016 Warrants were determined to be derivative liabilities as discussed in Note 6) resulting in an amount allocated to the Series B Preferred Stock of $2,321,011. Next, the Company computed the number of shares of Common Stock issuable at the commitment date to be 24,000,000 in order to arrive at an effective conversion price of $0.097 per share. When compared to the market price of the Company s Common Stock of $0.127 per share as of the commitment date, it was determined that a BCF did exist and, as a result, the Company recorded a contractual dividend in net loss available to common stockholders of $726,989.

During the three months ended September 30, 2016, a number of investors converted their Series B Preferred Stock such that they were entitled to dividends, including a make-whole payment, that the Company elected to pay in shares of Common Stock. As a result, the Company issued 8,876,000 shares of Common Stock related to the Series B Preferred Stock dividends during the three months ended September 30, 2016. Since the investors did not pay any additional consideration for such shares (and the impact of the time-based dividend was immaterial due to the majority of conversions occurring on the date of issuance), the Company recognized dividend paid in kind to preferred shareholders of $2,219,000 associated with the make-whole payment which was equal to the number of shares multiplied by the market price of the Company s Common Stock of $0.127 per share as of the commitment date. The net carrying value of the Series B Preferred Stock is $2,045,789 (gross proceeds of $6,000,000 less preferred stock discount associated with August 2016 Warrants of $3,678,989 less issuance costs allocated to Series B Preferred Stock of $275,222). Since the Series B Preferred Stock doesn t contain a redemption provision, it is not probable that the Series B Preferred Stock will become redeemable, therefore the preferred stock discount is not amortized.

On November 23, 2016, the Series B Preferred Stock conversion price became fixed and, as a result, the contingency is resolved. The Company will analyze for a BCF, however, the maximum cumulative BCF that can be recognized is equal to the carrying value of the Series B Preferred Stock. As of September 30, 2016, the Company had recorded BCFs of $726,989.

The August 2016 Warrants were determined to be derivative liabilities due to the presence of an anti-dilution feature whereby the Company may not have a sufficient number of authorized and unissued shares, which resulted in the assumption of a cash settlement of the warrant; however, on November 28, 2016, the Company s stockholders approved an increase in the number of shares of the Company s common stock the Company is authorized to issue from 400,000,000 to 1,000,000,000 shares at a special meeting of stockholders, and, accordingly, the Company has a sufficient number of authorized and unissued shares of common stock to issue upon exercise of the August 2016 Warrants.

Utilizing a Monte Carlo valuation method, the Company, with the assistance of a valuation specialist, determined that the August 2016 Warrants had an issuance date value of $3,678,989 and a value on September 30, 2016 of $3,342,340, a decrease of $336,649, which will be recognized as a gain on the change in fair value of derivative liabilities. At issuance, the fair value was recognized as a liability (with a corresponding debit to additional paid-in capital for the preferred stock discount) and that liability was marked-to-the-market on November 23, 2016, when the

exercise price became fixed. The Company anticipates reclassifying that amount to equity because the August 2016 Warrants will no longer be subject to the anti-dilution adjustment.

In connection with the closing of the Offering, the Company incurred $711,470 of cash issuance costs. $436,248 of the issuance costs were allocated to the August 2016 Warrants (the August 2016 Warrants comprised

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$3,678,989, or 61%, of the aggregate gross proceeds of $6,000,000; 61% of the aggregate issuance costs of $711,470 is $436,248), which are classified as a derivative liability and, as a result, were expensed immediately (and included within other expense (non-operating) on the condensed consolidated statement of operations) and $275,222 of the issuance costs were allocated to the Series B Preferred Stock, which is classified as equity and, as a result, were charged against additional paid-in capital.

5. Related Party Transactions

Under the terms of the Amended and Restated Executive Employment Agreement entered into by Dr. H. Craig Dees, the Company s former Chairman and Chief Executive Officer (Former CEO) and the Company on April 28, 2014 (the Agreement), the Former CEO is owed no severance payments as a result of his resignation on February 27, 2016. The Former CEO s employment terminated with his resignation without Good Reason as that term is defined in the Agreement. Under section 6 of the Agreement, Effect of Termination, a resignation by the Former CEO without Good Reason terminates any payments due to the Former CEO as of the last day of his employment. As reported in the Company s press release furnished with the Company s Current Report on Form 8-K filed with the Commission on February 29, 2016, in connection with the resignation of the Former CEO as the Company s Chief Executive Officer and Chairman of the Board of Directors, which was effective February 27, 2016, the Audit Committee conducted a review of Company procedures, policies and practices, including travel expense advancements and reimbursements. The Audit Committee retained independent counsel and an advisory firm with forensic accounting expertise to assist the Audit Committee in conducting the investigation. On March 15, 2016, the Audit Committee completed this investigation and made the following findings: (1) in 2015, the Former CEO received $898,430 in travel expense advances but submitted receipts totaling only $297,170, most of which did not appear to be authentic; (2) in 2014, the Former CEO received $819,000 for travel expense advances, for which no receipts were submitted; and (3) in 2013, the Former CEO received $752,034 for travel expense advances; no receipts were submitted by the Former CEO for $698,000 of these expenses and $54,034 of submitted receipts did not appear to be authentic. In addition, the Company advanced travel expenses to the Former CEO in the amount of $56,627 in the first quarter of 2016 prior to his resignation and prior to the completion of the Company s investigation. The Company has filed a lawsuit in the United States District Court for the Eastern District of Tennessee seeking to collect all of the Former CEO s unsubstantiated travel expenses, including those which did not appear to be authentic. See Note 7, Litigation Collection Lawsuit.

6. Fair Value of Financial Instruments

The FASB s authoritative guidance on fair value measurements establishes a framework for measuring fair value, and expands disclosure about fair value measurements. This guidance enables the reader of the financial statements to assess the inputs used to develop those measurements by establishing a hierarchy for ranking the quality and reliability of the information used to determine fair values. Under this guidance, assets and liabilities carried at fair value must be classified and disclosed in one of the following three categories:

Level 1: Quoted market prices in active markets for identical assets or liabilities.

Level 2: Observable market based inputs or unobservable inputs that are corroborated by market data.

Level 3: Unobservable inputs that are not corroborated by market data.

In determining the appropriate levels, the Company performs a detailed analysis of the assets and liabilities that are measured and reported on a fair value basis. At each reporting period, all assets and liabilities for which the fair value measurement is based on significant unobservable inputs are classified as Level 3. The fair value of certain of the Company s financial instruments, including Cash and cash equivalents and Accounts payable, approximates the carrying value due to the relatively short maturity of such instruments. The fair value of derivative instruments is determined by management with the assistance of an independent third party valuation specialist. The warrant liability is a derivative instrument and is classified as Level 3. The Company used the

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Monte-Carlo Simulation model to estimate the fair value of the warrants using the following assumptions: expected volatility of 107.8%-108.6%, risk-free rate of 0.88%-0.92%, expected term of 4.91-5.00 years, and expected dividends of 0.00%.

The warrant liability measured at fair value on a recurring basis is as follows:

	Total	Level 1	Level 2	Level 3
Derivative instruments:				
Warrant liability at September 30, 2016	$ 3,342,340	$	$	$ 3,342,340
Warrant liability at December 31, 2015	$	$	$	$

A reconciliation of the warranty liability measured at fair value on a recurring basis with the use of significant unobservable inputs (Level 3) from December 31, 2015 to September 30, 2016 follows:

Balance at December 31, 2015	$
Issuance of warrants	3,678,989
Gain on change in fair value of warrant liability	(336,649)
Exercise of warrants	
Balance at September 30, 2016	$ 3,342,340

7. Litigation

Kleba Shareholder Derivative Lawsuit

On January 2, 2013, Glenn Kleba, derivatively on behalf of the Company, filed a shareholder derivative complaint in the Circuit Court for the State of Tennessee, Knox County (the Court), against the Former CEO, Timothy C. Scott, Eric A. Wachter, and Peter R. Culpepper (collectively, the Executives), Stuart Fuchs, Kelly M. McMasters, and Alfred E. Smith, IV (collectively, together with the Executives, the Individual Defendants), and against the Company as a nominal defendant (the Shareholder Derivative Lawsuit). The Shareholder Derivative Lawsuit alleged (i) breach of fiduciary duties, (ii) waste of corporate assets, and (iii) unjust enrichment, all three claims based on Mr. Kleba s allegations that the defendants authorized and/or accepted stock option awards in violation of the terms of the Company s 2002 Stock Plan (the Plan) by issuing stock options in excess of the amounts authorized under the Plan and delegated to defendant the Former CEO the sole authority to grant himself and the other Executives cash bonuses that Mr. Kleba alleges to be excessive.

In April 2013, the Company s Board of Directors appointed a special litigation committee to investigate the allegations of the Shareholder Derivative Complaint and make a determination as to how the matter should be resolved. The special litigation committee conducted its investigation, and proceedings in the case were stayed pending the conclusion of the committee s investigation. At that time, the Company established a reserve of $100,000 for potential liabilities because such is the amount of the self-insured retention of its insurance policy. On February 21, 2014, an Amended Shareholder Derivative Complaint was filed which added Don B. Dale (Mr. Dale) as a plaintiff.

On March 6, 2014, the Company filed a Joint Notice of Settlement (the Notice of Settlement) in the Shareholder Derivative Lawsuit. In addition to the Company, the parties to the Notice of Settlement are Mr. Kleba, Mr. Dale and the Individual Defendants.

On June 6, 2014, the Company, in its capacity as a nominal defendant, entered into a Stipulated Settlement Agreement and Mutual Release (the Settlement) in the Shareholder Derivative Lawsuit. In addition to the Company and the Individual Defendants, Plaintiffs Glenn Kleba and Don B. Dale are parties to the Settlement.

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By entering into the Settlement, the settling parties resolved the derivative claims to their mutual satisfaction. The Individual Defendants have not admitted the validity of any claims or allegations and the settling plaintiffs have not admitted that any claims or allegations lack merit or foundation. Under the terms of the Settlement, (i) the Executives each agreed (A) to re-pay to the Company $2.24 million of the cash bonuses they each received in 2010 and 2011, which amount equals 70% of such bonuses or an estimate of the after-tax net proceeds to each Executive; provided, however, that subject to certain terms and conditions set forth in the Settlement, the Executives are entitled to a 2:1 credit such that total actual repayment may be $1.12 million each; (B) to reimburse the Company for 25% of the actual costs, net of recovery from any other source, incurred by the Company as a result of the Shareholder Derivative Lawsuit; and (C) to grant to the Company a first priority security interest in 1,000,000 shares of the Company s common stock owned by each such Executive to serve as collateral for the amounts due to the Company under the Settlement; (ii) Drs. Dees and Scott and Mr. Culpepper agreed to retain incentive stock options for 100,000 shares but shall forfeit 50% of the nonqualified stock options granted to each such Executive in both 2010 and 2011. The Settlement also requires that each of the Executives enter into new employment agreements with the Company, which were entered into on April 28, 2014, and that the Company adhere to certain corporate governance principles and processes in the future. Under the Settlement, Messrs. Fuchs and Smith and Dr. McMasters have each agreed to pay the Company $25,000 in cash, subject to reduction by such amount that the Company s insurance carrier pays to the Company on behalf of such defendant pursuant to such defendant s directors and officers liability insurance policy. The Settlement also provides for an award to plaintiffs counsel of attorneys fees and reimbursement of expenses in connection with their role in this litigation, subject to Court approval.

On July 24, 2014, the Court approved the terms of the proposed Settlement and awarded $911,000 to plaintiffs counsel for attorneys fees and reimbursement of expenses in connection with their role in the Shareholder Derivative Lawsuit. The payment to plaintiff s counsel was made by the Company during October 2014 and was recorded as other current assets at December 31, 2014, as the Company is seeking reimbursement of the full amount from its insurance carrier. If the full amount is not received from insurance, the amount remaining will be reimbursed to the Company from the Individual Defendants. The amount was reclassed to long-term receivable at December 31, 2015 and is recorded as long-term receivable at September 30, 2016. A reserve for uncollectibility of $227,750 was established at December 31, 2015 in connection with the resignation of the Former CEO. As of September 30, 2016, the Company has the net amount of the receivable of $683,250 included in long term assets on its condensed balance sheet.

On October 3, 2014, the Settlement was effective and stock options for the Former CEO, Dr. Scott and Mr. Culpepper were rescinded, totaling 2,800,000. $900,000 was repaid by the Executives as of December 31, 2015. The first year payment due has been paid. The remaining cash settlement amounts will continue to be repaid to the Company over a period of four years with the second payment due in total by October 2016 and the final payment is expected to be received by October 3, 2019. $150,000 was repaid by the Executives during the three months ended September 30, 2016, and a total of $450,000 was repaid for the nine months ended September 30, 2016. An additional $19,962 of the settlement discount was amortized as of September 30, 2016, and a total of $63,774 was amortized for the nine months ended September 30, 2016. $167,743 of the settlement discount was amortized as of September 30, 2016. The remaining balance due the Company as of September 30, 2016 is $2,125,509, including a reserve for uncollectibility of $870,578 in connection with the resignation of the Former CEO, with a present value discount remaining of $133,912. As a result of his resignation, the Former CEO is no longer entitled to the 2:1 credit, such that his total repayment obligation of $2,040,000 (the total $2.24 million owed by the Former CEO pursuant to the Settlement less the $200,000 that he repaid as of December 31, 2015) plus the Former CEO s proportionate share of the litigation costs is immediately due and payable. The Company sent the Former CEO a notice of default in March 2016 for the total amount he owes the Company.

Class Action Lawsuits

On May 27, 2014, Cary Farrah and James H. Harrison, Jr., individually and on behalf of all others similarly situated (the Farrah Case), and on May 29, 2014, each of Paul Jason Chaney, individually and on behalf of all

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others similarly situated (the Chaney Case), and Jayson Dauphinee, individually and on behalf of all others similarly situated (the Dauphinee Case) (the plaintiffs in the Farrah Case, the Chaney Case and the Dauphinee Case collectively referred to as the Plaintiffs), each filed a class action lawsuit in the United States District Court for the Middle District of Tennessee against the Company, the Former CEO, Timothy C. Scott and Peter R. Culpepper (the Defendants) alleging violations by the Defendants of Sections 10(b) and 20(a) of the Exchange Act and Rule 10b-5 promulgated thereunder and seeking monetary damages. Specifically, the Plaintiffs in each of the Farrah Case, the Chaney Case and the Dauphinee Case allege that the Defendants are liable for making false statements and failing to disclose adverse facts known to them about the Company, in connection with the Company s application to the FDA for Breakthrough Therapy Designation (BTD) of the Company s melanoma drug, PV-10, in the Spring of 2014, and the FDA s subsequent denial of the Company s application for BTD.

On July 9, 2014, the Plaintiffs and the Defendants filed joint motions in the Farrah Case, the Chaney Case and the Dauphinee Case to consolidate the cases and transfer them to United States District Court for the Eastern District of Tennessee. By order dated July 16, 2014, the United States District Court for the Middle District of Tennessee entered an order consolidating the Farrah Case, the Chaney Case and the Dauphinee Case (collectively and, as consolidated, the Securities Litigation) and transferred the Securities Litigation to the United States District Court for the Eastern District of Tennessee.

On November 26, 2014, the United States District Court for the Eastern District of Tennessee (the Court) entered an order appointing Fawwaz Hamati as the Lead Plaintiff in the Securities Litigation, with the Law Firm of Glancy Binkow & Goldberg, LLP as counsel to Lead Plaintiff. On February 3, 2015, the Court entered an order compelling the Lead Plaintiff to file a consolidated amended complaint within 60 days of entry of the order.

On April 6, 2015, the Lead Plaintiff filed a Consolidated Amended Class Action Complaint (the Consolidated Complaint) in the Securities Litigation, alleging that Provectus and the other individual defendants made knowingly false representations about the likelihood that PV-10 would be approved as a candidate for BTD, and that such representations caused injury to Lead Plaintiff and other shareholders. The Consolidated Complaint also added Eric Wachter as a named defendant.

On June 5, 2015, Provectus filed its Motion to Dismiss the Consolidated Complaint (the Motion to Dismiss). On July 20, 2015, the Lead Plaintiff filed his response in opposition to the Motion to Dismiss (the Response). Pursuant to order of the Court, Provectus replied to the Response on September 18, 2015.

On October 1, 2015, the Court entered an order staying a ruling on the Motion to Dismiss pending a mediation to resolve the Securities Litigation in its entirety. A mediation occurred on October 28, 2015. On January 28, 2016, a settlement terms sheet (the Terms Sheet) was executed by counsel for the Company and counsel for the Lead Plaintiff in the consolidated Securities Litigation.

Pursuant to the Terms Sheet, the parties agree, contingent upon the approval of the court in the consolidated Securities Litigation, that the cases will be settled as a class action on the basis of a class period of December 17, 2013 through May 22, 2014. The Company and its insurance carrier agreed to pay the total amount of $3.5 million (the Settlement Funds) into an interest bearing escrow account upon preliminary approval by the court in the Consolidated Securities Litigation. The Company has determined that it is probable that the Company will pay $1.85 million of the total, which has been accrued at December 31, 2015 and was paid in March 2016. The insurance carrier will pay $1.65 million of the total directly to the plaintiff s trust escrow account. Notice will be provided to shareholder members of the class. Shareholder members of the class will have both the opportunity to file claims to the Settlement Funds and

to object to the settlement. If the court enters final approval of the settlement, the Securities Litigation will be dismissed with full prejudice, the Defendants will be released from any and all claims in the Securities Litigation and the Securities Litigation will be fully concluded. If the court does not give final approval of the settlement, the Settlement Funds, less any claims administration expenses, will be returned to the Company and its insurance carrier.

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A Stipulation of Settlement encompassing the details of the settlement and procedures for preliminary and final court approval was filed on March 8, 2016. The Stipulation of Settlement incorporates the provisions of the Terms Sheet and includes the procedures for providing notice to stockholders who bought or sold stock of the Company during the class period. The Stipulation of Settlement further provides for (1) the methodology of administering and calculating claims, final awards to stockholders, and supervision and distribution of the Settlement Funds and (2) the procedure for preliminary and final approval of the settlement of the Securities Litigation.

On April 7, 2016, the court in the Securities Litigation held a hearing on preliminary approval of the settlement, entered an order preliminarily approving the settlement, ordered that the class be notified of the settlement as set forth in the Stipulation of Settlement, and set a hearing on September 26, 2016 to determine whether the proposed settlement is fair, reasonable, and adequate to the class; whether the class should be certified and the plan of allocation of the Settlement Funds approved; whether to grant Lead Plaintiff s request for expenses and Lead Plaintiff s counsel s request for fees and expenses; and whether to enter judgment dismissing the Securities Litigation as provided in the Stipulation of Settlement. On September 16, 2016, the Lead Plaintiff notified the court that approximately 6,300 stockholders did not receive notification of the proposed settlement until late August 2016 because of the delayed receipt of potential Settlement Class Member information from a number of brokers. As a result, on September 22, 2016, the parties filed a joint motion requesting that the court extend the deadlines to file a Proof of Claim, request exclusion from the settlement, or file an objection to the settlement, and that the court schedule a continued settlement hearing. The court granted the motion, cancelling the settlement hearing that had been set for September 26 and re-setting the hearing to take place on December 12, 2016. On December 2, 2016, the Lead Plaintiffs counsel reported to the court that there have been no requests for exclusion from the settlement and no objections to the proposed settlement. If the settlement is not approved and consummated, the Company intends to defend vigorously against all claims in the Consolidated Complaint.

2014-2015 Derivative Lawsuits

On June 4, 2014, Karla Hurtado, derivatively on behalf of the Company, filed a shareholder derivative complaint in the United States District Court for the Middle District of Tennessee against the Former CEO, Timothy C. Scott, Jan E. Koe, Kelly M. McMasters, and Alfred E. Smith, IV (collectively, the Individual Defendants), and against the Company as a nominal defendant (the Hurtado Shareholder Derivative Lawsuit). The Hurtado Shareholder Derivative Lawsuit alleges (i) breach of fiduciary duties and (ii) abuse of control, both claims based on Ms. Hurtado s allegations that the Individual Defendants (a) recklessly permitted the Company to make false and misleading disclosures and (b) failed to implement adequate controls and procedures to ensure the accuracy of the Company s disclosures. On July 25, 2014, the United States District Court for the Middle District of Tennessee entered an order transferring the case to the United States District Court for the Eastern District of Tennessee and, in light of the pending Securities Litigation, relieving the Individual Defendants from responding to the complaint in the Hurtado Shareholder Derivative Lawsuit pending further order from the United States District Court for the Eastern District of Tennessee.

On October 24, 2014, Paul Montiminy brought a shareholder derivative complaint on behalf of the Company in the United States District Court for the Eastern District of Tennessee (the Montiminy Shareholder Derivative Lawsuit) against the Former CEO, Timothy C. Scott, Jan E. Koe, Kelly M. McMasters, and Alfred E. Smith, IV (collectively, the Individual Defendants). As a practical matter, the factual allegations and requested relief in the Montiminy Shareholder Derivative Lawsuit are substantively the same as those in the Hurtado Shareholder Derivative Lawsuit. On December 29, 2014, the United States District Court for the Eastern District of Tennessee (the Court) entered an order consolidating the Hurtado Shareholder Derivative Lawsuit and the Montiminy Derivative Lawsuit. On April 9, 2015, the United States District Court for the Eastern District of Tennessee entered an Order staying the Hurtado and

Montiminy Shareholder Derivative Lawsuits pending a ruling on the Motion to Dismiss filed by the Company in the Securities Litigation.

On October 28, 2014, Chris Foley, derivatively on behalf of the Company, filed a shareholder derivative complaint in the Chancery Court of Knox County, Tennessee against the Former CEO, Timothy C. Scott, Jan E.

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Koe, Kelly M. McMasters, and Alfred E. Smith, IV (collectively, the Individual Defendants), and against the Company as a nominal defendant (the Foley Shareholder Derivative Lawsuit). The Foley Shareholder Derivative Lawsuit was brought by the same attorney as the Montiminy Shareholder Derivative Lawsuit, Paul Kent Bramlett of Bramlett Law Offices. Other than the difference in the named plaintiff, the complaints in the Foley Shareholder Derivative Lawsuit and the Montiminy Shareholder Derivative Lawsuit are identical. On March 6, 2015, the Chancery Court of Knox County, Tennessee entered an Order staying the Foley Derivative Lawsuit until the United States District Court for the Eastern District of Tennessee issues a ruling on the Motion to Dismiss filed by the Company in the Securities Litigation.

On June 24, 2015, Sean Donato, derivatively on behalf of the Company, filed a shareholder derivative complaint in the Chancery Court of Knox County, Tennessee against the Former CEO, Timothy C. Scott, Jan. E. Koe, Kelly M. McMasters, and Alfred E. Smith, IV (collectively, the Individual Defendants), and against the Company as a nominal defendant (the Donato Shareholder Derivative Lawsuit). Other than the difference in the named plaintiff, the Donato Shareholder Derivative Lawsuit is virtually identical to the other pending derivative lawsuits. All of these cases assert claims against the Defendants for breach of fiduciary duties based on the Company s purportedly misleading statements about the likelihood that PV-10 would be approved by the FDA. We are not in a position at this time to give you an evaluation of the likelihood of an unfavorable outcome, or an estimate of the amount or range of potential loss to the Company.

As a nominal defendant, no relief is sought against the Company itself in the Hurtado, Montiminy, Foley, and Donato Shareholder Derivative Lawsuits.

While the parties to the Securities Litigation were negotiating and documenting the Stipulation of Settlement in the Securities Litigation, the parties to the Hurtado, Montiminy, and Foley Shareholder Derivative Lawsuits, through counsel, engaged in settlement negotiations as well. On or about April 11, 2016, the parties entered into a Stipulation of Settlement, which was filed with the United States District Court for the Eastern District of Tennessee on April 29, 2016.

Pursuant to the Stipulation of Settlement, the parties agreed to settle the cases, contingent upon the approval of the court. The Company agreed to implement certain corporate governance changes, including the adoption of a Disclosure Controls and Procedures Policy, and to use its best efforts to replace one of its existing directors with an independent outside director by June 30, 2017. The Company agreed to pay from insurance proceeds the amount of $300,000 to plaintiffs counsel in the Hurtado, Montiminy, Foley, and Donato Shareholder Derivative Lawsuits. The insurance carrier will pay directly to the plaintiff s trust escrow account and it will not pass through the Company. Notice of the proposed settlement will be provided to shareholders as set forth in the Stipulation of Settlement. If the court enters final approval of the settlement, the Individual Defendants will be released from any and all claims in the Hurtado, Montiminy, Foley, and Donato Shareholder Derivative Lawsuits.

The United States District Court for the Eastern District of Tennessee preliminarily approved the settlement by order dated June 2, 2016. Pursuant to this court order, the notice to the class was filed with the Securities and Exchange Commission, published on the Company s website, and posted on plaintiffs counsel s websites by June 13, 2016. On August 26, 2016, the court held a final hearing on the fairness of the settlement and entered an order approving the settlement and dismissing the action with prejudice.

Collection Lawsuit

On May 5, 2016, the Company filed a lawsuit in the United States District Court for the Eastern District of Tennessee at Knoxville against the Former CEO and his wife (together with the Former CEO, the Defendants). The Company alleges that between 2013 and the present, the Former CEO received approximately $2.4 million in advanced or reimbursed travel and entertainment expenses from the Company and that the Former CEO did not use these funds for legitimate travel and entertainment expenses as he requested and the Company intended. Instead, the Company alleges that the Former CEO created false receipts and documentation for the expenses and applied the funds to personal use. The Company and the Former CEO are parties to a Stipulated Settlement

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Agreement dated October 3, 2014 (the Kleba Settlement Agreement) that was negotiated to resolve certain claims asserted against the Former CEO derivatively. Pursuant to the terms of the Kleba Settlement Agreement, the Former CEO agreed to repay the Company compensation that was paid to him along with legal fees and other expenses incurred by the Company. As of the date of his resignation, the Former CEO still owed the Company $2,267,750 under the Kleba Settlement Agreement. The Former CEO has failed to make such payment, and the Company has notified him that he is in default and demanded payment in full. Therefore, the Company is alleging counts of conversion, fraud, breach of fiduciary duty, breach of contract, breach of Kleba Settlement Agreement, unjust enrichment and punitive damages in this lawsuit. The Company is seeking that the Defendants be prohibited from disposing of any property that may have been paid for with the misappropriated funds, the Defendants be disgorged of any funds shown to be fraudulently misappropriated and that the Company be awarded compensatory damages in an amount not less than $5 million. Furthermore, the Company is seeking for the damages to be joint and several as to the Defendants and that punitive damages be awarded against the Former CEO in the Company s favor. The Company is also seeking foreclosure of the Company s first-priority security interest in the 1,000,000 shares of common stock granted by Dr. Dees to the Company as collateral pursuant to that certain Stock Pledge Agreement dated October 3, 2014, between Dr. Dees and the Company in order to secure Dr. Dees obligations under the Kleba Settlement Agreement. The United States District Court for the Eastern District of Tennessee at Knoxville entered a default judgment against Dr. Dees on July 20, 2016; however, the Company cannot predict when these shares will be recovered by the Company. The Court recently issued a Temporary Restraining Order upon the Company s application for same upon notice that Dr. Dees was attempting to sell his shares of the Company s common stock. The Temporary Restraining Order was converted to a Preliminary Injunction on September 16, 2016, which order will remain in place until the trial of the underlying lawsuit absent further court order or agreement of the parties, and the Company is presently engaged in discovery regarding damages.

The Bible Harris Smith Lawsuit

On November 17, 2016, the Company filed a lawsuit in the Circuit Court for Knox County, Tennessee against Bible Harris Smith PC (BHS) for professional negligence, common law negligence and breach of fiduciary duty arising from accounting services provided by BHS to the Company. The Company alleges that between 2013 and the present, the Former CEO received approximately $2.4 million in advanced or reimbursed travel and entertainment expenses from the Company and that the Former CEO did not submit back-up documentation in support of substantially all of the advances he received purportedly for future travel and entertainment expenses. The Company further alleges that had BHS provided competent accounting and tax preparation services, it would have discovered the Former CEO s failure to submit back-up documentation supporting the advanced travel funds at the inception of the Former CEO s conduct, and prevented the misuse of these and future funds. The Company has made a claim for damages against BHS in an amount in excess of $3 million. The Complaint against BHS has been filed and served, but no Answer has been received.

Other Regulatory Matters

From time to time the Company receives subpoenas and/or requests for information from governmental agencies with respect to our business. The Company has received a subpoena from the staff of the Securities and Exchange Commission related to the travel expense advancements and reimbursements received by our Former CEO. At this time, the staff s investigation into this matter remains ongoing. The Company is cooperating with the staff but cannot predict with any certainty what the outcome of the foregoing may be.

8. Subsequent Events

The Company has evaluated subsequent events through the date of the filing of these financial statements.

Rights Offering

On October 5, 2016, the Company filed a registration statement on Form S-1 with the Securities and Exchange Commission, as amended on November 1, 2016 and November 22, 2016, to issue subscription rights (Rights)

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to the Company s existing common stockholders to purchase units (Units) consisting of shares of common stock and Series C Preferred Stock (the Rights Offering). Each share of Series C Preferred Stock will be convertible into eight (8) shares of common stock. Each Right will entitle holders of the Company s common stock to purchase one Unit. The Rights Offering also contains an over-subscription privilege allowing stockholders who exercise their subscription rights in full to purchase other stockholders unsubscribed Units under certain circumstances. If the Company sells all the Units subject to the Rights Offering, the Company intends to use approximately $32 million of the net proceeds from the Rights Offering for clinical development, including approximately $20 million to expand the geographic scope necessary to complete its ongoing phase 3 clinical trial of PV-10 to treat locally advanced cutaneous melanoma, approximately $5 million to expand the geographic scope necessary to commence the second phase of its phase 1b/2 combination study of PV-10 and Merck s KEYTRUDA in late stage melanoma, approximately $4 million to conduct its phase 1b/2 study of PV-10 in liver cancer and approximately $3 million to conduct exploratory pre-clinical studies and phase 1 clinical studies to support current and future oncology indications, and the Company intends to use any remaining net proceeds for working capital and general corporate purposes. If the Company sells all of the Units subject to the Rights Offering, the Company believes it will have sufficient cash on hand to fund all of its research and development and other capital needs through 2018. There is no assurance, however, that the registration statement with respect to the Rights Offering will be declared effective, that the Rights Offering will be successful or that the Company will issue any Rights, Units, common stock or Series C Preferred Stock pursuant to the Rights Offering.

On November 2, the Company filed a definitive proxy statement on Schedule 14A with the Securities and Exchange Commission, pursuant to which the Company is soliciting stockholders to (i) approve a proposed amendment to the Company s certificate of incorporation to authorize an increase in the number of authorized shares of common stock to an amount that will be sufficient to, in part, allow the Company to issue the shares of common stock that will be contained in the Units (if the maximum amount of Units is sold in the Rights Offering) and the shares of common stock that will be issuable upon conversion of the Preferred Stock (if the maximum amount of Units is sold in the Rights Offering) and (ii) authorize the Company s board of directors to amend the Company s certificate of incorporation, to effect a reverse stock split of the Company s common stock at a ratio of between 1-for-10 and 1-for-50, such ratio to be determined by the board of directors in its sole discretion (the Reverse Stock Split) at a special meeting of stockholders that was held on November 28, 2016 (the Special Meeting). At the Special Meeting, the Company s stockholders approved the proposal to increase the number of shares of common stock the Company is authorized to issue from 400 million shares to one billion shares and did not approve the proposal to amend the Company s certificate of incorporation to effectuate the Reverse Stock Split.

Series B Convertible Preferred Stock Conversions

On November 3, 2016, a holder of Series B Preferred Stock converted 8,000 shares of Series B Preferred Stock and Series B Preferred Stock dividends (including make-whole payments) into 1,120,000 shares of common stock pursuant to the terms of the Certificate of Designation for the Series B Preferred Stock, and on November 30, 2016, a holder of Series B Preferred Stock converted 500 shares of Series B Preferred Stock and Series B Preferred Stock dividends (including make-whole payments) into 328,315 shares of common stock pursuant to the Certificate of Designation for the Series B Preferred Stock.

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Report of Independent Registered Public Accounting Firm

Board of Directors and Stockholders

Provectus Biopharmaceuticals, Inc.

Knoxville, Tennessee

We have audited the accompanying consolidated balance sheets of Provectus Biopharmaceuticals, Inc., as of December 31, 2015 and 2014 and the related consolidated statements of operations, stockholders equity, and cash flows for each of the three years in the period ended December 31, 2015. These financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Provectus Biopharmaceuticals, Inc. at December 31, 2015 and 2014, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2015, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Provectus Biopharmaceuticals, Inc. s internal control over financial reporting as of December 31, 2015, based on criteria established in *Internal Control Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and our report dated March 30, 2016 expressed an adverse opinion thereon.

/s/ BDO USA, LLP

Chicago, Illinois

March 30, 2016

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PROVECTUS BIOPHARMACEUTICALS, INC.

CONSOLIDATED BALANCE SHEETS

	December 31, 2015	December 31, 2014
Assets		
Current Assets		
Cash and cash equivalents	$ 14,178,902	$ 17,391,601
Short-term receivable settlement, net of reserve for uncollectibility	500,000	733,333
Other current assets	41,192	978,000
Total Current Assets	14,720,094	19,102,934
Equipment and furnishings, less accumulated depreciation of $451,028 and $437,863, respectively	85,145	92,171
Patents, net of amortization of $8,802,857 and $8,131,737, respectively	2,912,588	3,583,708
Long-term receivable reimbursable legal fees, net of reserve for uncollectibility	683,250	
Long-term receivable settlement, net of discount and reserve for uncollectibility	2,011,735	3,378,345
Other assets	27,000	27,000
	$ 20,439,812	$ 26,184,158
Liabilities and Stockholders Equity		
Current Liabilities		
Accounts payable trade	$ 1,887,171	$ 440,702
Accrued consulting expense	133,282	91,282
Accrued settlement expense	1,850,000	
Other accrued expenses	252,418	315,738
Total Current Liabilities	4,122,871	847,722
Long-Term Liability		
Warrant liability		146,560
Total Liabilities	4,122,871	994,282
Stockholders Equity		
Preferred stock; par value $.001 per share; 25,000,000 shares authorized; no shares outstanding as of December 31, 2015 and 2014		
Common stock; par value $.001 per share; 400,000,000 shares authorized; 204,979,100 and 184,796,275 shares issued and outstanding, respectively	204,979	184,796

Paid-in capital	196,908,112	181,298,890
Accumulated deficit	(180,796,150)	(156,293,810)
Total Stockholders Equity	16,316,941	25,189,876
	$ 20,439,812	$ 26,184,158

See accompanying notes to consolidated financial statements.

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PROVECTUS BIOPHARMACEUTICALS, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

	Year Ended December 31, 2015	Year Ended December 31, 2014	Year Ended December 31, 2013
Gain on settlement net of discount	$	$ 4,178,345	$
Operating expenses			
Research and development	10,708,569	5,137,927	3,595,555
General and administrative	13,274,072	11,002,326	8,761,264
Amortization	671,120	671,120	671,120
Total operating loss	(24,653,761)	(12,663,028)	(13,027,939)
Investment income	4,861	5,645	1,325
Gain (loss) on change in fair value of warrant liability	146,560	2,384,393	(14,671,130)
Net loss	$ (24,502,340)	$ (10,242,990)	$ (27,697,744)
Dividends on preferred stock			(1,188,648)
Net loss applicable to common shareholders	$ (24,502,340)	$ (10,242,990)	$ (28,886,392)
Basic and diluted loss per common share	$ (0.13)	$ (0.06)	$ (0.22)
Weighted average number of common shares outstanding basic and diluted	195,661,859	175,828,004	132,000,796

See accompanying notes to consolidated financial statements.

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PROVECTUS BIOPHARMACEUTICALS, INC.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY

	Preferred Stock		Common Stock				
	Number of Shares	Par Value	Number of Shares	Par Value	Paid in capital	Accumulated Deficit	Total
Balance, at January 1, 2013	2,478,185	$ 2,478	118,427,925	$ 118,428	$ 122,625,654	$ (118,353,076)	$ 4,393,484
Issuance of stock for services			750,000	750	525,250		526,000
Issuance of warrants for services					1,786,824		1,786,824
Exercise of warrants and stock options			6,319,594	6,320	7,829,150		7,835,470
Issuance of common stock and warrants pursuant to Regulation D			28,409,353	28,409	18,390,926		18,419,335
Issuance of preferred stock and warrants pursuant to Regulation D	3,400,001	3,400			1,248,650		1,252,050
Preferred stock conversions into common stock	(5,844,852)	(5,845)	5,844,852	5,845			
Dividends on preferred stock					(29,063)		(29,063)
Employee compensation from stock options					142,310		142,310
Net loss for the year ended 2013						(27,697,744)	(27,697,744)
	33,334	33	159,751,724	159,752	152,519,701	(146,050,820)	6,628,666

Balance, at December 31, 2013						
Issuance of stock for services			300,000	300	417,950	418,250
Issuance of warrants for services					2,321,327	2,321,327
Reclassification of warrant liability					10,335,619	10,335,619
Cash proceeds from exercise of warrants and stock options			14,926,617	14,926	4,475,831	4,490,757
Issuance of common stock and warrants pursuant to Regulation D			9,784,600	9,785	11,112,817	11,122,602
Preferred stock conversions into common stock	(33,334)	(33)	33,334	33		
Employee compensation from stock options					115,645	115,645
Net loss for the year ended 2014						(10,242,990) (10,242,990)

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	Preferred Stock		Common Stock				
	Number of Shares	Par Value	Number of Shares	Par Value	Paid in capital	Accumulated Deficit	Total
Balance, at December 31, 2014			184,796,275	184,796	181,298,890	(156,293,810)	25,189,876
Issuance of stock for services			305,627	306	202,508		202,814
Issuance of warrants for services					552,358		552,358
Cash proceeds from exercise of warrants and stock options			590,098	590	549,140		549,730
Issuance of common stock and warrants pursuant to Regulation D			1,787,100	1,787	1,552,990		1,554,777
Issuance of common stock and warrants pursuant to Section 5			17,500,000	17,500	12,081,650		12,099,150
Employee compensation from stock options					670,576		670,576
Net loss for the year ended 2015						(24,502,340)	(24,502,340)
Balance, at December 31, 2015	$		204,979,100	$ 204,979	$ 196,908,112	$ (180,796,150)	$ 16,316,941

See accompanying notes to consolidated financial statements.

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PROVECTUS BIOPHARMACEUTICALS, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31, 2015	Year Ended December 31, 2014	Year Ended December 31, 2013
Cash Flows From Operating Activities			
Net loss	$ (24,502,340)	$ (10,242,990)	$ (27,697,744)
Adjustments to reconcile net loss to net cash used in operating activities			
Depreciation	13,165	8,532	6,366
Amortization of patents	671,120	671,120	671,120
Compensation through issuance of stock options	670,576	115,645	142,310
Issuance of stock for services	202,814	418,250	526,000
Issuance of warrants for services	552,358	2,321,327	1,786,824
(Gain) loss on change in fair value of warrant liability	(146,560)	(2,384,393)	14,671,130
Gain on settlement		(4,178,345)	
(Increase) decrease in assets			
Settlement receivable and related interest	1,599,943	66,667	
Other assets	253,558	(978,000)	
Increase (decrease) in liabilities			
Accounts payable	1,446,469	91,833	105,434
Accrued settlement expense	1,850,000		
Accrued expenses	(21,320)	242,943	(103,912)
Net cash used in operating activities	(17,410,217)	(13,847,411)	(9,892,472)
Cash Flows From Investing Activities			
Capital expenditures	(6,139)	(70,590)	(6,650)
Net cash used in investing activities	(6,139)	(70,590)	(6,650)
Cash Flows From Financing Activities			
Net proceeds from sales of preferred stock and warrants			2,550,000
Net proceeds from sales of common stock and warrants	13,653,927	11,122,602	18,419,335
Proceeds from exercises of warrants and stock options	549,730	4,490,757	3,433,392
Cash paid for preferred dividends			(29,063)
Net cash provided by financing activities	14,203,657	15,613,359	24,373,664
Net change in cash and cash equivalents	$ (3,212,699)	$ 1,695,358	$ 14,474,542

Cash and cash equivalents, at beginning of period	$ 17,391,601	$ 15,696,243	$ 1,221,701
Cash and cash equivalents, at end of period	$ 14,178,902	$ 17,391,601	$ 15,696,243

Supplemental Disclosure of Noncash Investing and Financing Activities

	Year Ended December 31, 2015	Year Ended December 31, 2014	Year Ended December 31, 2013
Reclassification of warrant liability to equity due to exercise of warrants	$	$ 10,335,619	$ 4,402,078

See accompanying notes to consolidated financial statements.

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PROVECTUS BIOPHARMACEUTICALS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Organization and Significant Accounting Policies

Nature of Operations

Provectus Biopharmaceuticals, Inc. (together with its subsidiaries, the Company) is a biopharmaceutical company that is focusing on developing minimally invasive products for the treatment of psoriasis and other topical diseases, and certain forms of cancer including melanoma, breast cancer, and cancers of the liver. To date, the Company has no revenues from planned principal operations. The Company s activities are subject to significant risks and uncertainties, including failing to successfully develop and license or commercialize the Company s prescription drug candidates, or sell or license the Company s OTC products or non-core technologies.

Principles of Consolidation

Intercompany balances and transactions have been eliminated in consolidation.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Cash Concentrations

Cash and cash equivalents are maintained at financial institutions and, at times, balances may exceed federally insured limits of $250,000 although the Company seeks to minimize this through treasury management. We have never experienced any losses related to these balances.

Equipment and Furnishings

Equipment and furnishings are stated at cost. Depreciation of equipment is provided for using the straight-line method over the estimated useful lives of the assets. Computers and laboratory equipment are being depreciated over five years; furniture and fixtures are being depreciated over seven years.

Long-Lived Assets

The Company reviews the carrying values of its long-lived assets for possible impairment whenever an event or change in circumstances indicates that the carrying amount of the assets may not be recoverable. Any long-lived assets held for disposal are reported at the lower of their carrying amounts or fair value less cost to sell. Management has determined there to be no impairment.

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Patent Costs

Internal patent costs are expensed in the period incurred. Patents purchased are capitalized and amortized over the remaining life of the patent.

Patents at December 31, 2015 were acquired as a result of the merger with Valley Pharmaceuticals, Inc. (Valley) on November 19, 2002. The majority stockholders of Provectus also owned all of the shares of Valley and therefore the assets acquired from Valley were recorded at their carry-over basis. The patents are being amortized over the remaining lives of the patents, which range from 1-6 years. Annual amortization of the patents is expected to approximate $671,000 for 2016, $659,000 in 2017 and 2018, $547,000 in 2019, and $330,000 in 2020, and $47,000 thereafter.

Research and Development

Research and development costs are charged to expense when incurred. An allocation of payroll expenses to research and development is made based on a percentage estimate of time spent. The research and development costs include the following: payroll, consulting and contract labor, lab supplies and pharmaceutical preparations, legal, insurance, rent and utilities, and depreciation.

Income Taxes

The Company accounts for income taxes under the liability method in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 740 Income Taxes . Under this method, deferred income tax assets and liabilities are determined based on differences between financial reporting and tax basis of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. A valuation allowance is established if it is more likely than not that all, or some portion, of deferred income tax assets will not be realized. The Company has recorded a full valuation allowance to reduce its net deferred income tax assets to zero. In the event the Company were to determine that it would be able to realize some or all its deferred income tax assets in the future, an adjustment to the deferred income tax asset would increase income in the period such determination was made.

The Company recognizes the effect of income tax positions only if those positions are more likely than not of being sustained upon an examination. Any recognized income tax positions would be measured at the largest amount that is greater than 50% likely of being realized. Changes in recognition or measurement would be reflected in the period in which the change in judgment occurs. The Company would recognize any corresponding interest and penalties associated with its income tax positions in income tax expense. There were no income taxes, interest or penalties incurred in 2015, 2014 or 2013. Tax years going back to 2012 remain open for examination by the IRS.

Basic and Diluted Loss Per Common Share

Basic and diluted loss per common share is computed based on the weighted average number of common shares outstanding. Loss per share excludes the impact of outstanding options and warrants and convertible preferred stock as they are antidilutive. Potential common shares excluded from the calculation for the years ended December 31, 2015, 2014 and 2013, respectively, are 80,121,595, 63,235,956 and 73,037,416 from warrants, 10,630,000, 10,845,098 and 15,322,206 from options, and 0, 0 and 33,334 from convertible preferred shares.

Derivative Instruments

The warrants issued in conjunction with convertible preferred stock in March and April 2010 private placements include a reset provision if the Company issues additional warrants, in certain circumstances as defined in the agreement, below the exercise price of $1.00. Effective January 1, 2009, the reset provision of these warrants

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preclude equity accounting treatment under ASC 815. Accordingly, the Company is required to record the warrants as liabilities at their fair value upon issuance and remeasure the fair value at each period end with the change in fair value recorded in the statement of operations. When the warrants are exercised or cancelled, they are reclassified to equity. The Company used the Monte-Carlo Simulation model to estimate the fair value of the warrants. At December 31, 2015, there are no remaining 2010 warrants and, therefore, no associated liability. Significant assumptions used at December 31, 2014 include a weighted average term of 0.2 years, a 5% probability that the warrant exercise price would be reset, a volatility of 63.7% and a risk free interest rate that ranges between 0.03% and 0.04%.

Additionally, the Series A and Series C Warrants issued in conjunction with the January 2011 registered direct public offering include a reset provision if the Company issues additional warrants, in certain circumstances as defined in the agreement, below the exercise price of $1.12. During 2012, the warrant exercise price was reset to $0.675. Significant assumptions used at December 31, 2015 include a weighted average term of 0 years, a 5% probability that the warrant exercise price would be further reset, a volatility of 40.4% and a risk free interest rate of 0.13%. Significant assumptions used at December 31, 2014 include a weighted average term of 1.0 years, a 5% probability that the warrant exercise price would be further reset, a volatility of 159.2% and a risk free interest rate range of 0.25%.

On February 22, 2013, the Company entered into a Securities Purchase Agreement with certain accredited investors for the issuance and sale in a private placement of an aggregate of $2,550,000 of Units at a purchase price of $0.75 per Unit. Each Unit consists of one share of Series A 8% Convertible Preferred Stock, par value $.001 per share, and a warrant to purchase one and one-quarter shares of the Company s common stock, par value $.001 per share (subject to adjustment) at an exercise price of $1.00 per whole share (subject to adjustment). The total Series A 8% Convertible Preferred Stock issued was 3,400,001 shares, and the total warrants were 4,250,000. The Company used the net proceeds of the private placement for working capital, FDA trials, securing licensing partnerships, and general corporate purposes.

The Company determined that warrants issued in February 2013 with the Series A 8% Convertible Preferred Stock should be classified as liabilities in accordance with ASC 815 because the warrants in question contain exercise price reset features that require the exercise price of the warrants be adjusted if the Company issues certain other equity related instruments at a lower price per share. The preferred stock was determined to have characteristics more akin to equity than debt. As a result, the conversion option was determined to be clearly and closely related to the preferred stock and therefore does not need to be bifurcated and classified as a liability. At June 30, 2014, there were no remaining 2013 warrants and therefore no associated warrant liability.

Fair Value of Financial Instruments

The carrying amounts reported in the consolidated balance sheets for cash and cash equivalents, short-term settlement receivable, other current assets and accounts payable approximate their fair value because of the short-term nature of these items. Cash equivalents are measured on a recurring basis within the fair value hierarchy using Level 1 inputs.

The fair value of derivative instruments is determined by management with the assistance of an independent third party valuation specialist. Certain derivatives with limited market activity are valued using Level 3 inputs with externally developed models that consider unobservable market parameters.

Stock-Based Compensation

The compensation cost relating to share-based payment transactions is measured based on the fair value of the equity or liability instruments at date of issuance and is expensed on a straight-line basis. The Company utilizes the Black-Scholes option-pricing model for purposes of estimating the fair value of each stock option on the date of grant. The Black-Scholes option-pricing model was developed for use in estimating the fair value of traded

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options which have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions including the expected volatility factor of the market price of the Company s common stock (as determined by reviewing its historical public market closing prices).

Warrants to non-employees are generally vested and nonforfeitable upon the date of the grant. Accordingly, fair value is determined on the grant date.

Recent Accounting Pronouncements

In May 2014, the FASB issued Accounting Standards Update No. 2014-09, *Revenue from Contracts with Customers* (ASU 2014-09), which supersedes nearly all existing revenue recognition guidance under U.S. GAAP. The core principle of ASU 2014-09 is to recognize revenues when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled for those goods or services. ASU 2014-09 defines a five step process to achieve this core principle and, in doing so, more judgment and estimates may be required within the revenue recognition process than are required under existing U.S. GAAP.

The standard is effective for annual periods beginning after December 15, 2017, and interim periods therein, using either of the following transition methods: (i) a full retrospective approach reflecting the application of the standard in each prior reporting period with the option to elect certain practical expedients, or (ii) a retrospective approach with the cumulative effect of initially adopting ASU 2014-09 recognized at the date of adoption (which includes additional footnote disclosures). We are currently evaluating the impact of our pending adoption of ASU 2014-09 on our consolidated financial statements and have not yet determined the method by which we will adopt the standard in 2018. The Company currently does not have revenues but will consider any related impact going forward.

In August 2014, the FASB issued Accounting Standards Update 2014-15, Disclosure of Uncertainties about an Entity s Ability to Continue as a Going Concern (ASU 2014-15), which addresses when and how to disclose going-concern uncertainties in the financial statements. ASU 2014-15 requires management to perform interim and annual assessments of an entity s ability to continue as a going concern within one year after the date the financial statements are issued. An entity must provide certain disclosures if conditions or events raise substantial doubt about the entity s ability to continue as a going concern. ASU 2014-15 applies to all entities and is effective for annual periods ending after December 15, 2016, and interim periods thereafter, with early adoption permitted. The amended guidance is not expected to have a material impact on the Company s consolidated financial statements.

2. Commitments

Leases

The Company leases office and laboratory space in Knoxville, Tennessee on an annual basis, renewable for one year at our option. Rent expense was $60,000, $60,000 and $55,379 for the years ended December 31, 2015, 2014 and 2013, respectively.

Employee Agreements

On April 28, 2014, the Company entered into amended and restated executive employment agreements (the Employment Agreements) with each of the following executive officers of the Company: H. Craig Dees, Ph.D. to serve as its Chief Executive Officer, Timothy C. Scott, Ph.D. to serve as its President, Eric A. Wachter, Ph.D. to serve

as its Chief Technology Officer, and Peter R. Culpepper to serve as its Chief Financial Officer and Chief Operating Officer (collectively, the executives). Effective February 27, 2016, Dr. Dees resigned as Chief Executive Officer and Chairman of the Board of Directors. Under the terms of the Amended and Restated

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Executive Employment Agreement entered into by Craig Dees and the Company on April 28, 2014 (the Agreement), Dr. Dees is owed no severance payments as a result of his resignation. Dr. Dees s employment terminated with his resignation without Good Reason as that term is defined in the Agreement. Under section 6 of the Agreement, Effect of Termination, a resignation by Dr. Dees without Good Reason terminates any payments due to Dr. Dees as of the last day of his employment.

Each Employment Agreement provides that such executive will be employed for an initial term of five years, subject to automatic renewal for successive one-year periods, unless the executive or the Company (i) terminates the Employment Agreement and the executive s employment thereunder as provided in the Employment Agreement or (ii) provides notice of his or its intent not to renew. Each executive s initial base salary is $500,000 per year, and any increases to such executive s base salary shall be determined by the Compensation Committee of the Company s Board of Directors in its sole discretion (the Compensation Committee). The executives are also eligible for annual bonuses and annual equity incentive awards as determined by the Compensation Committee in its sole discretion.

Each of the Employment Agreements generally provides that in the event that the executive s employment is terminated (i) voluntarily by the executive without Good Reason (as defined in the Employment Agreement), or (ii) by the Company for Cause (as defined in the Employment Agreement), the Company shall pay the executive s compensation only through the last day of the employment period and, except as may otherwise be expressly provided, the Company shall have no further obligation to the executive. In the event that the executive s employment is terminated by the Company other than for Cause (including death or disability), or if the executive voluntarily resigns for Good Reason, for so long as the executive is not in breach of his continuing obligations under the non-competition, non-solicitation and confidentiality restrictions contained in the Employment Agreement, the Company shall continue to pay the executive (or his estate) an amount equal to his base salary in effect immediately prior to the termination of his employment for a period of 24 months, to be paid in accordance with the Company s regular payroll practices through the end of the fiscal year in which termination occurs and then in one lump sum payable to the executive in the first month of the calendar year following termination, as well as any prorated bonuses determined by the Compensation Committee, plus benefits on a substantially equivalent basis to those which would have been provided to the executive.

During the term of each executive s employment by the Company, and for a period of twenty-four (24) months following termination of employment, in the event that such executive voluntarily terminates his employment with the Company other than for Good Reason or such executive is terminated for Cause, then neither the executive nor any other person or entity with executive s assistance shall (i) participate in any business that is directly competitive with the Company s business or (ii) directly or indirectly, solicit any employee of the Company to quit or terminate their employment with the Company or employ as an employee, independent contractor, consultant, or in any other position, any person who was an employee of the Company or the Company s affiliates within the preceding six months, subject to certain exceptions. In addition, without the express written consent of the Company, each executive shall not at any time (either during or after the termination of executive s employment) use (other than for the benefit of the Company) or disclose to any other business entity proprietary or confidential information concerning the Company, any of their affiliates, or any of its officers. Neither shall such executive disclose any of the Company s or the Company s affiliates trade secrets or inventions of which he gained knowledge during his employment with the Company (subject to certain exceptions).

3. Equity Transactions

Common Stock Issued for Services

(a) During the three months ended March 31, 2013, the Company issued 75,000 shares of common stock to consultants in exchange for services. Consulting costs charged to operations were $48,750. During the three months ended June 30, 2013, the Company issued 75,000 shares of common stock to consultants in exchange for

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services. Consulting costs charged to operations were $49,500. During the three months ended September 30, 2013, the Company issued 75,000 shares of common stock to consultants in exchange for services. Consulting costs charged to operations were $51,250. During the three months ended December 31, 2013, the Company issued 275,000 shares of common stock to consultants in exchange for services. Consulting costs charged to operations were $214,000. As the fair market value of these services was not readily determinable, these services were valued based on the fair market value of stock at grant date.

During the three months ended March 31, 2014, the Company issued 75,000 shares of common stock to consultants in exchange for services. Consulting costs charged to operations were $137,500. During the three months ended June 30, 2014, the Company issued 75,000 shares of common stock to consultants in exchange for services. Consulting costs charged to operations were $140,250. During the three months ended September 30, 2014, the Company issued 75,000 shares of common stock to consultants in exchange for services. Consulting costs charged to operations were $68,500. During the three months ended December 31, 2014, the Company issued 75,000 shares of common stock to consultants in exchange for services. Consulting costs charged to operations were $72,000. As the fair market value of these services was not readily determinable, these services were valued based on the fair market value of stock at grant date.

During the three months ended March 31, 2015, the Company issued 75,000 shares of common stock to consultants in exchange for services. Consulting costs charged to operations were $64,000. During the three months ended June 30, 2015, the Company issued 75,000 shares of common stock to consultants in exchange for services. Consulting costs charged to operations were $63,000. During the three months ended September 30, 2015, the Company issued 78,877 shares of common stock to consultants in exchange for services. Consulting costs charged to operations were $38,439. During the three months ended December 31, 2015, the Company issued 76,750 shares of common stock to consultants in exchange for services. Consulting costs charged to operations were $37,375. As the fair market value of these services was not readily determinable, these services were valued based on the fair market value of stock at grant date.

Warrants Issued for Services

(b) During the three months ended March 31, 2013, the Company issued 1,924,973 fully vested warrants to consultants in exchange for services. Consulting costs charged to operations were $409,640. During the three months ended March 31, 2013, 859,833 expired warrants were forfeited. During the three months ended June 30, 2013, the Company issued 2,605,000 fully vested warrants to consultants in exchange for services. Consulting costs charged to operations were $931,655. During the three months ended June 30, 2013, 1,051,500 expired warrants were forfeited. During the three months ended September 30, 2013, the Company issued 442,000 fully vested warrants to consultants in exchange for services. Consulting costs charged to operations were $186,223. During the three months ended September 30, 2013, 136,500 expired warrants were forfeited. During the three months ended December 31, 2013, the Company issued 209,473 fully vested warrants to consultants in exchange for services. Consulting costs charged to operations were $259,306. During the three months ended December 31, 2013, 247,973 expired warrants were forfeited. During the three months ended December 31, 2013, 4,480,005 warrants were exercised on a cashless basis resulting in 2,386,004 shares being issued. During the three months ended December 31, 2013, 3,899,840 warrants were exercised for $3,412,392 resulting in 3,899,840 common shares issued. As the fair market value of these services was not readily determinable, these services were valued based on the fair market value of the warrants, determined using the Black-Scholes option-pricing model. The fair market value for the warrants issued in 2013 ranged from $0.10 to $1.97.

During the three months ended March 31, 2014, the Company issued 733,000 fully vested warrants to consultants in exchange for services. Consulting costs charged to operations were $900,317. During the three months ended March 31, 2014, 121,500 expired warrants were forfeited. During the three months ended March 31, 2014, 12,522,198 warrants were exercised on a cashless basis resulting in 9,100,824 common shares being issued. During the three months ended March 31, 2014, 3,036,218 warrants were exercised for $2,672,364 resulting in 3,036,218 common shares issued. During the three months ended June 30, 2014, the Company issued 202,000

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fully vested warrants to consultants in exchange for services. Consulting costs charged to operations were $450,002. During the three months ended June 30, 2014, 315,000 expired warrants were forfeited. During the three months ended June 30, 2014, 1,594,082 warrants were exercised on a cashless basis resulting in 915,467 common shares being issued. During the three months ended June 30, 2014, 372,000 warrants were exercised for $372,000 resulting in 372,000 common shares issued. During the three months ended September 30, 2014, the Company issued 6,000 fully vested warrants to consultants in exchange for services. Consulting costs charged to operations were $4,189. During the three months ended September 30, 2014, 228,500 expired warrants were forfeited. During the three months ended December 31, 2014, the Company issued 1,503,913 fully vested warrants to consultants in exchange for services. Consulting costs charged to operations were $966,819. During the three months ended December 31, 2014, 1,027,635 expired warrants were forfeited. As the fair market value of these services was not readily determinable, these services were valued based on the fair market value of the warrants, determined using the Black-Scholes option-pricing model. The fair market value for the warrants issued in 2014 ranged from $0.55 to $2.56.

During the three months ended March 31, 2015, the Company issued 3,000 fully vested warrants to consultants in exchange for services. Consulting costs charged to operations were $1,632. During the three months ended March 31, 2015, 3,693,898 warrants were forfeited. During the three months ended June 30, 2015, the Company issued 100,000 fully vested warrants to consultants in exchange for services. Consulting costs charged to operations were $53,582. During the three months ended June 30, 2015, 1,161,790 warrants were forfeited. During the three months ended September 30, 2015, the Company issued 79,500 fully vested warrants to consultants in exchange for services. Consulting costs charged to operations were $24,262. During the three months ended September 30, 2015, 1,152,135 warrants were forfeited. During the three months ended December 31, 2015, the Company issued 1,766,202 fully vested warrants to consultants in exchange for services. Consulting costs charged to operations were $472,882. During the three months ended December 31, 2015, 252,500 warrants were forfeited. As the fair market value of these services was not readily determinable, these services were valued based on the fair market value of the warrants, determined using the Black-Scholes option-pricing model. The fair market value for the warrants issued in 2015 ranged from $0.14 to $0.54.

There are no provisions or obligations that would require the Company to cash settle any of its outstanding warrants. The equity classification of certain of the Company s warrants is appropriate considering that these warrants provide the counterparties the right to purchase a fixed number of shares at a fixed price and the terms are not subject to any potential adjustments.

Private Offerings of Common Stock and Warrants

(c) The Company determined that warrants issued January 13, 2011 and referred to as Series A Warrants and Series C Warrants should be classified as liabilities in accordance with ASC 815 because the warrants in question contain exercise price reset features that require the exercise price of the warrants be adjusted if the Company issues certain other equity related instruments at a lower price per share. The value of the warrant liability was determined based on the Monte-Carlo Simulation model at the date the warrants were issued. The warrant liability is then revalued at each subsequent quarter. At December 31, 2012, the Series A Warrants and the Series C Warrants exercise price of $1.12 per share was reduced to $0.675 per share due to a new issuance price, net of commissions, from a private offering of common stock and warrants to accredited investors during the three months ended December 31, 2012 and pursuant to their exercise price reset provision. During the three months ended December 31, 2013, 1,269,520 of the Series A Warrants were exercised. During the three months ended December 31, 2013, 748,663 of the Series C Warrants were exercised. The Company determined the fair value of the Series A and Series C Warrants exercised on the date of exercise and adjusted the related warrant liability accordingly. The adjusted fair value of the Series A and Series C

Warrants exercised of $1,620,081 was reclassified into additional paid-in capital. For the year ended December 31, 2013 there was a loss recognized from the revaluation of the warrant liability of $3,873,187. During the three months ended March 31, 2014, 858,825 of the Series A Warrants were exercised. During the three months ended March 31, 2014, 697,092 of the Series C Warrants were exercised. The Company determined the fair value of the Series A and Series C Warrants

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exercised on the date of exercise and adjusted the related warrant liability accordingly. The adjusted fair value of the Series A and Series C Warrants exercised in 2014 of $3,911,370 was reclassified into additional paid-in capital. For the year ended December 31, 2014 there was a loss recognized from the revaluation of the warrant liability of $959,320. For the year ended December 31, 2015 there was a gain recognized from the revaluation of the warrant liability of $66,809.

During the three months ended March 31, 2013 the Company completed a private offering of common stock and warrants to accredited investors for gross proceeds of $4,045,510. The Company accepted subscriptions, in the aggregate, for 5,394,013 shares of common stock, and five year warrants to purchase 7,277,264 shares of common stock. Investors received five year fully vested warrants to purchase up to 100% to 150% of the number of shares purchased by the investors in the offering. The warrants have an exercise price of $1.00 per share. The purchase price for each share of common stock together with the warrants was $0.75. The Company used the proceeds for working capital and other general corporate purposes. Network 1 Financial Securities, Inc. served as placement agent for the offering. In connection with the offering, the Company paid $522,640 and issued five year fully vested warrants to purchase 539,401 shares of common stock with an exercise price of $1.00 to Network 1 Financial Securities, Inc., which represents 10% of the total number of shares of common stock sold to investors solicited by Network 1 Financial Securities, Inc. During the three months ended June 30, 2013 the Company completed a private offering of common stock and warrants to accredited investors for gross proceeds of $2,641,501. The Company accepted subscriptions, in the aggregate, for 3,522,001 shares of common stock, and five year warrants to purchase 5,283,003 shares of common stock. Investors received five year fully vested warrants to purchase up to 150% of the number of shares purchased by the investors in the offering. The warrants have an exercise price of $1.00 per share. The purchase price for each share of common stock together with the warrants was $0.75. The Company used the proceeds for working capital and other general corporate purposes. Network 1 Financial Securities, Inc. served as placement agent for the offering. In connection with the offering, the Company paid $314,173, accrued $32,500 at June 30, 2013 which was paid in July 2013 and issued five year fully vested warrants to purchase 352,200 shares of common stock with an exercise price of $1.00 to Network 1 Financial Securities, Inc., which represents 10% of the total number of shares of common stock sold to investors solicited by Network 1 Financial Securities, Inc.

During the three months ended September 30, 2013 the Company completed a private offering of common stock and warrants to accredited investors for gross proceeds of $4,613,037. The Company accepted subscriptions, in the aggregate, for 6,150,718 shares of common stock and five year warrants to purchase 9,226,077 shares of common stock. Investors received five year fully vested warrants to purchase up to 150% of the number of shares purchased by the investors in the offering. The warrants have an exercise price of $1.00 per share. The purchase price for each share of common stock together with the warrants was $0.75. The Company used the proceeds for working capital and other general corporate purposes. Network 1 Financial Securities, Inc. served as placement agent for the offering. In connection with the offering, the Company paid $564,686 and issued five year fully vested warrants to purchase 615,072 shares of common stock with an exercise price of $1.00 to Network 1 Financial Securities, Inc., which represents 10% of the total number of shares of common stock sold to investors solicited by Network 1 Financial Securities, Inc. During the three months ended September 30, 2013 the Company completed a private offering of common stock and warrants to accredited investors for gross proceeds of $2,687,500. The Company accepted subscriptions, in the aggregate, for 3,583,333 shares of common stock and five year warrants to purchase 5,375,000 shares of common stock. Investors received five year fully vested warrants to purchase up to 150% of the number of shares purchased by the investors in the offering. The warrants have an exercise price of $1.00 per share. The purchase price for each share of common stock together with the warrants was $0.75. The Company used the proceeds for working capital and other general corporate purposes. Maxim Group LLC served as placement agent for the offering. In connection with the offering, the Company paid $349,375 and issued five year fully vested warrants to purchase

358,333 shares of common stock with an exercise price of $1.00 to Maxim Group LLC, which represents 10% of the total number of shares of common stock sold to investors solicited by Maxim Group LLC. During the three months ended December 31, 2013 the Company completed a private offering of common stock and warrants to accredited investors for gross proceeds of $5,820,588. The Company accepted subscriptions, in the aggregate, for 7,760,784 shares of common stock and

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five year warrants to purchase 11,641,176 shares of common stock. Investors received five year fully vested warrants to purchase up to 150% of the number of shares purchased by the investors in the offering. The warrants have an exercise price of $1.00 per share. The purchase price for each share of common stock together with the warrants was $0.75. The Company plans to use the proceeds for working capital and other general corporate purposes. Network 1 Financial Securities, Inc. served as placement agent for the offering. In connection with the offering, the Company paid $747,302 and issued five year fully vested warrants to purchase 776,078 shares of common stock with an exercise price of $1.00 to Network 1 Financial Securities, Inc., which represents 10% of the total number of shares of common stock sold to investors solicited by Network 1 Financial Securities, Inc. During the three months ended December 31, 2013 the Company completed a private offering of common stock and warrants to accredited investors for gross proceeds of $1,312,500. The Company accepted subscriptions, in the aggregate, for 1,750,000 shares of common stock and five year warrants to purchase 2,625,000 shares of common stock. Investors received five year fully vested warrants to purchase up to 150% of the number of shares purchased by the investors in the offering. The warrants have an exercise price of $1.00 per share. The purchase price for each share of common stock together with the warrants was $0.75. The Company used the proceeds for working capital and other general corporate purposes. Maxim Group LLC served as placement agent for the offering. In connection with the offering, the Company paid $170,625 and issued five year fully vested warrants to purchase 175,000 shares of common stock with an exercise price of $1.00 to Maxim Group LLC, which represents 10% of the total number of shares of common stock sold to investors solicited by Maxim Group LLC.

During the three months ended June 30, 2014, the Company completed a private offering of common stock and warrants to accredited investors for gross proceeds of $5,000,000. The Company accepted subscriptions, in the aggregate, for 2,000,000 shares of common stock and five year warrants to purchase 2,000,000 shares of common stock. Investors received five year fully vested warrants to purchase up to 100% of the number of shares purchased by the investors in the offering. The warrants have an exercise price of $3.00 per share. The purchase price for each share of common stock together with the warrants was $2.50. The Company used the proceeds for working capital and other general corporate purposes. Network 1 Financial Securities, Inc. served as placement agent for the offering. In connection with the offering, the Company paid $650,000 and issued five year fully vested warrants to purchase 300,000 shares of common stock with an exercise price of $2.50 to Network 1 Financial Securities, Inc., which represents 15% of the total number of shares of common stock sold to investors solicited by Network 1 Financial Securities, Inc. During the three months ended September 30, 2014, the Company commenced a private offering of up to $15 million of common stock and five-year warrants to accredited investors. The warrants have an exercise price of $1.25 per share. The purchase price for each share of common stock together with the warrants is $1.00. The Company plans to use the proceeds for working capital and other general corporate purposes. Network 1 Financial Securities, Inc. is serving as placement agent for the offering. During the three months ended September 30, 2014, the Company received subscriptions, in the aggregate, for 3,586,300 shares of common stock and five year warrants to purchase 1,793,150 shares of common stock for an aggregate of $3,586,300. Investors will receive five year fully vested warrants to purchase up to 50% of the number of shares purchased by the investors in the offering. The warrants have an exercise price of $1.25 per share. The purchase price for each share of common stock together with the warrants is $1.00. The Company plans to use the proceeds for working capital and other general corporate purposes. Network 1 Financial Securities, Inc. is serving as placement agent for the offering. In connection with the offering, the Company paid $466,219 and issued five year fully vested warrants to purchase 358,630 shares of common stock with an exercise price of $1.25 to Network 1 Financial Securities, Inc., which represents 10% of the total number of shares of common stock subscribed for by investors solicited by Network 1 Financial Securities, Inc. During the three months ended December 31, 2014 the Company completed a private offering of common stock and warrants to accredited investors for gross proceeds of $4,198,300. The Company accepted subscriptions, in the aggregate, for 4,198,300 shares of common stock and five year warrants to purchase 2,099,150 shares of common

stock. Investors received five year fully vested warrants to purchase up to 50% of the number of shares purchased by the investors in the offering. The warrants have an exercise price of $1.25 per share. The purchase price for each share of common stock together with the warrants was $1.00. The Company used the proceeds for working capital and other general corporate purposes. Network 1 Financial Securities, Inc. served as placement agent for the offering. In connection with the offering, the Company paid $545,779 and issued five year fully

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vested warrants to purchase 419,830 shares of common stock with an exercise price of $1.25 to Network 1 Financial Securities, Inc., which represents 10% of the total number of shares of common stock sold to investors solicited by Network 1 Financial Securities, Inc.

During the three months ended March 31, 2015, the Company completed a private offering of common stock and warrants to accredited investors for gross proceeds of $776,000. The Company received subscriptions, in the aggregate, for 776,000 shares of common stock and five year warrants to purchase 388,000 shares of common stock. Investors received five year fully vested warrants to purchase up to 50% of the number of shares purchased by the investors in the offering. The warrants have an exercise price of $1.25 per share. The purchase price for each share of common stock together with the warrants is $1.00. The Company plans to use the proceeds for working capital and other general corporate purposes. Network 1 Financial Securities, Inc. served as placement agent for the offering. In connection with the offering, the Company paid $100,880 and issued five year fully vested warrants to purchase 77,600 shares of common stock with an exercise price of $1.25 to Network 1 Financial Securities, Inc., which represents 10% of the total number of shares of common stock subscribed for by investors solicited by Network 1 Financial Securities, Inc. During the three months ended June 30, 2015, the Company completed a private offering of common stock and warrants to accredited investors for gross proceeds of $1,011,100. The Company received subscriptions, in the aggregate, for 1,011,100 shares of common stock and five year warrants to purchase 505,550 shares of common stock. Investors received five year fully vested warrants to purchase up to 50% of the number of shares purchased by the investors in the offering. The warrants have an exercise price of $1.25 per share. The purchase price for each share of common stock together with the warrants is $1.00. The Company plans to use the proceeds for working capital and other general corporate purposes. Network 1 Financial Securities, Inc. served as placement agent for the offering. In connection with the offering, the Company paid $131,443 and issued five year fully vested warrants to purchase 101,110 shares of common stock with an exercise price of $1.25 to Network 1 Financial Securities, Inc., which represents 10% of the total number of shares of common stock subscribed for by investors solicited by Network 1 Financial Securities, Inc.

Private Offering of Convertible Preferred Stock with Warrants

(d) In March and April 2010, the Company issued 8% Convertible Preferred Stock with warrants. The Company determined that warrants issued with the 8% Convertible Preferred Stock should be classified as liabilities in accordance with ASC 815 because the warrants in question contain exercise price reset features that require the exercise price of the warrants be adjusted if the Company issues certain other equity related instruments at a lower price per share. The value of the warrant liability was determined based on the Monte-Carlo Simulation model at the date the warrants were issued. The warrant liability is then revalued at each subsequent quarter. During the three months ended December 31, 2013, 1,146,662 of the warrants included in the warrant liability were exercised. The Company determined the fair value of the warrants exercised on the date of exercise and adjusted the related warrant liability accordingly. The adjusted fair value of the warrants exercised of $765,997 was reclassified into additional paid-in capital. For the year ended December 31, 2013 there was a loss recognized from the revaluation of the warrant liability of $6,911,583. During the three months ended March 31, 2014, 1,756,665 of the warrants included in the warrant liability were exercised. During the three months ended June 30, 2014, 133,232 of the warrants included in the warrant liability were exercised. The Company determined the fair value of the warrants exercised on the date of exercise and adjusted the related warrant liability accordingly. The adjusted fair value of the warrants exercised in 2014 of $2,377,133 was reclassified into additional paid-in capital. For the year ended December 31, 2014 there was a gain recognized from the revaluation of the warrant liability of $4,222,519. During the three months ended March 31, 2015, the remaining warrants included in the warrant liability were forfeited so no more 2010 warrants remain. For the year ended December 31, 2015 there was a gain recognized from the revaluation of the warrant liability of $79,751.

Dividends on the 8% Convertible Preferred Stock accrued at an annual rate of 8% of the original issue price and are payable in either cash or common stock. If the dividend is paid in common stock, the number of shares of common stock will equal the quotient of the amount of cash dividends divided by the market price of the stock

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on the dividend payment date. The dividends are payable quarterly on the 15th day after the quarter-end. The Company has a deficit and, as a result, the dividends are recorded against additional paid-in capital in January 2013, the Company issued 61,022 shares of common stock in dividends on preferred stock in lieu of cash dividends due as of January 15, 2013. At March 31, 2013, the Company recognized dividends of $21,921 which are included in dividends on preferred stock on the consolidated statement of operations. In April 2013, the Company issued 29,384 shares of common stock in dividends on preferred stock in lieu of cash dividends due as of April 15, 2013. At June 30, 2013, the Company recognized dividends of $22,164 which are included in dividends on preferred stock on the consolidated statement of operations. In July 2013, the Company issued 34,598 shares of common stock in dividends on preferred stock in lieu of cash dividends due as of July 15, 2013. At September 30, 2013, the Company recognized dividends of $10,586 which are included in dividends on preferred stock on the consolidated statement of operations. In October 2013, the Company issued 12,066 shares of common stock in dividends on preferred stock in lieu of cash dividends due as of October 15, 2013. At December 31, 2013, the Company recognized no dividends due because of the full conversion of preferred stock to common stock as of December 31, 2013.

During the three months ended March 31, 2013 there were 593,000 shares of the Company s redeemable preferred stock that converted into 593,000 shares of the Company s common stock. During the three months ended June 30, 2013 there were 403,520 shares of the Company s redeemable preferred stock that converted into 403,520 shares of the Company s common stock. During the three months ended September 30, 2013 there were 734,999 shares of the Company s redeemable preferred stock that converted into 734,999 shares of the Company s common stock. During the three months ended December 31, 2013 there were 746,666 shares of the Company s redeemable preferred stock that converted into 746,666 shares of the Company s common stock. At December 31, 2013 there was no 8% Convertible Preferred Stock outstanding.

(e) On February 22, 2013, the Company entered into a Securities Purchase Agreement with certain accredited investors for the issuance and sale in a private placement of an aggregate of $2,550,000 of Units at a purchase price of $0.75 per Unit. Each Unit consists of one share of Series A 8% Convertible Preferred Stock, par value $.001 per share, and a warrant to purchase one and one-quarter shares of the Company s common stock, par value $.001 per share (subject to adjustment) at an exercise price of $1.00 per whole share (subject to adjustment). The total Series A 8% Convertible Preferred Stock issued was 3,400,001 shares, and the total warrants were 4,250,000. The Company used the net proceeds of the private placement for working capital, FDA trials, securing licensing partnerships, and general corporate purposes.

The Company determined that warrants issued in February, 2013 with the Series A 8% Convertible Preferred Stock should be classified as liabilities in accordance with ASC 815 because the warrants in question contain exercise price reset features that require the exercise price of the warrants be adjusted if the Company issues certain other equity related instruments at a lower price per share.

The preferred stock was determined to have characteristics more akin to equity than debt. As a result, the conversion option was determined to be clearly and closely related to the preferred stock and therefore does not need to be bifurcated and classified as a liability. The proceeds received from the issuance of the preferred stock were first allocated to the fair value of the warrants with the remainder allocated to the preferred stock. The fair value of the preferred stock if converted on the date of issuance was greater than the value allocated to the preferred stock. As a result, a beneficial conversion amount was recorded upon issuance. The fair value of the warrants recorded from the February 2013 issuance was $1,297,950 resulting in a beneficial conversion amount of $1,025,950. The beneficial conversion has been recorded as a deemed dividend as of March 31, 2013 and is included in dividends on preferred stock on the consolidated statements of operations.

The value of the warrant liability was determined based on the Monte-Carlo Simulation model at the date the warrants were issued. The warrant liability is then revalued at each subsequent quarter. During the three months ended December 31, 2013, 2,400,000 of the warrants included in the warrant liability were exercised, resulting in 2,400,000 common shares being issued. The Company determined the fair value of the warrants exercised on the

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date of exercise and adjusted the related warrant liability accordingly. The adjusted fair value of the warrants exercised of $2,016,000 was reclassified into additional paid-in capital. For the year ended December 31, 2013 there was a loss recognized from the revaluation of the warrant liability of $3,886,360. During the three months ended March 31, 2014, 1,650,000 of the warrants included in the warrant liability were exercised. During the three months ended June 30, 2014, 200,000 of the warrants included in the warrant liability were exercised, which is the remainder of the 2013 warrants. The Company determined the fair value of the warrants exercised on the date of exercise and adjusted the related warrant liability accordingly. The adjusted fair value of the warrants exercised in 2014 of $4,047,116 was reclassified into additional paid-in capital. For the year ended December 31, 2014 there was a loss recognized from the revaluation of the warrant liability of $878,806.

Dividends on the Series A 8% Convertible Preferred Stock accrued at an annual rate of 8% of the original issue price and are payable in either cash or common stock. If the dividend is paid in common stock, the number of shares of common stock will equal the quotient of the amount of cash dividends divided by the market price of the stock on the dividend payment date. The dividends are payable quarterly on the 15th day after the quarter-end. The Company paid the dividends in common stock although was required to pay the initial dividends due in cash. The Company has a deficit and, as a result, the dividends are recorded against additional paid-in capital. At March 31, 2013, the Company recognized dividends of $29,063 which are included in dividends on preferred stock on the consolidated statement of operations and were paid in April 2013. At June 30, 2013, the Company recognized dividends of $50,860 which are included in dividends on preferred stock on the consolidated statement of operations. In July 2013, the Company issued 79,401 shares of common stock in dividends on preferred stock in lieu of cash dividends due as of July 15, 2013. At September 30, 2013, the Company recognized dividends of $28,104 which are included in dividends on preferred stock on the consolidated statement of operations. In October 2013, the Company issued 32,033 shares of common stock in dividends on preferred stock in lieu of cash dividends due as of October 15, 2013. At December 31, 2013, the Company recognized no dividends due because of the full conversion of preferred stock to common stock as of January 15, 2014. In 2014, the Company recognized no dividends because of the conversion of all outstanding preferred stock to common stock as of January 15, 2014.

During the three months ended September 30, 2013 there were 441,667 shares of the Company s Series A 8% Convertible Preferred Stock that converted into 441,667 shares of the Company s common stock. During the three months ended December 31, 2013 there were 2,925,000 shares of the Company s Series A 8% Convertible Preferred Stock that converted into 2,925,000 shares of the Company s common stock. In January 2014 there were 33,334 shares of the Company s Series A 8% Convertible Preferred Stock that converted into 33,334 shares of the Company s common stock. As of January 15, 2014, there were no shares of Series A 8% Convertible Preferred Stock outstanding.

Common Stock Purchase Agreements

(f) In December 2010, we entered into a purchase agreement with Lincoln Park Capital Fund, LLC, pursuant to which the Company could, in our sole discretion, direct Lincoln Park to purchase up to an additional $30,000,000 of our common stock over the 30-month term of the purchase agreement at no less than $0.75 per share. On June 23, 2013, our agreement with Lincoln Park Capital Fund, LLC expired.

On July 22, 2013 the Company entered into a Purchase Agreement with Alpha Capital Anstalt pursuant to which the Company may, in the Company s sole discretion, direct the purchase up to $30,000,000 of the Company s common stock over the 30-month term of the Purchase Agreement. From time to time during the term of the Purchase Agreement, the Company may, in its sole discretion direct the purchase up to 100,000 shares of the Company s common stock at a per share purchase price equal to the lesser of (i) the lowest sale price of the Company s common

stock reported on the OTCQB or NYSE MKT on the purchase date and (ii) the arithmetic average of the three lowest closing sale prices for the Company s common stock during the 12 consecutive business days ending on the business day immediately preceding the purchase date. The Company may, under certain circumstances, at its discretion, increase the amount of common stock that it sells on each purchase date.

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The committed obligation under any single regular purchase shall not exceed $250,000, unless the parties mutually agree to increase the dollar amount of any regular purchase. In no event may Alpha Capital Anstalt purchase shares of the Company s common stock for less than $0.75 per share. In consideration of entering into the Purchase Agreement and making the commitment to purchase the Purchase Shares, the Company issued 250,000 shares of the Company s common stock to Alpha Capital Anstalt. Costs charged to operations for this commitment fee were $162,500. The Purchase Agreement may be terminated by the Company at any time, at its discretion, without cost to the Company. As of December 31, 2015, the Company had the full amount of the Purchase Agreement available for use. On January 22, 2016, our agreement with Alpha Capital Anstalt expired.

Public Offerings of Common Stock and Warrants

(g) On June 24, 2015, the Company completed a public offering of common stock and warrants for gross proceeds of $13,151,250 (the Offering). The Offering consisted of 17,500,000 shares of common stock and warrants to purchase 17,500,000 shares of common stock with a public offering price of $0.75 for a fixed combination of one share of common stock and a warrant to purchase one share of common stock. Investors received five year fully vested warrants to purchase up to 100% of the number of shares purchased by the investors in the Offering. The warrants have an exercise price of $0.85 per share. The warrants met the criteria for equity treatment. At the closing, the underwriters exercised their over-allotment option with respect to warrants to purchase up to an additional 2,625,000 shares of common stock at $0.01 per warrant. The warrants issued in the Offering began trading on the NYSE MKT on June 22, 2015, under the ticker symbol PVCTWS. The Company used the proceeds of the Offering for clinical development, working capital and general corporate purposes. Maxim Group LLC acted as sole book-running manager for the Offering. In connection with the Offering, the Company paid $1,052,100 to Maxim Group LLC. As of December 31, 2015, 20,125,000 tradable warrants are outstanding.

4. Stock Incentive Plan and Warrants

The Company maintained two long-term incentive compensation plans which have been terminated; namely, the Provectus Pharmaceuticals, Inc. 2002 Stock Plan, which provided for the issuance of 18,450,000 shares of common stock pursuant to stock options, and the 2012 Stock Plan, which provided for the issuance of up to 20,000,000 shares of common stock pursuant to stock options. Currently, the Provectus Biopharmaceuticals, Inc. 2014 Equity Compensation Plan provides for the issuance of up to 20,000,000 shares of common stock pursuant to stock options for the benefit of eligible employees and directors of the Company.

Options granted under the 2002 Stock Plan and under the 2012 Stock Plan were either incentive stock options within the meaning of Section 422 of the Internal Revenue Code or options which were not incentive stock options. Options granted under the 2014 Equity Compensation Plan are either incentive stock options within the meaning of Section 422 of the Internal Revenue Code or options which are not incentive stock options. The stock options are exercisable over a period determined by the Board of Directors (through its Compensation Committee), but generally no longer than 10 years after the date they are granted.

For stock options granted to employees during 2015, 2014 and 2013, the Company has estimated the fair value of each option granted using the Black-Scholes option pricing model with the following assumptions:

	2015	2014	2013

Weighted average fair value per options granted	$ 0.38	$ 0.77	$ 0.57
Significant assumptions (weighted average) risk-free interest rate at grant date	0.25%	0.25%	0.25%
Expected stock price volatility	90% 92%	85% 92%	83% 85%
Expected option life (years)	10	10	10

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One employee of the Company exercised 18,750 options at an exercise price of $0.32 per share of common stock for $6,000 and 25,000 options at an exercise price of $0.60 per share of common stock for $15,000 during the three months ended June 30, 2013. One former non-employee member of the board forfeited 25,000 stock options on May 29, 2013. On August 19, 2013, the Company issued 250,000 stock options to its re-elected members of the board. All of the stock options issued in 2013 vest on the date of grant and have an exercise price equal to the fair market price on the date of issuance.

One employee of the Company exercised 25,000 options at an exercise price of $0.95 per share of common stock for $23,750, 14,248 options at an exercise price of $0.75 per share of common stock for $10,686 and 600,000 options at an exercise price of $0.93 per share of common stock for $558,000 during the three months ended March 31, 2014. Another employee of the Company exercised 300,000 options at an exercise price of $1.10 per share of common stock for $330,000 during the three months ended March 31, 2014. Another employee of the Company exercised 189,624 options at an exercise price of $1.10 per share of common stock for $208,586 during the three months ended March 31, 2014. One employee of the Company forfeited 300,000 stock options on February 26, 2014. One employee of the Company exercised 25,000 options at an exercise price of $0.95 per share of common stock for $23,750 during the three months ended June 30, 2014. Another employee of the Company exercised 100,000 options at an exercise price of $1.25 per share of common stock for $125,000 during the three months ended June 30, 2014. A former non-employee member of the board of directors exercised 25,000 options at an exercise price of $0.95 per share of common stock for $23,750 during the three months ended June 30, 2014. One employee of the Company forfeited 25,000 stock options on May 27, 2014. On July 29, 2014, the Company issued a total of 150,000 stock options to its three re-elected non-employee members of the board of directors. All of the stock options issued in 2014 vested on the date of grant and have an exercise price equal to the fair market price on the date of issuance. One employee of the Company exercised 96,875 options at an exercise price of $0.64 per share of common stock for $62,000, and 126,361 options at an exercise price of $0.64 per share of common stock for $80,871 during the three months ended December 31, 2014. Three employees of the Company had options rescinded during the three months ended December 31, 2014 due to the terms of the settlement discussed in Note 9.

One employee of the Company exercised 185,000 options at an exercise price of $1.02 per share of common stock for $188,700 during the three months ended March 31, 2015. Another employee of the Company exercised 76,764 options at an exercise price of $0.64 per share of common stock for $49,129 during the three months ended March 31, 2015. Another employee of the Company exercised 33,334 options at an exercise price of $0.75 per share of common stock for $25,000 and 29,786 options at an exercise price of $0.94 per share of common stock for $27,999 during the three months ended March 31, 2015. One employee of the Company forfeited 300,000 stock options on January 7, 2015. Two employees and a former non-employee member of the board of the Company each forfeited 25,000 stock options on May 19, 2015 for a total of 75,000 options. Two employees of the Company each forfeited 300,000 stock options on May 25, 2015 for a total of 600,000 options. Two employees of the Company each forfeited 200,000 stock options on December 9, 2015 for a total of 400,000 options. One employee of the Company exercised 120,000 options at an exercise price of $1.02 per share of common stock for $122,400 during the three months ended December 31, 2015. Another employee of the Company exercised 145,214 options at an exercise price of $0.94 per share of common stock for $136,502 during the three months ended December 31, 2015. On December 9, 2015, the Company issued a total of 150,000 stock options to its three re-elected non-employee members of the board of directors and a total of 1,600,000 stock options to its four executive officers then in office. All of the stock options issued in 2015 vested on the date of grant and have an exercise price equal to $0.75 per share of common stock which is greater than the fair market price on the date of issuance.

The compensation cost relating to share-based payment transactions is measured based on the fair value of the equity or liability instruments issued. For purposes of estimating the fair value of each stock option on the date of grant, the Company utilized the Black-Scholes option-pricing model. The Black-Scholes option-pricing model was developed for use in estimating the fair value of traded options, which have no vesting restrictions and are fully transferable. In addition, option-pricing models require the input of highly subjective assumptions including

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the expected volatility factor of the market price of the Company s common stock (as determined by reviewing its historical public market closing prices). Included in the results for the year ended December 31, 2015, is $670,576 of stock-based compensation expense which relates to the fair value of stock options vested in 2015. Included in the results for the year ended December 31, 2014, is $115,645 of stock-based compensation expense which relates to the fair value of stock options vested in 2014. Included in the results for the year ended December 31, 2013, is $142,310 of stock-based compensation expense which relates to the fair value of stock options vested in 2013.

The following table summarizes the options granted, exercised, outstanding and exercisable as of December 31, 2013, 2014 and 2015:

	Shares	Exercise Price Per Share		Weighted Average Exercise Price
Outstanding at January 1, 2013	15,140,956	$ 0.32	1.50	$ 0.97
Granted	250,000	$	0.67	$ 0.67
Exercised	(43,750)	$ 0.32	0.60	$ 0.48
Forfeited	(25,000)	$	0.60	$ 0.60
Outstanding and exercisable at December 31, 2013	15,322,206	$ 0.62	1.50	$ 0.97
Outstanding at January 1, 2014	15,322,206	$ 0.62	1.50	$ 0.97
Granted	150,000	$	0.88	$ 0.88
Settlement (Note 9)	(2,800,000)	$ 0.93	1.00	$ 0.97
Exercised	(1,502,108)	$ 0.64	1.25	$ 0.96
Forfeited	(325,000)	$ 0.95	1.10	$ 1.09
Outstanding and exercisable at December 31, 2014	10,845,098	$ 0.64	1.50	$ 0.97
Outstanding at January 1, 2015	10,845,098	$ 0.64	1.50	$ 0.97
Granted	1,750,000	$	0.75	$ 0.75
Exercised	(590,098)	$ 0.64	1.02	$ 0.93
Forfeited	(1,375,000)	$ 0.62	0.94	$ 0.77
Outstanding and exercisable at December 31, 2015	10,630,000	$ 0.67	1.50	$ 0.96

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The following table summarizes information about stock options outstanding at December 31, 2015 in order of issuance from oldest to newest.

Exercise Price	Number Outstanding at December 31, 2015	Weighted Average Remaining contractual Life	Outstanding Weighted Average Exercise price	Number Exercisable at December 31, 2015	Exercisable Weighted Average Exercise Price
$1.02	3,830,000	0.50 years	$ 1.02	3,830,000	$ 1.02
$1.50	200,000	1.50 years	$ 1.50	200,000	$ 1.50
$1.16	50,000	2.42 years	$ 1.16	50,000	$ 1.16
$1.00	150,000	2.50 years	$ 1.00	150,000	$ 1.00
$1.04	250,000	3.50 years	$ 1.04	250,000	$ 1.04
$1.16	250,000	4.50 years	$ 1.16	250,000	$ 1.16
$1.00	1,600,000	4.50 years	$ 1.00	1,600,000	$ 1.00
$1.04	250,000	5.50 years	$ 1.04	250,000	$ 1.04
$0.99	50,000	5.50 years	$ 0.99	50,000	$ 0.99
$0.93	1,600,000	5.67 years	$ 0.93	1,600,000	$ 0.93
$0.93	50,000	6.38 years	$ 0.93	50,000	$ 0.93
$0.84	200,000	6.50 years	$ 0.84	200,000	$ 0.84
$0.67	250,000	7.71 years	$ 0.67	250,000	$ 0.67
$0.88	150,000	8.67 years	$ 0.88	150,000	$ 0.88
$0.75	1,750,000	9.96 years	$ 0.75	1,750,000	$ 0.75
	10,630,000	4.92 years	$ 0.96	10,630,000	$ 0.96

The weighted-average grant-date fair value of options granted during 2015 was $0.38. The total intrinsic value of options exercised during the year ended December 31, 2015 which were in the money was $16,151.

The weighted-average grant-date fair value of options granted during 2014 was $0.77. The total intrinsic value of options exercised during the year ended December 31, 2014 which were in the money was $1,327,300.

The weighted-average grant-date fair value of options granted during 2013 was $0.57. The total intrinsic value of options exercised during the year ended December 31, 2013 which were in the money was $7,000.

The following is a summary of nonvested stock option activity for the year ended December 31, 2015:

	Number of Shares	Weighted Average Grant-Date Fair Value
Nonvested at December 31, 2014		$
Granted	1,750,000	$ 0.38

Vested	(1,750,000)	$	0.38
Canceled			
Nonvested at December 31, 2015		$	

As of December 31, 2015, there was no unrecognized compensation cost related to nonvested share-based compensation arrangements granted under the Plan.

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The following is a summary of the aggregate intrinsic value of shares outstanding and exercisable at December 31, 2015. The aggregate intrinsic value of stock options outstanding and exercisable is defined as the difference between the market value of the Company s stock as of the end of the period and the exercise price of the stock options which are in the money.

	Number of Shares	Aggregate Intrinsic Value
Outstanding and Exercisable at December 31, 2015	10,630,000	$ 0

The following table summarizes the warrants granted, exercised, outstanding and exercisable as of December 31, 2013, 2014 and 2015.

	Warrants	Exercise Price Per Warrant		Weighted Average Exercise Price
Outstanding at January 1, 2013	30,038,017	$ 0.68	2.00	$ 1.05
Granted	53,675,050	$ 0.68	1.12	$ 1.00
Exercised	(8,379,845)	$ 0.68	1.25	$ 0.93
Forfeited	(2,295,806)	$ 0.68	1.12	$ 0.87
Outstanding and exercisable at December 31, 2013	73,037,416	$ 0.68	2.00	$ 1.03
Outstanding at January 1, 2014	73,037,416	$ 0.68	2.00	$ 1.03
Granted	9,415,673	$ 1.00	3.00	$ 1.61
Exercised	(17,524,498)	$ 0.68	1.50	$ 1.01
Forfeited	(1,692,635)	$ 0.95	1.25	$ 1.07
Outstanding and exercisable at December 31, 2014	63,235,956	$ 0.68	3.00	$ 1.12
Outstanding at January 1, 2015	63,235,956	$ 0.68	3.00	$ 1.12
Granted	23,145,962	$ 0.85	1.25	$ 0.88
Forfeited	(6,260,323)	$ 0.95	1.50	$ 1.10
Outstanding and exercisable at December 31, 2015	80,121,595	$ 0.68	3.00	$ 1.05

The following table summarizes information about warrants outstanding at December 31, 2015.

Exercise Price	Number Outstanding and Exercisable at December 31, 2015	Weighted Average Remaining Contractual Life in Years	Weighted Average Exercise Price
$0.68	134,994	0.00	$ 0.68
$0.85	20,125,000	4.50	$ 0.85
$1.00	47,125,026	2.61	$ 1.00
$1.12	1,337,035	1.33	$ 1.12
$1.25	8,176,540	2.82	$ 1.25
$1.50	400,000	0.83	$ 1.50
$1.75	200,000	0.00	$ 1.75
$2.00	323,000	1.25	$ 2.00
$2.50	300,000	3.33	$ 2.50
$3.00	2,000,000	3.33	$ 3.00
	80,121,595	3.08	$ 1.05

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5. Related Party Transactions

The Company paid one non-employee member of the board $54,000 for consulting services performed as of December 31, 2013. The Company paid another non-employee member of the board $75,000 for consulting services performed as of December 31, 2013. The Company paid a third non-employee member of the board $75,000 for consulting services performed as of December 31, 2013.

The Company paid one of the Company s directors $6,000 as of March 31, 2014, all of which was paid as part of his overall compensation of an aggregate of $85,000 for board and committee service.

On March 15, 2016, the Audit Committee made the following findings related to travel expense advances to its former Chief Executive Officer and Chairman of the Board of Directors, Dr. Dees: (1) in 2015, Dr. Dees received $898,430 in travel expense advances but submitted receipts totaling only $297,170, most of which did not appear to be authentic; (2) in 2014, Dr. Dees received $819,000 for travel expense advances, for which no receipts were submitted; and (3) in 2013, Dr. Dees received $752,034 for travel expense advances; no receipts were submitted by Dr. Dees for $698,000 of these expenses and $54,034 of submitted receipts did not appear to be authentic. The Company intends to pursue collection efforts on all of Dr. Dees unsubstantiated travel expenses, including those which did not appear to be authentic. The travel expense advances to Dr. Dees could be deemed to be in violation of Section 402 of the Sarbanes-Oxley Act of 2002. If it were determined that these advances violated the prohibitions of Section 402 from making personal loans to executive officers or directors, we could be subject to investigation and/or litigation that could involve significant time and costs and may not be resolved favorably. The Company is unable to predict the extent of its ultimate liability with respect to these advances.

6. Income Taxes

Reconciliations between the statutory federal income tax rate and the Company s effective tax rate follow:

	2015		2014		2013	
Years Ended December 31,	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
Federal statutory rate	$ (8,331,000)	(34.0)	$ (3,483,000)	(34.0)	$ (9,417,000)	(34.0)
State taxes	(1,103,000)	(4.5)	(461,000)	(4.5)	(1,246,000)	(4.5)
Adjustment to valuation allowance	9,490,000	38.7	4,862,000	47.7	5,015,000	18.1
Non-deductible compensation						
(Gain) loss on warrant liability	(56,000)	(0.2)	(918,000)	(9.2)	5,648,000	20.4
Actual tax benefit	$		$		$	

The components of the Company s deferred income taxes are summarized below:

December 31,	**2015**	**2014**
Deferred tax assets		
Net operating loss carry-forwards	$ 42,457,000	$ 34,046,000

Theft loss	963,000	
Stock-based compensation	6,602,000	6,344,000
Warrants for services	5,633,000	5,421,000
Deferred tax asset	55,655,000	45,811,000
Deferred tax liabilities		
Patent amortization	(1,121,000)	(1,380,000)
Valuation allowance	(54,534,000)	(44,431,000)
Net deferred taxes	$	$

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A valuation allowance against deferred tax assets is required if, based on the weight of available evidence, it is more likely than not that some or all of the deferred tax assets may not be realized. The Company is in the development stage and realization of the deferred tax assets is not considered more likely than not. As a result, the Company has recorded a full valuation allowance for the net deferred tax asset.

Since inception of the Company on January 17, 2002, the Company has generated tax net operating losses of approximately $110 million, expiring in 2022 through 2035. The tax loss carry-forwards of the Company may be subject to limitation by Section 382 of the Internal Revenue Code with respect to the amount utilizable each year. This limitation reduces the Company s ability to utilize net operating loss carry-forwards. The Company completed a Section 382 study for the period from inception through the year ended December 31, 2014 and recorded a limitation of $3.2 million to their net operating loss carry-forward.

The Company has determined that there are no uncertain tax positions as of December 31, 2015 or 2014 and does not expect any significant change within the next year.

7. 401(K) Profit Sharing Plan

Contributions made by the Company totaled approximately $212,000, $320,000 and $226,000 in 2015, 2014 and 2013, respectively.

8. Fair Value of Financial Instruments

The FASB s authoritative guidance on fair value measurements establishes a framework for measuring fair value, and expands disclosure about fair value measurements. This guidance enables the reader of the financial statements to assess the inputs used to develop those measurements by establishing a hierarchy for ranking the quality and reliability of the information used to determine fair values. Under this guidance, assets and liabilities carried at fair value must be classified and disclosed in one of the following three categories:

Level 1: Quoted market prices in active markets for identical assets or liabilities.

Level 2: Observable market based inputs or unobservable inputs that are corroborated by market data.

Level 3: Unobservable inputs that are not corroborated by market data.

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In determining the appropriate levels, the Company performs a detailed analysis of the assets and liabilities that are measured and reported on a fair value basis. At each reporting period, all assets and liabilities for which the fair value measurement is based on significant unobservable inputs are classified as Level 3. The fair value of certain of the Company s financial instruments which are considered Level 1, including Cash and cash equivalents and Accounts payable, approximates the carrying value due to the relatively short maturity of such instruments. The fair value of derivative instruments is determined by management with the assistance of an independent third party valuation specialist. The warrant liability is a derivative instrument and is classified as Level 3. The Company used the Monte-Carlo Simulation model to estimate the fair value of the warrants. Significant assumptions used are as follows:

	December 31, 2015	December 31, 2014	December 31, 2013
2010 Warrants:			
Weighted average term	N/A	0.2 years	1.2 years
Probability the warrant exercise price would be reset	N/A	5%	5%
Volatility	N/A	63.7%	66.5% to 69.5%
Risk free interest rate	N/A	0.03% to 0.04%	0.13% to 0.38%
2011 Warrants:			
Weighted average term	0 years	1.0 years	2.0 years
Probability the warrant exercise price would be reset	5%	5%	5%
Volatility	40.4%	159.2%	64.7%
Risk free interest rate	0.13%	0.25%	0.38% to 0.78%
2013 Warrants:			
Weighted average term	N/A	N/A	4.1 years
Probability the warrant exercise price would be reset	N/A	N/A	5%
Volatility	N/A	N/A	67.2%
Risk free interest rate	N/A	N/A	0.78% to 1.78%

At December 31, 2015 there are no remaining 2010 or 2013 warrants and therefore no associated warrant liability.

The warrant liability measured at fair value on a recurring basis is as follows:

	Total	Level 1	Level 2	Level 3
Derivative instruments:				
Warrant liability at December 31, 2015	$	$	$	$
Warrant liability at December 31, 2014	$ 146,560	$	$	$ 146,560

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A reconciliation of the warranty liability measured at fair value on a recurring basis with the use of significant unobservable inputs (Level 3) from January 1, 2014 to December 31, 2015 follows:

Balance at January 1, 2014	$ 12,866,572
Issuance of warrants	
Net gain included in earnings	(2,384,393)
Exercise of warrants	(10,335,619)
Balance at December 31, 2014	$ 146,560
Balance at January 1, 2015	$ 146,560
Issuance of warrants	
Net gain included in earnings	(146,560)
Exercise of warrants	
Balance at December 31, 2015	$

9. Litigation

Kleba Shareholder Derivative Lawsuit

On January 2, 2013, Glenn Kleba, derivatively on behalf of the Company, filed a shareholder derivative complaint in the Circuit Court for the State of Tennessee, Knox County (the Court), against H. Craig Dees, Timothy C. Scott, Eric A. Wachter, and Peter R. Culpepper (collectively, the Executives), Stuart Fuchs, Kelly M. McMasters, and Alfred E. Smith, IV (collectively, together with the Executives, the Individual Defendants), and against the Company as a nominal defendant (the Shareholder Derivative Lawsuit). The Shareholder Derivative Lawsuit alleged (i) breach of fiduciary duties, (ii) waste of corporate assets, and (iii) unjust enrichment, all three claims based on Mr. Kleba s allegations that the defendants authorized and/or accepted stock option awards in violation of the terms of the Company s 2002 Stock Plan (the Plan) by issuing stock options in excess of the amounts authorized under the Plan and delegated to defendant H. Craig Dees the sole authority to grant himself and the other Executives cash bonuses that Mr. Kleba alleges to be excessive.

In April 2013, the Company s Board of Directors appointed a special litigation committee to investigate the allegations of the Shareholder Derivative Complaint and make a determination as to how the matter should be resolved. The special litigation committee conducted its investigation, and proceedings in the case were stayed pending the conclusion of the committee s investigation. The Company has established a reserve of $100,000 for potential liabilities because such is the amount of the self-insured retention of its insurance policy. On February 21, 2014, an Amended Shareholder Derivative Complaint was filed which added Don B. Dale (Mr. Dale) as a plaintiff.

On March 6, 2014, the Company filed a Joint Notice of Settlement (the Notice of Settlement) in the Shareholder Derivative Lawsuit. In addition to the Company, the parties to the Notice of Settlement are Mr. Kleba, Mr. Dale and the Individual Defendants.

On June 6, 2014, the Company, in its capacity as a nominal defendant, entered into a Stipulated Settlement Agreement and Mutual Release (the Settlement) in the Shareholder Derivative Lawsuit. In addition to the Company and the Individual Defendants, Plaintiffs Glenn Kleba and Don B. Dale are parties to the Settlement.

By entering into the Settlement, the settling parties have resolved the derivative claims to their mutual satisfaction. The Individual Defendants have not admitted the validity of any claims or allegations and the settling plaintiffs have not admitted that any claims or allegations lack merit or foundation. Under the terms of the Settlement, (i) the Executives each agreed (A) to re-pay to the Company $2.24 Million of the cash bonuses they each received in 2010 and 2011, which amount equals 70% of such bonuses or an estimate of the after-tax net proceeds to each Executive; provided, however, that subject to certain terms and conditions set forth in the

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Settlement, the Executives are entitled to a 2:1 credit such that total actual repayment may be $1.12 Million each; (B) to reimburse the Company for 25% of the actual costs, net of recovery from any other source, incurred by the Company as a result of the Shareholder Derivative Lawsuit; and (C) to grant to the Company a first priority security interest in 1,000,000 shares of the Company s common stock owned by each such Executive to serve as collateral for the amounts due to the Company under the Settlement; (ii) Drs. Dees and Scott and Mr. Culpepper agreed to retain incentive stock options for 100,000 shares but shall forfeit 50% of the nonqualified stock options granted to each such Executive in both 2010 and 2011. The Settlement also requires that each of the Executives enter into new employment agreements with the Company, which were entered into on April 28, 2014, and that the Company adhere to certain corporate governance principles and processes in the future. Under the Settlement, Messrs. Fuchs and Smith and Dr. McMasters have each agreed to pay the Company $25,000 in cash, subject to reduction by such amount that the Company s insurance carrier pays to the Company on behalf of such defendant pursuant to such defendant s directors and officers liability insurance policy. The Settlement also provides for an award to plaintiffs counsel of attorneys fees and reimbursement of expenses in connection with their role in this litigation, subject to Court approval.

On July 24, 2014, the Court approved the terms of the proposed Settlement and awarded $911,000 to plaintiffs counsel for attorneys fees and reimbursement of expenses in connection with their role in the Shareholder Derivative Lawsuit. The payment to plaintiff s counsel was made by the Company during October 2014 and was recorded as other current assets at December 31, 2014. The Company is seeking reimbursement of the full amount from insurance and if the full amount is not received from insurance, the amount remaining will be reimbursed to the Company from the Individual Defendants. The amount was reclassed to long-term receivable at December 31, 2015. A reserve for uncollectibility of $227,750 was established at December 31, 2015 in connection with the resignation of Dr. Dees.

On October 3, 2014, the Settlement was effective and stock options for Drs. Dees and Scott and Mr. Culpepper were rescinded, totaling 2,800,000. $900,000 was repaid by the Executives as of December 31, 2015. The first year payment due has been paid. The remaining cash settlement amounts will continue to be repaid to the Company over a period of four years with the second payment due in total by October 2016 and the final payment is expected to be received by October 3, 2019. $103,969 of the settlement discount was amortized as of December 31, 2015. The remaining balance due the Company as of December 31, 2015 is $2,511,735, including a reserve for uncollectibility of $870,578 in connection with the resignation of Dr. Dees, with a present value discount remaining of $197,686. As a result of his resignation, Dr. Dees is no longer entitled to the 2:1 credit, such that his total repayment obligation of $2,040,000 (the total $2.24 million owed by Dr. Dees pursuant to the Settlement less the $200,000 that he repaid as of December 31, 2015) plus Dr. Dees s proportionate share of the litigation costs is immediately due and payable. The Company sent Dr. Dees a notice of default in March 2016 for the total amount he owes the Company.

Class Action Lawsuits

On May 27, 2014, Cary Farrah and James H. Harrison, Jr., individually and on behalf of all others similarly situated (the Farrah Case), and on May 29, 2014, each of Paul Jason Chaney, individually and on behalf of all others similarly situated (the Chaney Case), and Jayson Dauphinee, individually and on behalf of all others similarly situated (the Dauphinee Case) (the plaintiffs in the Farrah Case, the Chaney Case and the Dauphinee Case collectively referred to as the Plaintiffs), each filed a class action lawsuit in the United States District Court for the Middle District of Tennessee against the Company, H. Craig Dees, Timothy C. Scott and Peter R. Culpepper (the Defendants) alleging violations by the Defendants of Sections 10(b) and 20(a) of the Exchange Act and Rule 10b-5 promulgated thereunder. Specifically, the Plaintiffs in each of the Farrah Case, the Chaney Case and the Dauphinee Case allege that the Defendants are liable for making false statements and failing to disclose adverse facts known to them about the Company, in connection with the Company s application to the FDA for Breakthrough Therapy Designation (BTD) of

the Company s melanoma drug, PV-10, in the Spring of 2014, and the FDA s subsequent denial of the Company s application for BTD.

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On July 9, 2014, the Plaintiffs and the Defendants filed joint motions in the Farrah Case, the Chaney Case and the Dauphinee Case to consolidate the cases and transfer them to United States District Court for the Eastern District of Tennessee. By order dated July 16, 2014, the United States District Court for the Middle District of Tennessee entered an order consolidating the Farrah Case, the Chaney Case and the Dauphinee Case (collectively and, as consolidated, the Securities Litigation) and transferred the Securities Litigation to the United States District Court for the Eastern District of Tennessee.

On November 26, 2014, the United States District Court for the Eastern District of Tennessee (the Court) entered an order appointing Fawwaz Hamati as the Lead Plaintiff in the Securities Litigation, with the Law Firm of Glancy Binkow & Goldberg, LLP as counsel to Lead Plaintiff. On February 3, 2015, the Court entered an order compelling the Lead Plaintiff to file a consolidated amended complaint within 60 days of entry of the order.

On April 6, 2015, the Lead Plaintiff filed a Consolidated Amended Class Action Complaint (the Consolidated Complaint) in the Class Action Case, alleging that Provectus and the other individual defendants made knowingly false representations about the likelihood that PV-10 would be approved as a candidate for BTD, and that such representations caused injury to Lead Plaintiff and other shareholders. The Consolidated Complaint also added Eric Wachter as a named defendant.

On June 5, 2015, Provectus filed its Motion to Dismiss the Consolidated Complaint (the Motion to Dismiss). On July 20, 2015, the Lead Plaintiff filed his response in opposition to the Motion to Dismiss (the Response). Pursuant to order of the Court, Provectus replied to the Response on September 18, 2015.

On October 1, 2015, the Court entered an order staying a ruling on the Motion to Dismiss pending a mediation to resolve the Securities Litigation in its entirety. A mediation occurred on October 28, 2015, and discussions are continuing. On January 28, 2016, a settlement terms sheet (the Terms Sheet) was executed by counsel for the Company and counsel for the Lead Plaintiff in the consolidated Federal Class Actions.

Pursuant to the Terms Sheet, the parties agree, contingent upon the approval of the court in the consolidated Federal Class Actions, that the cases will be settled as a class action on the basis of a class period of December 17, 2013 through May 22, 2014. The Company and its insurance carrier will pay the total amount of $3.5 Million (the Settlement Funds) into an interest bearing escrow account upon preliminary approval by the court in the Consolidated Federal Class Actions. The Company has determined that it is probable that the Company will pay $1.85 Million of the total, which has been accrued at December 31, 2015. The insurance carrier will pay $1.65 Million of the total directly to the plaintiff s trust escrow account and it will not pass through the Company. Notice will be provided to shareholder members of the class. Shareholder members of the class will have both the opportunity to file claims to the Settlement Funds and to object to the settlement. If the court enters final approval of the settlement, the Federal Class Actions will be dismissed with full prejudice, the Defendants will be released from any and all claims in the Federal Class Actions and the Federal Class Actions will be fully concluded. If the court does not give final approval of the Settlement, the Settlement Funds, less any claims administration expenses, will be returned to the Company and its insurance carrier.

A Stipulation of Settlement encompassing the details of the Settlement and procedures for preliminary and final court approval was filed on March 8, 2016. The Stipulation of Settlement incorporates the provisions of the Terms Sheet and provides for the procedures for providing notice to stockholders who bought or sold stock of the Company during the class period. The Stipulation of Settlement provides for (1) the methodology of administering and calculating claims, final awards to stockholders, and supervision and distribution of the Settlement Funds and (2) the procedure

for preliminary and final approval of the settlement of the Federal Class Action. The court in the Federal Class Action has set April 7, 2016 for a hearing on preliminary settlement approval. If the Settlement is not approved and consummated, the Company intends to defend vigorously against all claims in the Consolidated Complaint.

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Hurtado Shareholder Derivative Lawsuit

On June 4, 2014, Karla Hurtado, derivatively on behalf of the Company, filed a shareholder derivative complaint in the United States District Court for the Middle District of Tennessee against H. Craig Dees, Timothy C. Scott, Jan E. Koe, Kelly M. McMasters, and Alfred E. Smith, IV (collectively, the Individual Defendants), and against the Company as a nominal defendant (the Hurtado Shareholder Derivative Lawsuit). The Hurtado Shareholder Derivative Lawsuit alleges (i) breach of fiduciary duties and (ii) abuse of control, both claims based on Ms. Hurtado s allegations that the Individual Defendants (a) recklessly permitted the Company to make false and misleading disclosures and (b) failed to implement adequate controls and procedures to ensure the accuracy of the Company s disclosures.

On July 25, 2014, the United States District Court for the Middle District of Tennessee entered an order transferring the case to the United States District Court for the Eastern District of Tennessee and, in light of the pending Securities Litigation, relieving the Individual Defendants from responding to the complaint in the Hurtado Shareholder Derivative Lawsuit pending further order from the United States District Court for the Eastern District of Tennessee. On April 9, 2015, the United States District Court for the Eastern District of Tennessee entered an Order staying the Hurtado Shareholder Derivative Lawsuit pending a ruling on the Motion to Dismiss filed by Provectus in the Class Action Case.

As a nominal defendant, no relief is sought against the Company itself in the Hurtado Shareholder Derivative Lawsuit.

Montiminy Shareholder Derivative Lawsuit

On October 24, 2014, Paul Montiminy brought a shareholder derivative complaint on behalf of the Company in the United States District Court for the Eastern District of Tennessee (the Montiminy Shareholder Derivative Lawsuit) against H. Craig Dees, Timothy C. Scott, Jan E. Koe, Kelly M. McMasters, and Alfred E. Smith, IV (collectively, the Individual Defendants). Like the Hurtado Shareholder Derivative Lawsuit, the Montiminy Shareholder Derivative Lawsuit alleges (i) breach of fiduciary duties and (ii) gross mismanagement of the assets and business of the Company, both claims based on Mr. Montiminy s allegations that the Individual Defendants recklessly permitted the Company to make certain false and misleading disclosures regarding the likelihood that the Company s melanoma drug, PV-10, would qualify for BTD. As a practical matter, the factual allegations and requested relief in the Montiminy Shareholder Derivative Lawsuit are substantively the same as those in the Hurtado Shareholder Derivative Lawsuit.

On December 29, 2014, the United States District Court for the Eastern District of Tennessee (the Court) entered an order consolidating the Hurtado Shareholder Derivative Lawsuit and the Montiminy Derivative Lawsuit. On February 25, 2015, the parties submitted a proposed agreed order staying the Hurtado and Montiminy Shareholder Derivative Lawsuits until the Court issues a ruling on the anticipated motion to dismiss the amended consolidated complaint to be filed in the Securities Litigation. On April 9, 2015, the United States District Court for the Eastern District of Tennessee entered an Order staying the Hurtado and Montiminy Shareholder Derivative Lawsuits pending a ruling on the Motion to Dismiss filed by Provectus in the Class Action Case.

As in the Hurtado Shareholder Derivative Lawsuit, no relief is sought against the Company itself; the action is against the Individual Defendants only.

Foley Shareholder Derivative Complaint

On October 28, 2014, Chris Foley, derivatively on behalf of the Company, filed a shareholder derivative complaint in the Chancery Court of Knox County, Tennessee against H. Craig Dees, Timothy C. Scott, Jan E. Koe, Kelly M. McMasters, and Alfred E. Smith, IV (collectively, the Individual Defendants), and against the

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Company as a nominal defendant (the Foley Shareholder Derivative Lawsuit). The Foley Shareholder Derivative Lawsuit was brought by the same attorney as the Montiminy Shareholder Derivative Lawsuit, Paul Kent Bramlett of Bramlett Law Offices. Other than the difference in the named plaintiff, the complaints in the Foley Shareholder Derivative Lawsuit and the Montiminy Shareholder Derivative Lawsuit are identical. On March 6, 2015, the Chancery Court of Knox County, Tennessee entered an Order staying the Foley Derivative Lawsuit until the United States District Court for the Eastern District of Tennessee issues a ruling on the Motion to Dismiss filed by Provectus in the Class Action Case.

As in the Hurtado and Montiminy Shareholder Derivative Lawsuits, no relief is sought against the Company itself; the action is against the Individual Defendants only.

Donato Shareholder Derivative Lawsuit

On June 24, 2015, Sean Donato, derivatively on behalf of the Company, filed a shareholder derivative complaint in the Chancery Court of Knox County, Tennessee against H. Craig Dees, Timothy C. Scott, Jan. E. Koe, Kelly M. McMasters, and Alfred E. Smith, IV (collectively, the Individual Defendants), and against the Company as a nominal defendant (the Donato Shareholder Derivative Lawsuit). Other than the difference in the named plaintiff, the Donato Shareholder Derivative Lawsuit is virtually identical to the other pending derivative lawsuits. All of these cases assert claims against the Defendants for breach of fiduciary duties based on the Company s purportedly misleading statements about the likelihood that PV-10 would be approved by the FDA. We are not in a position at this time to give you an evaluation of the likelihood of an unfavorable outcome, or an estimate of the amount or range of potential loss to the Company.

As in the Hurtado, Montiminy, and Foley Shareholder Derivative Lawsuits, no relief is sought against the Company itself; the action is against the Individual Defendants only.

10. Subsequent Events

The Company has evaluated subsequent events through the date of the filing of these financial statements. As of December 28, 2015, we had outstanding Existing Warrants to purchase an aggregate of 59,861,601 shares of Common Stock, which were issued between January 6, 2011 and November 1, 2015 in transactions exempt from registration under the Securities Act. Each Existing Warrant has an exercise price of between $1.00 and $3.00 per share (not taking into account the discounted exercise price), and expires between January 6, 2016 and November 1, 2020. On December 31, 2015, we offered pursuant to an Offer Letter/Prospectus 59,861,601 shares of our Common Stock for issuance upon exercise of the Existing Warrants. The shares issued upon exercise of the Existing Warrants are unrestricted and freely transferable. There is no established trading market for the Existing Warrants. The Offer was to temporarily modify the terms of the Existing Warrants so that each holder who tendered Existing Warrants during the Offer Period for early exercise were able to do so at a discounted exercise price of $0.50 per share. The modification of the exercise price of the Existing Warrants and the Replacement Warrants are treated as an inducement to enter into the exchange offer and will be accounted for as of the closing date. Each Existing Warrant holder who tendered Existing Warrants for early exercise during the Offer Period received, in addition to the shares of Common Stock purchased upon exercise, an equal number of Replacement Warrants. Each Replacement Warrant has a cash exercise price of $0.85 per share and will expire on June 19, 2020, unless sooner exercised. The exchange offer expired at 4:00 p.m., Eastern Time, on March 28, 2016. Approximately $4.0 Million in gross proceeds were received upon closing of the exchange offer.

Under the terms of the Amended and Restated Executive Employment Agreement entered into by Craig Dees and the Company on April 28, 2014 (the Agreement), Dr. Dees is owed no severance payments as a result of his resignation on February 27, 2016 as the Company s Chief Executive Officer and Chairman of the Board of Directors. Dr. Dees s employment terminated with his resignation without Good Reason as that term is defined in the Agreement. Under section 6 of the Agreement, Effect of Termination, a resignation by Dr. Dees without Good Reason terminates any payments due to Dr. Dees as of the last day of his employment. As reported in the

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Company s press release furnished with the Company s Current Report on Form 8-K filed with the Commission on February 29, 2016, in connection with the resignation of Dr. Dees as the Company s Chief Executive Officer and Chairman of the Board of Directors, which was effective February 27, 2016, the Audit Committee conducted a review of Company procedures, policies and practices, including travel expense advancements and reimbursements. The Audit Committee retained independent counsel and an advisory firm with forensic accounting expertise to assist the Audit Committee in conducting the investigation. On March 15, 2016, the Audit Committee completed this investigation and made the following findings: (1) in 2015, Dr. Dees received $898,430 in travel expense advances but submitted receipts totaling only $297,170, most of which did not appear to be authentic; (2) in 2014, Dr. Dees received $819,000 for travel expense advances, for which no receipts were submitted; and (3) in 2013, Dr. Dees received $752,034 for travel expense advances; no receipts were submitted by Dr. Dees for $698,000 of these expenses and $54,034 of submitted receipts did not appear to be authentic. The Company intends to pursue collection efforts on all of Dr. Dees unsubstantiated travel expenses, including those which did not appear to be authentic. The Company treats all relevant travel expenses of Dr. Dees as a theft loss and therefore any uncollectible amounts will be treated as income to Dr. Dees and a Form 1099 MISC will be issued by the Company to him in 2016 in that regard.

11. Selected Quarterly Financial Data (Unaudited)

The following tables present a summary of quarterly results of operations for 2015 and 2014:

	Three Months Ended			
	March 31, 2015	June 30, 2015	September 30, 2015	December 31, 2015
	(in thousands, except per share data)			
Consolidated Statement of Operations Data:				
Gain on settlement net of discount	$	$	$	$
Total operating loss not including gain on settlement	(4,620)	(4,592)	(5,779)	(9,663)
Other income (expense), net	95	47	(1)	11
Net income (loss)	(4,525)	(4,545)	(5,780)	(9,652)
Net income (loss) applicable to common stockholders	$ (4,525)	$ (4,545)	$ (5,780)	$ (9,652)
Basic and diluted income (loss) per common share	$ (0.02)	$ (0.02)	$ (0.03)	$ (0.05)
Weighted average number of common shares outstanding basic and diluted	185,196	187,793	204,610	204,735

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	Three Months Ended			
	March 31, 2014	June 30, 2014	September 30, 2014	December 31, 2014
	(in thousands, except per share data)			
Consolidated Statement of Operations Data:				
Gain on settlement net of discount	$	$	$	$ 4,178
Total operating loss not including gain on settlement	(4,382)	(4,160)	(3,826)	(4,443)
Other income (expense), net	(2,285)	3,517	77	1,081
Net income (loss)	(6,667)	(643)	(3,749)	816
Net income (loss) applicable to common stockholders	$ (6,667)	$ (643)	$ (3,749)	$ 816
Basic and diluted income (loss) per common share	$ (0.04)	$ (0.00)	$ (0.02)	$ 0.00
Weighted average number of common shares outstanding basic and diluted	168,860	175,554	179,089	182,057

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PROSPECTUS

Subscription Rights to Purchase Up to Units

Consisting of an Aggregate of Up to Shares of Common Stock

and Up to Shares of Series C Convertible Preferred Stock

at a Subscription Price of $ Per Unit

Dealer-Manager

Maxim Group LLC

, 2016

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PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

Item 13. ***Other Expenses of Issuance and Distribution***

The following is a statement of estimated expenses in connection with the issuance and distribution of the securities being registered, excluding dealer-manager fees. The expenses relating to the registration of the securities registered hereby will be borne by the registrant. All of such fees and expenses, except for the SEC registration fee and the FINRA Filing Fee, are estimated:

SEC registration fee	$ 6,780.15
FINRA filing fee	9,275
Subscription and Information Agent and Warrant Agent fees and expenses	100,000
Legal fees and expenses	150,000
Printing expenses	40,000
Accounting fees and expenses	75,000
Other fees and expenses	20,000
Total	$ 398,895.15

Item 14. ***Indemnification of Directors and Officers***

Section 102(b)(7) of the General Corporation Law of the State of Delaware (DGCL), which is applicable to the company, allows a corporation to include in its certificate of incorporation a provision that limits or eliminates the personal liability of directors of a corporation or its stockholders for monetary damages for a breach of a fiduciary duty as a director, except where the director breached his duty of loyalty, failed to act in good faith, engaged in intentional misconduct or knowingly violated a law, authorized the payment of a dividend or approved a stock repurchase or redemption in violation of Delaware corporate law or obtained an improper personal benefit.

Section 145 of the DGCL authorizes a corporation to indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, other than an action by or in the right of the corporation, because such person is or was a director, officer, employee or agent of the corporation or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation or other enterprise, against expenses, including attorneys fees, judgments, fines and amounts paid in settlement actually and reasonably incurred by him or her in connection with such suit or proceeding if he or she acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, had no reason to believe his conduct was unlawful. Similar indemnity is authorized for such persons against expenses, including attorneys fees, actually and reasonably incurred in defense or settlement of any such pending, completed or threatened action or suit by or in the right of the corporation if such person acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the corporation, and provided further that, unless a court of competent jurisdiction otherwise provides, such person shall not have been adjudged liable to the corporation. Any such indemnification may be made only as authorized in each specific case upon a determination by the stockholders or disinterested directors that indemnification is proper because the indemnitee has met the applicable standard of conduct.

Section 145 of the DGCL also authorizes a corporation to purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation or enterprise, against any liability asserted against him or her and incurred by him or her in any such capacity, or arising out of his or her

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status as such, whether or not the corporation would otherwise have the power to indemnify him or her. The company maintains insurance policies under which its directors and officers are insured, within the limits and subject to the limitations of the policies, against expenses in connection with the defense of actions, suits or proceedings, and certain liabilities that might be imposed as a result of such actions, suits or proceedings, to which they are parties by reason of being or having been a director or officer of the company.

Our certificate of incorporation and bylaws provide that the company will indemnify its directors and executive officers to the fullest extent provided by the DGCL and that any repeal or modification of such provisions will be prospective only and will not adversely affect the rights provided by the certificate of incorporation and bylaws in effect at the time of the alleged occurrence of any action or omission to act that is the cause of any proceeding against any agent of the company. In addition, our bylaws provide that the company is not required to indemnify any director or executive officer in connection with any proceeding initiated by such person unless the proceeding was authorized by our board of directors.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of Provectus pursuant to the foregoing provisions, or otherwise, we have been advised that in the opinion of the SEC this indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

Item 15. ***Recent Sales of Unregistered Securities***

The following is a summary of all securities that we have sold within the past three years without registration under the Securities Act of 1933 (the Securities Act). In each case, the issuances of the securities were exempt from the registration requirements of the Securities Act by virtue of Section 4(a)(2) and Rule 506 promulgated under Regulation D thereunder as transactions not involving a public offering.

During the three months ended September 30, 2013, the Company issued:

75,000 shares of common stock to consultants in exchange for services. Consulting costs charged to operations were $51,250.

442,000 fully vested warrants to consultants in exchange for services. Consulting costs charged to operations were $186,223.

common stock and warrants in a private placement to accredited investors for gross proceeds of $4,613,037. The Company accepted subscriptions, in the aggregate, for 6,150,718 shares of common stock and five year warrants to purchase 9,226,077 shares of common stock. Investors received five year fully vested warrants to purchase up to 150% of the number of shares purchased by the investors in the offering. The warrants have an exercise price of $1.00 per share. The purchase price for each share of common stock together with the warrants was $0.75. Network 1 Financial Securities, Inc. served as placement agent for the offering. In connection with the offering, the Company paid $564,686 and issued five year fully vested warrants to

purchase 615,072 shares of common stock with an exercise price of $1.00 to Network 1 Financial Securities, Inc., which represents 10% of the total number of shares of common stock sold to investors solicited by Network 1 Financial Securities, Inc.

common stock and warrants in a private placement to accredited investors for gross proceeds of $2,687,500. The Company accepted subscriptions, in the aggregate, for 3,583,333 shares of common stock and five year warrants to purchase 5,375,000 shares of common stock. Investors received five year fully vested warrants to purchase up to 150% of the number of shares purchased by the investors in the offering. The warrants have an exercise price of $1.00 per share. The purchase price for each share of common stock together with the warrants was $0.75. Maxim Group LLC served as placement agent for the offering. In connection with the offering, the Company paid $349,375 and issued five year fully vested warrants to purchase 358,333 shares of common stock with an exercise price of $1.00 to Maxim Group LLC, which represents 10% of the total number of shares of common stock sold to investors solicited by Maxim Group LLC.

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During the three months ended December 31, 2013, the Company issued:

275,000 shares of common stock to consultants in exchange for services. Consulting costs charged to operations were $214,000.

209,473 fully vested warrants to consultants in exchange for services. Consulting costs charged to operations were $259,306.

common stock and warrants in a private placement to accredited investors for gross proceeds of $5,820,588. The Company accepted subscriptions, in the aggregate, for 7,760,784 shares of common stock and five year warrants to purchase 11,641,176 shares of common stock. Investors received five year fully vested warrants to purchase up to 150% of the number of shares purchased by the investors in the offering. The warrants have an exercise price of $1.00 per share. The purchase price for each share of common stock together with the warrants was $0.75. Network 1 Financial Securities, Inc. served as placement agent for the offering. In connection with the offering, the Company paid $747,302 and issued five year fully vested warrants to purchase 776,078 shares of common stock with an exercise price of $1.00 to Network 1 Financial Securities, Inc., which represents 10% of the total number of shares of common stock sold to investors solicited by Network 1 Financial Securities, Inc.

common stock and warrants in a private placement to accredited investors for gross proceeds of $1,312,500. The Company accepted subscriptions, in the aggregate, for 1,750,000 shares of common stock and five year warrants to purchase 2,625,000 shares of common stock. Investors received five year fully vested warrants to purchase up to 150% of the number of shares purchased by the investors in the offering. The warrants have an exercise price of $1.00 per share. The purchase price for each share of common stock together with the warrants was $0.75. Maxim Group LLC served as placement agent for the offering. In connection with the offering, the Company paid $170,625 and issued five year fully vested warrants to purchase 175,000 shares of common stock with an exercise price of $1.00 to Maxim Group LLC, which represents 10% of the total number of shares of common stock sold to investors solicited by Maxim Group LLC.

During the three months ended March 31, 2014, the Company issued:

75,000 shares of common stock to consultants in exchange for services. Consulting costs charged to operations were $137,500.

733,000 fully vested warrants to consultants in exchange for services. Consulting costs charged to operations were $900,317.

During the three months ended June 30, 2014, the Company issued:

75,000 shares of common stock to consultants in exchange for services. Consulting costs charged to operations were $140,250.

202,000 fully vested warrants to consultants in exchange for services. Consulting costs charged to operations were $450,002.

common stock and warrants in a private placement to accredited investors for gross proceeds of $5,000,000. The Company accepted subscriptions, in the aggregate, for 2,000,000 shares of common stock and five year warrants to purchase 2,000,000 shares of common stock. Investors received five year fully vested warrants to purchase up to 100% of the number of shares purchased by the investors in the offering. The warrants have an exercise price of $3.00 per share. The purchase price for each share of common stock together with the warrants was $2.50. Network 1 Financial Securities, Inc. served as placement agent for the offering. In connection with the offering, the Company paid $650,000 and issued five year fully vested warrants to purchase 300,000 shares of common stock with an exercise price of $2.50 to Network 1 Financial Securities, Inc., which represents 15% of the total number of shares of common stock sold to investors solicited by Network 1 Financial Securities, Inc.

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During the three months ended September 30, 2014, the Company issued:

75,000 shares of common stock to consultants in exchange for services. Consulting costs charged to operations were $68,500.

6,000 fully vested warrants to consultants in exchange for services. Consulting costs charged to operations were $4,189.

common stock and five-year warrants to accredited investors. During the three months ended September 30, 2014, the Company received subscriptions, in the aggregate, for 3,586,300 shares of common stock and five year warrants to purchase 1,793,150 shares of common stock for an aggregate of $3,586,300. Investors received five year fully vested warrants to purchase up to 50% of the number of shares purchased by the investors in the offering. The warrants have an exercise price of $1.25 per share. The purchase price for each share of common stock together with the warrants was $1.00. Network 1 Financial Securities, Inc. served as placement agent for the offering. In connection with the offering, the Company paid $466,219 and issued five year fully vested warrants to purchase 358,630 shares of common stock with an exercise price of $1.25 to Network 1 Financial Securities, Inc., which represents 10% of the total number of shares of common stock subscribed for by investors solicited by Network 1 Financial Securities, Inc.

During the three months ended December 31, 2014, the Company issued:

75,000 shares of common stock to consultants in exchange for services. Consulting costs charged to operations were $72,000.

1,503,913 warrants to consultants in exchange for services. Consulting costs charged to operations were $966,819.

common stock and warrants to accredited investors for gross proceeds of $4,198,300. The Company accepted subscriptions, in the aggregate, for 4,198,300 shares of common stock and five year warrants to purchase 2,099,150 shares of common stock. Investors received five year fully vested warrants to purchase up to 50% of the number of shares purchased by the investors in the offering. The warrants have an exercise price of $1.25 per share. The purchase price for each share of common stock together with the warrants was $1.00. Network 1 Financial Securities, Inc. served as placement agent for the offering. In connection with the offering, the Company paid $545,779 and issued five year fully vested warrants to purchase 419,830 shares of common stock with an exercise price of $1.25 to Network 1 Financial Securities, Inc., which represents 10% of the total number of shares of common stock sold to investors solicited by Network 1 Financial Securities, Inc.

During the three months ended March 31, 2015, the Company issued:

75,000 shares of common stock to consultants in exchange for services. Consulting costs charged to operations were $64,000.

3,000 fully vested warrants to consultants in exchange for services with an exercise price of $1.00 for each of the warrants. Consulting costs charged to operations were $1,632.

common stock and warrants in a private placement to accredited investors for gross proceeds of $776,000. The Company received subscriptions, in the aggregate, for 776,000 shares of common stock and five year warrants to purchase 388,000 shares of common stock. Investors received five year fully vested warrants to purchase up to 50% of the number of shares purchased by the investors in the offering. The warrants have an exercise price of $1.25 per share. The purchase price for each share of common stock together with the warrants is $1.00. Network 1 Financial Securities, Inc. served as placement agent for the offering. In connection with the offering, the Company paid $100,880 and issued five year fully vested warrants to purchase 77,600 shares of common stock with an exercise price of $1.25 to Network 1 Financial Securities, Inc., which represents 10% of the total number of shares of common stock subscribed for by investors solicited by Network 1 Financial Securities, Inc.

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During the three months ended June 30, 2015, the Company issued:

75,000 shares of common stock to consultants in exchange for services. Consulting costs charged to operations were $63,000.

100,000 fully vested warrants to consultants in exchange for services with an exercise price of $1.00 for each of the warrants. Consulting costs charged to operations were $53,582.

common stock and warrants in a private placement to accredited investors for gross proceeds of $1,011,100. The Company received subscriptions, in the aggregate, for 1,011,100 shares of common stock and five year warrants to purchase 505,550 shares of common stock. Investors received five year fully vested warrants to purchase up to 50% of the number of shares purchased by the investors in the offering. The warrants have an exercise price of $1.25 per share. The purchase price for each share of common stock together with the warrants was $1.00. Network 1 Financial Securities, Inc. served as placement agent for the offering. In connection with the offering, the Company paid $131,443 and issued five year fully vested warrants to purchase 101,110 shares of common stock with an exercise price of $1.25 to Network 1 Financial Securities, Inc., which represents 10% of the total number of shares of common stock subscribed for by investors solicited by Network 1 Financial Securities, Inc.

During the three months ended September 30, 2015, the Company issued:

78,877 shares of common stock to consultants in exchange for services. Consulting costs charged to operations were $38,439.

79,500 fully vested warrants to consultants in exchange for services with an exercise price of $1.00 for each of the warrants. Consulting costs charged to operations were $24,262.

During the three months ended December 31, 2015, the Company issued:

76,750 shares of common stock to consultants in exchange for services. Consulting costs charged to operations were $37,375.

1,513,702 fully vested warrants to consultants in exchange for services with an exercise price of $1.00 for each of the warrants and 252,500 fully vested warrants to consultants in exchange for services with an exercise price of $1.12 for each of the warrants. Consulting costs charged to operations were $472,882.

Item 16. ***Exhibits and Financial Statement Schedules***

The list of exhibits in the Exhibit Index to this registration statement is incorporated herein by reference.

Item 17. ***Undertakings***

(a) The undersigned registrant hereby undertakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement:

(i) To include any prospectus required by Section 10(a)(3) of the Securities Act of 1933;

(ii) To reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Commission pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent, no more than a 20% change in the maximum aggregate offering price set forth in the Calculation of Registration Fee table in the effective registration statement; and

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(iii) To include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement.

Provided, however, that paragraphs (a)(1)(i), (ii) and (iii) above do not apply if the information required to be included in a post-effective amendment by those paragraphs is contained in periodic reports filed with or furnished to the Commission by the registrant pursuant to Section 13 or Section 15(d) of the Securities Exchange Act of 1934 that are incorporated by reference in this registration statement, or is contained in a form of prospectus filed pursuant to Rule 424(b) that is part of the registration statement.

(2) That, for the purpose of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

(4) That, for the purpose of determining liability under the Securities Act of 1933 to any purchaser, each prospectus filed pursuant to Rule 424(b) as part of a registration statement relating to an offering, other than registration statements relying on Rule 430B or other than prospectuses filed in reliance on Rule 430A, shall be deemed to be part of and included in the registration statement as of the date it is first used after effectiveness. *Provided, however*, that no statement made in a registration statement or prospectus that is part of the registration statement or made in a document incorporated or deemed incorporated by reference into the registration statement or prospectus that is part of the registration statement will, as to a purchaser with a time of contract of sale prior to such first use, supersede or modify any statement that was made in the registration statement or prospectus that was part of the registration statement or made in any such document immediately prior to such date of first use.

(5) That, for the purpose of determining liability of the registrant under the Securities Act of 1933 to any purchaser in the initial distribution of the securities, the undersigned registrant undertakes that in a primary offering of securities of the undersigned registrant pursuant to this registration statement, regardless of the underwriting method used to sell the securities to the purchaser, if the securities are offered or sold to such purchaser by means of any of the following communications, the undersigned registrant will be a seller to the purchaser and will be considered to offer or sell such securities to such purchaser:

(i) any preliminary prospectus or prospectus of the undersigned registrant relating to the offering required to be filed pursuant to Rule 424;

(ii) any free writing prospectus relating to the offering prepared by or on behalf of the undersigned registrant or used or referred to by the undersigned registrant;

(iii) the portion of any other free writing prospectus relating to the offering containing material information about the undersigned registrant or its securities provided by or on behalf of the undersigned registrant; and

(iv) any other communication that is an offer in the offering made by the undersigned registrant to the purchaser.

(b) The undersigned registrant hereby undertakes that, for purposes of determining any liability under the Securities Act of 1933, each filing of the registrant s annual report pursuant to Section 13(a) or Section 15(d) of the Securities

Exchange Act of 1934 (and, where applicable, each filing of an employee benefit plan s annual report pursuant to Section 15(d) of the Securities Exchange Act of 1934) that is incorporated by reference in the registration statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(c) Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrant pursuant to the provisions pursuant to the foregoing

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provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act of 1933 and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

(d) The undersigned registrant hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act of 1933, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b) (1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act of 1933, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

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SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-1 and has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Knoxville, State of Tennessee, on December 6 2016.

PROVECTUS BIOPHARMACEUTICALS, INC.

By: /s/ Peter R. Culpepper
Name: Peter R. Culpepper
Title: Interim Chief Executive Officer and

Chief Operating Officer (principal executive officer)

Pursuant to the requirements of the Securities Act of 1933, this registration statement has been signed by the following persons in the capacities and on the dates indicated below.

Signature	Title	Date
/s/ Peter R. Culpepper **Peter R. Culpepper, CPA, MBA**	Interim Chief Executive Officer (principal executive officer) and Chief Operating Officer	December 6, 2016
/s/ John R. Glass **John R. Glass**	Interim Chief Financial Officer (principal financial officer and principal accounting officer)	December 6, 2016
* **Timothy C. Scott, Ph.D.**	President and Director	December 6, 2016
* **Jan E. Koe**	Director	December 6, 2016
* **Kelly M. McMasters, M.D., Ph.D.**	Director	December 6, 2016

*	Director and Chairman of the Board	December 6, 2016
Alfred E. Smith, IV		
*	Chief Technology Officer and Director	December 6, 2016
Eric A. Wachter, Ph.D.		

*By: /s/ Peter R. Culpepper

Attorney-in-fact

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EXHIBIT INDEX

Exhibit No.	Description
1.1*	Form of Dealer-Manager Agreement by and between Provectus Biopharmaceuticals, Inc. and Maxim Group LLC (schedules have been omitted, and the Company agrees to furnish supplementally to the Commission a copy of any omitted exhibits and schedules upon request)
3.1	Certificate of Incorporation of Provectus Biopharmaceuticals, Inc., as amended (incorporated by reference to Exhibit 3.1 of the Company s quarterly report on Form 10-Q filed with the SEC on November 5, 2015).
3.2	Certificate of Designation for the Company s Series B Convertible Preferred Stock (incorporated by reference to Exhibit 3.1 of the Company s current report on Form 8-K filed with the SEC on August 25, 2016).
3.3*	Certificate of Designation for the Company s Series C Convertible Preferred Stock.
3.4	Bylaws of Provectus Biopharmaceuticals, Inc. (incorporated by reference to Exhibit 3.4 of the Company s annual report on Form 10-K filed with the SEC on March 13, 2014).
4.1	Specimen certificate for the Common Stock, par value $0.001 per share, of the Company (incorporated by reference to Exhibit 4.1 of the Company s annual report on Form 10-KSB filed with the SEC on April 15, 2003).
4.2**	Form of Non-Transferable Subscription Rights Certificate.
4.3*	Warrant Agency Agreement between Provectus Biopharmaceuticals, Inc. and Broadridge Corporate Issuer Solutions, Inc.
4.4*	Form of Pre-Funded Warrant Certificate.
5.1*	Legal opinion of Baker, Donelson, Bearman, Caldwell & Berkowitz, PC.
10.1	Amended and Restated 2012 Stock Plan (incorporated herein by reference to Appendix A of the Company s definitive proxy statement filed on April 30, 2012).
10.2	Confidentiality, Inventions and Non-competition Agreement dated as of November 26, 2002 between the Company and Timothy C. Scott (incorporated by reference to Exhibit 10.9 of the Company s annual report on Form 10-KSB filed on April 15, 2003).
10.3	Confidentiality, Inventions and Non-competition Agreement dated as of November 26, 2002, between the Company and Eric A. Wachter (incorporated by reference to Exhibit 10.10 of the Company s annual report on Form 10-KSB filed on April 15, 2003).
10.4	Material Transfer Agreement dated as of July 31, 2003 between Schering-Plough Animal Health Corporation and the Company (incorporated by reference to Exhibit 10.15 of the Company s quarterly report on Form 10-QSB filed on August 14, 2003).
10.5	Securities Purchase Agreement dated as of January 13, 2011, by and between the Company and the purchasers identified on the signature pages thereto (incorporated by reference to Exhibit 10.1 of the

	Company s current report on Form 8-K filed on January 13, 2011).
10.6	Purchase Agreement dated as of December 22, 2010, by and between the Company and Lincoln Park Capital Fund, LLC (incorporated by reference to Exhibit 10.2 of the Company s current report on Form 8-K filed on December 23, 2010).
10.7	Registration Rights Agreement dated as of December 22, 2010, by and between the Company and Lincoln Park Capital Fund, LLC (incorporated by reference to Exhibit 10.2 of the Company s current report on Form 8-K filed on December 23, 2010).

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10.8	Purchase Agreement dated as of July 22, 2013, by and between Provectus Pharmaceuticals, Inc. and Alpha Capital Anstalt (incorporated by reference to Exhibit 10.1 of the Company s current report on Form 8-K filed with the SEC on July 26, 2013).
10.9	Amended and Restated Executive Employment Agreement by and between the Company and H. Craig Dees, Ph.D., dated April 28, 2014 (incorporated by reference to Exhibit 10.1 to the Company s current report on Form 8-K filed on April 30, 2014).
10.10	Amended and Restated Executive Employment Agreement by and between the Company and Timothy C. Scott, Ph.D., dated April 28, 2014 (incorporated by reference to Exhibit 10.2 to the Company s Item current report on Form 8-K filed on April 30, 2014).
10.11	Amended and Restated Executive Employment Agreement by and between the Company and Eric A. Wachter, Ph.D., dated April 28, 2014 (incorporated by reference to Exhibit 10.3 to the Company s current report on Form 8-K filed on April 30, 2014).
10.12	Amended and Restated Executive Employment Agreement by and between the Company and Peter R. Culpepper, dated April 28, 2014 (incorporated by reference to Exhibit 10.4 to the Company s current report on Form 8-K filed on April 30, 2014).
10.13	2014 Equity Compensation Plan (incorporated herein by reference to Appendix A of the Company s definitive proxy statement filed on April 30, 2014).
10.14	Controlled Equity OfferingSM Sales Agreement, dated April 30, 2014, by and between Provectus Biopharmaceuticals, Inc. and Cantor Fitzgerald & Co. (incorporated by reference to Exhibit 10.1 of the Company s current report on Form 8-K filed with the SEC on April 30, 2014).
10.15	Stipulated Settlement Agreement and Mutual Release, dated June 6, 2014, by and among the Company as nominal defendant, H. Craig Dees, Timothy C. Scott, Eric A. Wachter, Peter R. Culpepper, Stuart Fuchs, Kelly M. McMasters, and Alfred E. Smith, IV, as defendants, and Glenn Kleba and Don B. Dale, as plaintiffs (Exhibits Omitted) (incorporated by reference to Exhibit 10.6 of the Company s quarterly report on Form 10-Q filed on August 7, 2014).
10.16	Consent and Waiver of Rights, between Provectus Biopharmaceuticals, Inc. and Alpha Capital Anstalt (incorporated by reference to Exhibit 10.1 of the Company s current report on Form 8-K filed with the SEC on June 24, 2015).
10.17	Independent Contractor Agreement between Provectus Biopharmaceuticals, Inc. and John R. Glass (incorporated by reference to Exhibit 10.1 of the Company s current report on Form 8-K filed with the SEC on April 22, 2016).
10.18	Form of Securities Purchase Agreement between Provectus Biopharmaceuticals, Inc. and the purchasers named therein (incorporated by reference to Exhibit 10.1 of the Company s current report on Form 8-K filed with the SEC on August 25, 2016).
10.19	Warrant Agency Agreement, dated August 30, 2016, by and between Provectus Biopharmaceuticals, Inc. and Broadridge Corporate Issuer Solutions, Inc. (incorporated by reference to Exhibit 10.1 of the Company s current report on Form 8-K filed with the SEC on August 30, 2016).
21.1D	Subsidiaries of the Company.
23.1	Consent of Baker, Donelson, Bearman, Caldwell & Berkowitz, PC (included in Exhibit 5.1).

23.2**	Consent of BDO USA, LLP.
24.1D	Power of attorney.
99.1**	Form of Instructions for Use of Subscription Rights Certificates.
99.2**	Form of Letter to Stockholders Who Are Record Holders.

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99.3**	Form of Letter to Brokers, Dealers, Banks and Other Nominee Holders
99.4**	Form of Broker Letter to Clients Who Are Beneficial Holders.
99.5**	Form of Nominee Holder Certification.
99.6**	Form of Beneficial Owner Election Form.
99.7**	Form For Use with Election to Receive Pre-Funded Warrants.
99.8**	Form of Notice of Important Tax Information.

D Previously filed
* To be filed by amendment
** Filed herewith
Indicates a management contract or compensatory plan or arrangement