SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

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PROCYTE CORP /WA/

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the Quarterly Period Ended June 30, 2004

Commission File Number 0-18044

PROCYTE CORPORATION

(Exact name of the registrant as specified in its charter)

Washington	**91-1307460**
(State of incorporation)	(I.R.S. Employer Identification No.)
8511 154th Avenue N.E., Redmond, WA	**98052**
(Address of principal executive offices)	(Zip code)
Registrant' s telephone number, including area code:	**(425) 869-1239**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ☒ No ☐

Indicate by check mark whether the registrant is an accelerated filer (as defined in Exchange Act Rule 12b-2).

Yes ☐ No ☒

As of July 31, 2004, there were issued and outstanding 15,807,171 shares of common stock, par value $.01 per share.

ProCyte Corporation

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Part I - Financial Information

Item 1. Condensed Consolidated Financial Statements (unaudited)

Balance Sheets - as of June 30, 2004 and December 31, 2003 (unaudited)
(in thousands)

	June 30, 2004	December 31, 2003
ASSETS		
Current Assets		
Cash and cash equivalents	$ 5,729	$ 3,796
Accounts receivable, net of allowance for doubtful accounts	1,202	1,336
Inventory	2,625	2,942
Prepaid and other	217	289
Total current assets	9,773	8,363
Property and equipment		
Equipment	325	315
Leasehold improvements	3,226	3,520
Less accumulated depreciation and amortization	(3,380)	(3,294)
Property and equipment, net	171	541
Intangible assets	3,205	3,212
Note due from related party, net	781	781
Deferred tax asset	7,055	7,068
Other assets	38	38
Total Assets	$ 21,023	$ 20,003
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts payable, trade	$ 631	$ 147
Accrued salaries and benefits	310	246
Other accrued liabilities	195	239
Deferred revenue	527	60

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Total current liabilities	1,663	692
Other liabilities	93	93
Total Liabilities	1,756	785
Stockholders' Equity		
Common stock and additional paid-in-capital	85,440	85,419
Deferred compensation	(52)	(59)
Accumulated deficit	(66,121)	(66,142)
Stockholders' Equity	19,267	19,218
Total Liabilities and Stockholders' Equity	$ 21,023	$ 20,003

See notes to condensed consolidated financial statements

Statements of Operations - Three and Six Months Ended June 30, 2004 and 2003 (unaudited)

(in thousands, except per share amounts)

	Three months ended June 30,		Six months ended June 30,	
	2004	**2003**	**2004**	**2003**
Revenues				
Product sales	$ 3,454	$ 2,313	$ 6,315	$ 5,195
Licenses and royalties	230	319	589	783
Total revenues	3,684	2,632	6,904	5,978
Cost of product sales	1,157	619	2,018	1,802
Gross profit	2,527	2,013	4,886	4,176
Operating Expenses				
Marketing and selling	1,260	814	2,458	2,213
Research, general, and administrative	1,057	967	2,148	1,934
Loss on asset impairment	294	–	294	–
Total operating expenses	2,611	1,781	4,900	4,147
Operating income (loss)	(84)	232	(14)	29
Interest and other income	43	37	50	125
Net income (loss) before tax	(41)	269	36	154
Provision (benefit) for income tax	(12)	–	15	18
Net income (loss)	$ (29)	$ 269	$ 21	$ 136
Net earnings per share				
Basic	$ 0.00	$ 0.02	$ 0.00	$ 0.01
Diluted	$ 0.00	$ 0.02	$ 0.00	$ 0.01
Shares used in per share computation				
Basic	15,798	15,765	15,795	15,755
Diluted	15,798	16,040	16,030	15,979

See notes to condensed consolidated financial statements

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Statements of Cash Flows – Six Months Ended June 30, 2004 and 2003 (unaudited)
(in thousands)

	Six months ended June 30,	
	2004	**2003**
Operating Activities		
Net income	$ 21	$ 136
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	100	153
Amortization of deferred proceeds	–	(134)
Non-cash expense related to stock-based compensation	18	24
Amortization of promissory note discount	–	(16)
Change in deferred tax asset, net of change in valuation allowance	13	–
Amortization of deferred compensation	10	4
Loss on asset impairment	294	–
Change in operating assets and liabilities:		
Accounts receivable	134	152
Inventory	310	(385)
Prepaid and other	72	171
Accounts payable, trade	484	48
Accrued salaries and benefits	64	(126)
Other accrued liabilities	(44)	(64)
Deferred revenue	467	(2)
Other liabilities	–	2
Net cash provided by (used in) operating activities	1,943	(37)
Financing Activities		
Proceeds from issuance of common stock	–	10
Investing Activities		
Purchase of property and equipment	(10)	(47)
Net increase (decrease) in cash and cash equivalents	1,933	(74)
Cash and Cash Equivalents		
At beginning of period	3,796	4,556
At end of period	$ 5,729	$ 4,482

See notes to condensed consolidated financial statements

Statements of Stockholders' Equity - Six Months Ended June 30, 2004 (unaudited)
(in thousands)

Common Stock	Additional Paid-in	Deferred Compen-	Accumulated

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	Shares	Par Value	Capital	sation	Deficit	Total
Balance, December 31, 2003	15,783	$ 158	$ 85,261	$ (59)	$ (66,142)	$ 19,218
Shares issued under non-employee director stock plan	16	(*)	18	–	–	18
Re-measurement of stock options granted to non-employees	–	–	3	(3)	–	–
Amortization of deferred compensation	–	–	–	10	–	10
Net income	–	–	–	–	21	21
Balance, June 30, 2004	15,799	$ 158	$ 85,282	$ (52)	$ (66,121)	$ 19,267

This statement contains rounding, and (*) is placed where the number rounds to less than $1,000.

See notes to condensed consolidated financial statements

ProCyte Corporation
Notes to Condensed Consolidated Financial Statements (unaudited)

1. Basis of Presentation

The accompanying condensed consolidated financial statements (unaudited) include the accounts of ProCyte Corporation and its wholly-owned subsidiaries, NextDerm, Inc. (a Delaware corporation) and NextDerm, Inc. (a Washington corporation) (collectively "ProCyte" or the "Company"), for the three and six month periods ended June 30, 2004 and 2003, and have been prepared by the Company in accordance with accounting principles generally accepted in the United States of America for interim financial information and the instructions to Form 10-Q and Article 10 of Regulation S-X. Pursuant to such rules and regulations, the condensed consolidated financial statements do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for audited financial statements. Accordingly, this financial information should be read in conjunction with the complete audited financial statements, including the notes thereto, which are included in the Company' s Annual Report on Form 10-K for the year ended December 31, 2003. In the opinion of management, all material adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation of the financial statements have been included. Interim results are not necessarily indicative of the results that may be expected for the year.

Use of Estimates in Financial Statements
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 revenues and expenses during the reporting period and the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements, particularly with respect to the valuation of inventory, notes receivable, goodwill, leasehold improvements and deferred tax assets. Actual results could differ from those estimates.

Stock Based Compensation
The Company follows the intrinsic value based accounting method for stock options contained in APB Opinion No. 25, Accounting for Stock Issued to Employees, as permitted by SFAS No. 123, Accounting for Stock-Based Compensation. Under this method, no compensation expense has been recognized for employee incentive stock options, as the exercise price of options granted equaled the fair value on the date of grant.

The following table represents what the Company' s pro forma amounts of net income (loss) and net income (loss) per share would have been for the three and six months ended June 30, 2004 and 2003, had compensation expense for the Company' s stock options granted under the incentive compensation plan been recognized based upon the fair value of the awards granted.

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	(in thousands, except per share amounts)			
	Three months ended June 30,		Six months ended June 30,	
	2004	2003	2004	2003
Net income (loss), as reported	$ (29)	$ 269	$ 21	$ 136
Stock option-based compensation (expense) benefit determined under fair value-based method	(63)	(90)	11	(217)
Pro forma net income (loss)	$ (92)	$ 179	$ 32	$ (81)
Earnings per share:				
As reported basic	$ 0.00	$ 0.02	$ 0.00	$ 0.01
As reported diluted	$ 0.00	$ 0.02	$ 0.00	$ 0.01
Pro forma basic	$ (0.01)	$ 0.01	$ 0.00	$ (0.01)
Pro forma diluted	$ (0.01)	$ 0.01	$ 0.00	$ (0.01)

The Company determined the fair value of stock options granted during the three and six months ended June 30, 2004 and 2003 using the Black-Scholes option pricing model and the following assumptions:

	Three months ended June 30,		Six months ended June 30,	
Options Granted	**2004**	**2003**	**2004**	**2003**
Risk-free interest rate	2.49%	2.58%-2.69%	2.44%-2.61%	2.58%-2.81%
Expected option life (years)	6.00	6.00	6.00	6.00
Dividend yield	0.00	0.00	0.00	0.00
Expected volatility	63%	59%-62%	62%-63%	59%-62%

2. Accounts Receivable

Two customers represented greater than 10% of the net accounts receivable balance at June 30, 2004 and December 31, 2003 as follows:

	June 30, 2004	December 31, 2003
Customer A	26%	46%
Customer B	14%	–
Customer C	7%	12%

The Company provided an allowance for uncollectible receivables in the amount of $11,000 and $102,000 at June 30, 2004 and December 31, 2003, respective1y. The bad debt expense, net of recoveries of $133,000 in 2004 and $3,000 in 2003, was a benefit of $187,000 and an expense of $19,000 for the three months ended June 30, 2004 and 2003, respectively. The bad debt expense, net of recoveries of $134,000 in 2004 and $5,000 in 2003, was a benefit of $211,000 and an expense of $29,000 for the six months ended June 30, 2004 and 2003, respectively. Accounts written off to the allowance amounted to $12,000 and $1,000 for the three-month periods ended June 30, 2004 and 2003, respectively. Accounts written off to the allowance account amounted to $13,000 and $13,000 for the six-month periods ended June 30, 2004 and 2003, respectively.

3. Inventory

Inventory consisted of the following:

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	(in thousands)	
	June 30, 2004	December 31, 2003
Finished Goods	$ 2,074	$ 2,235
Work in process	333	406
Raw materials	218	301
Total	$ 2,625	$ 2,942

4. Intangible Assets

Intangible assets consisted of the following:

	(in thousands)	
	June 30, 2004	December 31, 2003
Patents, net of amortization	$ 61	$ 70
Other intangibles, net of amortization	30	36
Goodwill	3,114	3,106
Intangible Assets, net	$ 3,205	$ 3,212

Patents are shown net of accumulated amortization of $229,000 and $221,000, at June 30, 2004 and December 31, 2003, respectively. Patents are amortized over the term of the patent and the amortization expense related thereto was $4,000 for each of the three-month periods ended June 30, 2004 and 2003, respectively and $8,000 for each of the six-month periods ended June 30, 2004 and 2003, respectively. Patent amortization expense is expected to be $16,000 for each of the years ending December 31, 2004 through 2007 and $6,000 for the year ending December 31, 2008.

Other intangible assets are shown net of accumulated amortization of $6,000 at June 30, 2004. The assets consist of trademarks and a customer list acquired from Annette Hanson, Inc. on December 30, 2003. The trademarks and customer list are being amortized over their expected lives and the amortization expense related thereto was $3,000 and $6,000 for the three and six months periods ended June 30, 2004, respectively. The amortization expense is expected to be $12,000 for each of the years ending December 31, 2004 through 2006.

Intangible assets also include goodwill of $3.1 million at June 30, 2004 and December 31, 2003. The Company determined that it has one reporting unit, therefore, all of the goodwill is deemed to be associated with ProCyte' s overall business operations.

5. Federal and State Income Taxes

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. As of June 30, 2004 and December 31, 2003, a partial valuation reserve for tax benefits of net operating losses and a full valuation reserve for research and development tax credit carry forwards remains in place due to the uncertainty of realizing the full tax benefits of the net operating losses and tax credits as a result of their expiration. The net changes in the valuation allowance during the six months ended

June 30, 2004, and the year ended December 31, 2003, were a reduction of $33,000 and $7.9 million, respectively.

As of June 30, 2004, the Company' s U.S. federal net operating loss and general business credit carry forward for income tax purposes were approximately $67.4 million and $1.6 million, respectively. If not utilized, the federal net operating loss carry forward and tax credit carry forwards will expire between 2005 and 2021 as follows:

(in thousands)

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	Net operating loss	General business credits
2005	$ 2,002	$ 178
2006	3,928	133
2007	5,173	158
2008	7,912	242
Thereafter	48,422	865
Total	$ 67,437	$ 1,576

Future changes in ownership, as defined by Section 382 of the IRC, may limit the amount of net operating loss carry forward used in any one year.

6. Earnings per share

Basic and diluted per share results for all periods presented were computed based on the net earnings for the respective periods. The weighted average number of common shares outstanding during the period was used in the calculation of basic earnings per share. In accordance with FAS 128, "Earnings Per Share," the weighted average number of common shares used in the calculation of diluted per share amounts is adjusted for the dilutive effects of stock options based on the treasury stock method only if an entity records earnings from operations, as such adjustments would otherwise be anti-dilutive to earnings per share from operations. For the three months ended June 30, 2003, 275,342 dilutive stock options were included in the calculation of the average number of common shares outstanding for diluted computations. For the three month periods ended June 30, 2004 and 2003, options and warrants to purchase 2,595,124 shares and 982,508 shares of common stock, respectively, were not included in the computation of diluted earnings per share because the effect would have been anti-dilutive either because the exercise prices were greater than the average fair market value of the Company' s common stock for the period of $1.10 and $1.16, respectively, or there was a net loss for the period. For the six months ended June 30, 2004 and 2003, 235,096 and 223,502 dilutive stock options, respectively, were included in the calculation of the average number of common shares outstanding for diluted computations. For the six months ended June 30, 2004 and 2003, options to purchase 1,600,134 shares and 982,508 shares, respectively, of common stock with exercise prices greater than the average fair market value of the Company' s common stock for the period of $1.14 and $1.21, respectively, were not included in the computation of diluted earnings per share because the effect would have been anti-dilutive.

7. Stock Options

The Company has stock option plans for directors, officers, employees and consultants that provide for grants of nonqualified and incentive stock options. Options generally are granted at fair market value, expire between five and ten years from grant date and vest ratably over one to three years.

The following table summarizes information about stock option activity in six-month periods ended June 30, 2004 and 2003:

	2004		2003	
Items	Number of Options	Wtd. Avg. Exercise Price	Number of Options	Wtd. Avg. Exercise Price
Outstanding, beginning of year	2,570,167	$ 1.41	2,185,335	$ 1.57
Granted	142,000	$ 1.11	167,500	$ 1.30
Exercised	–	$ –	(12,000)	$ 0.86
Canceled or expired	(127,833)	$ 1.59	(85,001)	$ 3.76
Outstanding, June 30,	2,584,334	$ 1.38	2,255,834	$ 1.47
Exercisable, June 30,	1,859,515	$ 1.47	1,639,514	$ 1.52

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The options outstanding at June 30, 2004 consisted of the following:

Range of exercise prices	Number of Options Outstanding	Wtd. Avg. Remaining Life	Wtd. Avg. Exercise Price	Number of Options Exercisable	Wtd. Avg. Exercise Price
$ 0.49 - $0.77	564,000	5.57	$ 0.74	564,000	$ 0.74
$ 0.77 - $1.09	517,500	8.29	$ 1.02	135,000	$ 0.94
$ 1.11 - $1.30	581,000	7.41	$ 1.23	360,171	$ 1.25
$ 1.31 - $1.83	538,334	6.81	$ 1.57	416,844	$ 1.59
$ 2.16 - $3.44	383,500	1.64	$ 2.78	383,500	$ 2.78
$ 0.49 - $3.44	2,584,334	6.20	$ 1.38	1,859,515	$ 1.47

The weighted average fair value of options granted during the three-month periods ended June 30, 2004 and 2003 was approximately $0.49 and $0.74, respectively. The weighted average fair value of options granted during the six months ended June 30, 2004 and 2003 were approximately $0.49 and $0.77, respectively.

On April 12, 2004, the Board of Directors adopted the ProCyte Corporation 2004 Stock Option Plan subject to stockholder approval, which approval was obtained on May 19, 2004. 2,000,000 shares of common stock have been reserved for the plan, which provides for the grant of nonqualified and incentive stock options. At June 30, 2004 there were 53,328 shares reserved for issuance under the Company' s 1996 Stock Option Plan.

8. Related Party Disclosures

The Company holds a promissory note in the principal amount of $2 million from Emerald Pharmaceutical L.P. ("Emerald"), received as partial consideration for the sale of its contract manufacturing operations in 2001. Emerald is in default of its obligations under this promissory note and, at June 30, 2004, such note is recorded net of a valuation allowance of $1.2 million taken in December 2003. The note is secured by a security agreement covering substantially all of the assets of Emerald and requires Emerald to make monthly interest-only payments equal to the effective yield on the 10 Year US Treasury Note, adjusted quarterly. The Company also received a minority limited partnership interest in Emerald as part of the consideration received in the sale. As part of the agreement, ProCyte subleased a portion of its current 34,532 square foot leased facility, including existing leasehold improvements, to Emerald.

Until Emerald suspended operations in February 2004, ProCyte engaged Emerald to manufacture copper peptide compounds, and to perform incoming quality testing and other analytical services. Emerald billed ProCyte a total of $382,000 for the three-month period ended June 30, 2003, and $19,000 and $1.2 million for the six months ended June 30, 2004 and 2003, respectively, for such products and services. Emerald provided no products or services during the three months ended June 30, 2004. ProCyte has other sources for these products and services at prices that do not materially differ from those charged by Emerald. ProCyte had no trade payables to Emerald at June 30, 2004 and December 31, 2003.

One of the Company' s Directors also serves as Chairman and Chief Executive Officer of one of ProCyte' s customers. ProCyte' s sales to the customer were $243,000 and $157,000 for the three month periods ended June 30, 2004 and 2003, respectively and $396,000 and $344,000 for the six month periods ended June 30, 2004 and 2003, respectively. The customer' s trade receivable balances were $80,000 and $165,000 on June 30, 2004 and December 31, 2003, respectively.

An Officer owed the Company $104,000 under a promissory note dated June 30, 2002. The note bore interest at 2.91%, due annually, with the principal and accrued interest being all due and payable at June 30, 2004. The note was repaid pursuant to its terms.

9. Loss on Asset Impairment

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In February 2004, the General Partner of Emerald informed the Company that Emerald had suspended operations and terminated all employees in an effort to conserve remaining capital while it sought other entities to operate or purchase the facility. Emerald was not successful in returning to operations and, therefore, ProCyte terminated the facility sublease effective June 25, 2004. In addition, effective July 16, 2004, ProCyte, as a secured party, completed a strict foreclosure process of accepting substantially all of Emerald' s assets in satisfaction of Emerald' s obligations under the $2 million promissory note. The Company is currently in negotiations to sell substantially all the assets it accepted under the strict foreclosure process to a third party. The proposed sale is contingent upon entering into a binding definitive asset purchase agreement and the successful negotiation of new leases under terms acceptable to both ProCyte and the proposed buyer. Based upon the information known at this time, including management' s assessment of the probability of completing the sale and considering the estimated fair value of the assets received, ProCyte has taken an impairment charge of $294,000 at June 30, 2004.

10. Subsequent Event

On July 7, 2004 the Company received $166,761 representing full settlement of a judgment obtained in July 2003 against Osmotics Corporation for product and royalty receivables from 2000. The bad debt recovery and interest earned is included in the Company' s statement of operations for the second quarter of 2004.

Item 2. Management' s Discussion and Analysis of Financial Condition and Results of Operations

This Quarterly Report on Form 10-Q contains forward-looking statements. These statements relate to future events or future financial performance. In some cases you can identify forward-looking statements by terminology such as "may," "will," "should," "expect," "plan," "intend," "anticipate," "believe," "estimate," "predict," "potential," "propose" or "continue," the negative of these terms, or other terminology. These statements are only predictions. Actual events or results may differ materially. In evaluating these statements, you should specifically consider various factors described below in the section entitled "Additional Information About the Company' s Business; Risk Factors." These factors may cause our actual results to differ materially from any forward-looking statement.

Although we believe the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, product demand, performance or achievements. You should not place undue reliance on our forward-looking statements, which speak only as of the date of this report. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.

Recent Events

On June 25, 2004, the Company terminated its facility sublease with Emerald Pharmaceutical, L.P. ("Emerald"). On July 16, 2004, the Company, as a secured party, completed the strict foreclosure process of accepting substantially all of Emerald' s assets in satisfaction of Emerald' s obligations under the $2 million promissory note. The Company currently is in negotiations to sell substantially all the assets it accepted under the strict foreclosure process. The sale is contingent upon entering into a binding definitive asset purchase agreement with the buyer and the successful negotiation of new leases with the landlord, under terms acceptable to both ProCyte and the prospective buyer. Based upon the information known at this time, including management' s assessment of the probability of completing the sale and considering the estimated fair value of the assets received, ProCyte has taken an impairment charge of $294,000 at June 30, 2004.

On June 30, 2004 the company received $106,520 from John F. Clifford in full payment of the outstanding principal and accrued interest pursuant to the terms of a promissory note dated June 30, 2002.

On July 7, 2004 the Company received $166,761 representing full settlement of a judgment obtained in July 2003 against Osmotics Corporation for invoices and royalties due the Company from 2000. The bad debt recovery and interest earned is included in the Company' s statement of operations for the second quarter of 2004.

Critical Accounting Policies and Estimates

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The "Management' s Discussion and Analysis of Financial Condition and Results of Operations," as well as disclosures included elsewhere in this Form 10-Q, are based upon our condensed consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these consolidated financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingencies. On an ongoing basis, we evaluate the estimates used, including those related to impairment and useful lives of intangible assets, allowances for accounts receivable and notes receivable, and for excess and obsolete inventory. We base our estimates on historical experience, current conditions and on various other assumptions that are believed to be

reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources as well as identifying and assessing our accounting treatment with respect to commitments and contingencies. Actual results may differ from these estimates under different assumptions or conditions. We believe the following critical accounting policies involve the more significant judgments and estimates used in the preparation of the consolidated financial statements.

Under the guidance of SFAS 109, "Accounting for Income Taxes," we review our net deferred tax assets to determine which amounts, if any, are "more likely than not" to be utilized in future periods. Our analysis of whether these tax assets will be utilized involved a substantial amount of judgment related to our ability to generate taxable net income in future periods, including revenue trends, product mix, and estimated margins, the amount and timing of which impacts the amount of net operating tax losses that could be utilized prior to their expiration.

Product revenues are recognized when products are shipped, license fees are recognized over the term of the license agreement, and royalties are recognized when earned. On occasion, we will receive advance deposits with customer purchase orders. These deposits are reported as a deferred revenue liability, until the product is shipped to the customer.

Under the guidance of SFAS 142, "Goodwill and Other Intangible Assets," we analyze whether the fair value of recorded goodwill is impaired on an annual basis. Application of the goodwill impairment test requires judgment, including the identification of reporting units and determining the fair value of each reporting unit. Significant judgments required to estimate the fair value of the reporting unit include estimating future cash flows, determining appropriate discount rates and other assumptions. Changes in these estimates and assumptions could materially affect the determination of fair value.

We maintain an allowance for doubtful accounts for estimated losses resulting from the potential inability of our customers or other debtors to make required payments. The allowance is based upon historical experience and a review of individual customer balances. If the financial condition of our customers or other debtors were to deteriorate, resulting in an impairment of their ability to make payments to us, additional allowances may be required.

Inventories are stated at the lower of cost or market value. Cost is principally determined by the first-in, first-out method. We record adjustments to the value of inventory based upon forecasted plans to sell our inventories. The physical condition (e.g., age and quality) of the inventories is also considered in establishing its valuation. These adjustments are estimates, which could vary significantly, either favorably or unfavorably, from the amounts that we may ultimately realize upon the disposition of inventories, if future economic conditions, customer inventory levels, product discontinuances or competitive conditions differ from our estimates and expectations.

We record impairment losses on long-lived assets used in operations when events and circumstances indicate that assets might be impaired and the undiscounted cash flows estimated to be generated by those assets are less than the carrying amount of those assets. Estimation of future values for the long-lived assets requires a significant amount of judgment related to assessing the possible outcomes and the timing related to each outcome. The adjustments are estimates, which could vary significantly, either favorably or unfavorably, from the amounts that we may ultimately realize for these assets if the actual events differ significantly from our estimates and expectations.

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Results of Operations

Three Months Ended June 30, 2004 and 2003

Revenue

	(in thousands) Three Months Ended June 30,		
	2004	**2003**	**% Change**
Products	$ 2,730	$ 2,021	35%
Copper peptide compound	724	292	148%
Royalties	230	319	(28)%
	$ 3,684	$ 2,632	40%

Product revenues for the second quarter of 2004 increased $709,000, or 35 percent over the second quarter of 2003. The increase was primarily due to a 31 percent increase in sales to physicians and the additional sales related to the spa distribution business included in the 2004 second quarter. In addition, product revenues in the second quarter of 2003 had been impacted by the slowdown in patient traffic experienced by our dermatology, plastic and cosmetic surgery customers at the beginning of the 2003 year. Product revenues began recovering during the second half of 2003, in part reflecting certain actions taken such as changing our hiring profile for sales representatives, increasing sales training and expanding customer education programs. Sales to physicians and distributors have been increasing since the third quarter of 2003.

Copper peptide compound shipments are driven by the purchasing patterns of our largest licensee, Neutrogena, which can vary based upon production cycles, adjustments in safety stock and other factors beyond our control. Neutrogena ordered more copper peptide compound in the second quarter of 2004 to support a new product expected to be launched later in 2004. Management expects demand from Neutrogena for copper peptide compound, on an annualized basis, to be the same as or slightly higher than the 2003 full year. Therefore, the increase in the second quarter of 2004 as compared to the comparable 2003 quarter is not indicative of the results to be expected in subsequent periods.

Royalty revenue is based upon sales generated by our licensees. Royalty revenues may fluctuate from quarter to quarter, due to the licensees' timing of new market launches, special promotions and other factors beyond the Company' s control. Royalties received from Neutrogena in the second quarter of 2004 were 28 percent lower than the comparable 2003 quarter primarily due to differences in the timing of our licensees' promotions and expansions into new territories. New territory introductions, such as those which occurred in the 2003 quarter, require initial shipments that are larger than normal to support the product introductions and fill the pipeline, which can cause variations in quarterly comparisons. Upon the expiration of the underlying patent in February 2005, the agreement specifies that lower royalty percentages be used for the remaining term, the impact of which is a reduction in the average effective royalty rate of approximately 32 percent. The actual dollar amount of royalty income recognized in future periods is dependent upon both the royalty percentages in effect during the period and the actual applicable sales reported by Neutrogena, which can vary from quarter to quarter. Therefore, the historical growth in royalty revenue may not be an indication of future results.

Gross Profit

Gross profit for the 2004 second quarter increased by $514,000, or 26 percent, over the second quarter of 2003 to $2.5 million. Gross margin for the 2004 quarter was 69 percent as compared to 77 percent in the

2003 quarter. The increase in gross profit is primarily from the 35% increase in product revenues for the second quarter, which was partially offset by the decrease in royalty revenue for the 2004 quarter. The decrease in gross margin percentage is primarily due to the lower margin copper peptide compound sales representing 20% of revenue in the 2004 second quarter as compared to 11% of revenue in the 2003 second quarter. Gross margin is sensitive to the revenue mix of packaged products, copper peptide compound and royalty revenue and will vary from period to period as a result.

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Operating Expenses

	(in thousands)		
	Three Months Ended June 30,		
	2004	2003	% Change
Marketing and selling	$ 1,260	$ 814	55%
Research, general and administrative	1,057	967	9%
Loss on asset impairment	294	–	–
Total operating expenses	$ 2,611	$ 1,781	47%

Marketing and selling expenses for the second quarter of 2004 increased primarily due to increased salary, benefit and travel costs from additional headcount in the 2004 second quarter, higher commission expense related to the 35% increase in current quarter product sales and $226,000 of expenses related to the spa distribution business in the 2004 quarter. This is partially offset by $79,000 in costs related to the development and testing of an infomercial included in the second quarter of 2003 and not repeated in 2004.

Research, general and administrative expenses for the 2004 second quarter increased 9 percent over the comparable 2003 period. This was primarily due to Emerald not making rental and other payments of approximately $120,000 under its sublease and other agreements with ProCyte because of Emerald' s cessation of business operations in February 2004. Such payments offset the Company' s rent expense in the 2003 period. In addition, when comparing the 2004 second quarter to the comparable 2003 period, compensation and employee benefit expenses increased due to the addition of personnel and general market increases, legal expenses increased due to the timing of patent related work, operating costs increased due to higher shipping volume, and the addition of spa operations in the 2004 second quarter period. These increased expenses were partially offset by a $207,000 decrease in bad debt expense due to the receipt of payments in 2004 from accounts previously written off in prior periods and a lower accrual for estimated bonuses in the 2004 second quarter as compared to the comparable 2003 period.

Loss on asset impairment relates to the portion of our facility formerly sub-leased to Emerald. The Company currently is in negotiations to sell substantially all the assets related to its former manufacturing operation (which it accepted from Emerald under the foreclosure process described above). The sale is contingent upon entering into a binding definitive asset purchase agreement with the buyer and the successful negotiation of new leases with the landlord, under terms acceptable to both ProCyte and the prospective buyer. Based upon the information known at this time, including management' s assessment of the probability of completing the sale and considering the estimated fair value of the assets received, ProCyte has taken an impairment charge of $294,000 at June 30, 2004.

Interest and Other Income

Interest and other income earned during the second quarter of 2004 increased primarily due to interest income of $34,000 recognized on the final settlement of accounts receivable from a former licensee and

written off in 2002. This increase was partially offset by a decrease in interest not received on the Emerald note.

Net Loss

For the second quarter ended June 30, 2004, ProCyte reported a net loss of $29,000 as compared to net income of $269,000 for the comparable 2003 period. This decrease was primarily due to the $294,000 asset impairment charge recognized in June 2004. The effect of this impairment was partially offset by a gross profit that increased at a greater rate than operating expenses, excluding the impairment.

Six Months Ended June 30, 2004 and 2003

Revenue

(in thousands)

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	Six Months Ended June 30,		
	2004	2003	% Change
Products	$ 5,151	$ 3,980	29%
Copper peptide compound	1,164	1,215	(4)%
Royalties	589	783	(25)%
	$ 6,904	$ 5,978	16%

Product revenues for the first half of 2004 increased $1.2 million, or 29 percent, over the first half of 2003. The increase was primarily due to a 28 percent increase in sales to physicians and the additional sales related to the spa distribution business included in the 2004 period. Product revenues in the first half of 2003 had been impacted by the slowdown in patient traffic experienced by our dermatology, plastic and cosmetic surgery customers at the beginning of the 2003 year. Product revenues began recovering during the second half of 2003, in part reflecting certain actions taken such as changing our hiring profile for sales representatives, increasing sales training and expanding customer education programs.

Copper peptide compound shipments are driven by the purchasing patterns of our largest licensee, Neutrogena, which can vary based upon production cycles, adjustments in safety stock and other factors beyond our control. As a result of the additional orders of copper peptide compound from Neutrogena in the second quarter of 2004, the amount of copper peptide compound delivered to Neutrogena during the first half of 2004 is comparable to the amount delivered in the first half of 2003.

Royalty revenue is based upon sales generated by our licensees. Royalty revenues may fluctuate from quarter to quarter, due to the licensees' timing of new market launches, special promotions and other factors beyond the Company' s control. Royalties received from Neutrogena in the first half of 2004 were 25 percent lower than the corresponding 2003 period principally due to a large one-time customer shipment by Neutrogena, mostly in the 2003 first quarter.

Gross Profit

Gross profit for the first half of 2004 increased by $710,000, or 17 percent, to $4.9 million. Gross margin for the first half of 2004 was 71 percent as compared to 70 percent in the corresponding 2003 period. The increase in gross profit during the first half of 2004 is primarily due to the 29% increase in product sales which was partially offset by the decrease in royalty revenue when compared to the first

half of 2003. The increase in gross margin percentage is due to a slightly different revenue mix in the two periods being compared.

Operating Expenses

	(in thousands)		
	Six Months Ended June 30,		
	2004	2003	% Change
Marketing and selling	$ 2,458	$ 2,213	11%
Research, general and administrative	2,148	1,934	11%
Loss on asset impairment	294	–	–
Total operating expenses	$ 4,900	$ 4,147	18%

Marketing and selling expenses for the first half of 2004 increased primarily due to increased activity during the period. Of the increase, approximately $550,000 was related to higher salary, benefit and travel costs from increased headcount supporting selling efforts in the 2004 period, higher commission expense related to the 29% increase in current period product sales and increased legal expenses related to the establishment and defense of the Company' s trademarks. In addition, the first half of 2004 includes approximately $367,000 of expenses related to the spa distribution business not included in the 2003 period. These increases are partially offset by $687,000 in costs related to the development and testing of an infomercial included in the 2003 period and not repeated in 2004.

Research, general and administrative expenses for the first half of 2004 increased 11 percent over the comparable 2003 period. This was primarily due to Emerald not making rental and other payments totaling $210,000 under its sublease and other agreements with ProCyte

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because of Emerald' s cessation of business operations in February 2004. Such payments offset the Company' s rent expense in the 2003 period. In addition, when comparing the first half of 2004 to the comparable 2003 period, compensation and employee benefit expenses increased due to the addition of personnel and general market increases, legal expenses increased due to the timing of patent related work, operating costs increased due to higher shipping volume, and the addition of spa operations in the 2004 period. These increased expenses were mostly offset by a $240,000 decrease in bad debt expense due to the receipt of payments in 2004 from accounts previously written off or included in the allowance for doubtful accounts in prior periods and a lower accrual for estimated bonuses in the first half of 2004 as compared to the comparable 2003 period.

Interest and Other Income

Interest and other income earned during the first half of 2004 decreased $75,000 to $50,000 primarily due to a decrease of $53,000 in interest income not recognized on the Emerald note in the 2004 period due to Emerald' s suspension of operations in February 2004 and a termination settlement of $50,000 received from Merck KGaA in the first half of 2003. These decreases were partially offset by interest income of $34,000 recognized on the final settlement of accounts receivable from a former licensee and written off in 2002.

Net Income

For the six months ended June 30, 2004, ProCyte reported net income of $21,000 as compared to net income of $136,000 for the comparable 2003 period. This decrease was primarily due to the $294,000 asset impairment charge recognized in June 2004. The effect of this impairment was partially offset by gross profit that increased at a greater rate than operating expenses, excluding the impairment.

Liquidity and Capital Resources

The Company relies primarily on cash flow from operations to fund its operations and capital expenditures. At June 30, 2004, the Company had approximately $5.7 million in cash and cash equivalents, compared to $3.8 million at December 31, 2003. The net change in cash and cash equivalents during the first half of 2004 reflects a net increase in cash of $1.9 million. The significant components of this positive cash increase are from the net reduction of the Company' s copper peptide compound inventory, the reduction in accounts receivable, the receipt of payment on a note due from an officer, an increase in trade payables for inventory received near the end of the period, and the receipt of a customer deposit under a supply contract. Positive cash generated was partially offset by the reduction in cash flow from Emerald as discussed below, the payment of the 2003 management bonuses in March 2004 and net cash used in support of the recently acquired spa products distribution business ("Spa").

As of February 2004, Emerald Pharmaceuticals, L.P. suspended operations and in fiscal 2003 ProCyte recorded an impairment related to its $2.0 million note receivable due to the uncertainty that the full amount would be collected. Emerald also leased its facility from ProCyte under an operating sublease. During the first half of 2004, except for January rent, ProCyte did not receive the interest and rental payments due under its agreements with Emerald. Therefore, cash flow from operations has been reduced by $40,000 per month, from the comparable 2003 period. ProCyte terminated the sublease on June 25, 2004 in order to take back the facility and protect the Company' s collateral and other interests. Effective that date, ProCyte become responsible for facility related operating expenses such as utilities, insurance and security estimated to be an additional $11,000 per month. In addition, ProCyte will be responsible for facility shut down costs estimated to be $35,000 to $50,000.

Due to inventory limitations and the need to change certain packaging, Spa sales have developed slower than originally planned at the time of the acquisition and as such Spa sales activity has not provided positive cash from operations as of June 30, 2004. Based upon recent experience and current plans, ProCyte believes that additional cash of up to $200,000 could be required over the next two quarters.

We may see fluctuations in operating cash flows in future periods as they depend in large part on the timing of deposits received from our licensees and their initiation of new product introductions and the timing of shipments to and payments received from our customers. In addition to these factors, the second half of 2004 will have cash inflows of $167,000 from the cash payment the Company received in July 2004 as full settlement of a judgment ProCyte obtained against a former licensee. ProCyte is also in negotiations to sell substantially all the

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assets related to its former manufacturing operation to a third party. The sale is contingent upon entering into a binding definitive asset purchase agreement with the proposed buyer and the successful negotiation of new leases with the landlord under terms acceptable to both ProCyte and the proposed buyer. Based upon the information known at this time, including management' s assessment of the probability of completing the sale and considering the estimated fair value of the assets received, ProCyte took an impairment charge of $294,000.

The Company believes that its existing cash and cash equivalents and interest thereon, will be sufficient to meet its working capital requirements for at least the next two years. However, there can be no assurance that the underlying forecasts of revenue and expense will prove to have been accurate. The Company' s actual cash requirements will depend upon numerous factors, including the levels of resources that the Company devotes to taking advantage of strategic acquisitions and/or establishing and maintaining marketing, sales and distribution capabilities, the emergence of competitive products and other adverse market developments, the timing and amount of revenues and expense reimbursements resulting from relationships with third parties, the Company' s degree of success in commercializing new

products and the cost of preparing, filing, prosecuting, maintaining and enforcing patent claims and intellectual property rights, and actions by regulatory authorities. The Company will depend on product revenues, royalties and license fees, interest income, equity financing, and funding from corporate alliances to meet its future capital needs. See "Additional Information About the Company' s Business; Risk Factors."

Additional Information About the Company' s Business; Risk Factors

Loss of or Reduction in Orders by Significant Customers Could Adversely Affect Our Net Revenues and Results of Operations

Although the Company' s customer base is made up of a large number of customers, Neutrogena accounted for approximately 25 percent of the Company' s net revenue during the first half of 2004 and our top 10 customers comprised approximately 32 percent of such net revenues. Any decrease in or loss of revenues from these customers could have an adverse effect on our net revenues and results of operations or impair our ability to increase net revenues. The Neutrogena technology license agreement expires in April 2010, however the royalty payments related to each territory continue for a period not less than five-years from the date products were first sold in each territory, which may extend the royalty period beyond 2010 for certain territories. Royalty revenue from the Neutrogena license agreement accounted for 8 percent and 13 percent of the Company' s net revenues in the first half of 2004 and 2003, respectively. The patent related to the Neutrogena license agreement expires February 5, 2005, the effect of which will be a reduction in the percentage paid as royalty during the remaining royalty period as set forth in the agreement. Revenues from sale of copper peptide compound to Neutrogena pursuant to a related supply agreement, accounted for 17 percent and 20 percent of net revenues in the first half of 2004 and 2003, respectively. The supply agreement expires in April 2005, with extensions for additional two-year terms by mutual consent of the parties up to April 2010. There can be no assurance that this agreement will be extended beyond April 2005, or if extended, that it will be extended to April 2010. Also, the timing of copper peptide compound shipments are driven by Neutrogena' s purchasing patterns, which can vary based upon production cycles, adjustments in safety stock and other factors beyond our control, causing the revenue from copper peptide compound sales to fluctuate from quarter to quarter.

We expect that we will continue to depend on revenue from larger customers, generally under multi-year license or supply agreements. Such agreements can be terminated under certain circumstances, including our inability to supply product within required time frames. Any downturn in the business from these customers or the inability to renew or replace agreements with new customers as they expire could significantly decrease sales to such customers, which could adversely affect our net revenues and results of operations.

Furthermore, we ship most orders when received. Virtually all orders are shipped within 48 hours and therefore we do not have a substantial non-cancelable backlog of orders. Variations in the timing of orders can cause significant fluctuations in our quarterly operating results, and the cancellation or deferral of product orders or overproduction due to the failure of anticipated orders to materialize could result in us holding excess or obsolete inventory, which has resulted and could again in the future result in write-downs of inventory that would have a material adverse effect on our operating results.

Dependence on and Management of Existing and Future Corporate Alliances

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The successful commercialization of the Company' s existing and future products in the mass retail, prestige, specialty retail, and home shopping categories and wound care markets will depend upon ProCyte' s ability to enter into and effectively manage corporate alliances. There can be no assurance

that the Company will be successful in establishing corporate alliances in the future, or that it will be successful in performing and maintaining existing or any future corporate alliances. Moreover, there can be no assurance that the interests and motivations of any distributor, licensee or other alliance party would be or remain consistent with those of the Company, or that the Company and such distributors, licensees or alliance party will successfully perform the necessary technology transfer, clinical development, regulatory compliance, manufacturing, marketing, commercialization and other obligations under their agreements. Any of these failures could have a material adverse effect on the Company' s business, financial condition and results of operations.

Recent Profitability; Profitability May Fluctuate in Future Periods

The Company has been marketing products based on its proprietary copper peptide technology since 1996. In addition to sales of products based on its proprietary copper peptide technology, the Company' s revenues have historically included sales of non-proprietary products, license fees and royalties, revenue from contract manufacturing and interest income. The contract manufacturing operation was sold in July 2001. During fiscal 2002, the Company reported net profits and positive cash flow from operations for the first time in its operating history. During 2003, the Company reported net income before tax benefit and break even cash flow from operations. During the first half of 2004, the company reported a net profit and positive cash flow from operations. Attaining consistent profitability is dependent upon a wide variety of factors, including successfully manufacturing and marketing of the Company' s products, entering into and maintaining agreements with third parties for commercialization of the Company' s products, successfully licensing the Company' s products and technology and general economic conditions, including those which affect demand for the services of our dermatologist, plastic and cosmetic surgery customers. Payments under corporate alliances and licensing arrangements may be subject to fluctuations in both timing and amounts and therefore the level of profitability may vary significantly from quarter to quarter.

We Rely On Third Party Manufacturers for Our Products

We use third party manufacturers to make products. In many cases, third party manufacturers are not obligated under contracts that fix the term of their commitments and they may discontinue production upon little or no advance notice. Manufacturers also may experience problems with product quality or timeliness of product delivery. We rely on these manufacturers to comply with applicable current quality system regulations ("QSR"). The loss of a contract manufacturer may force us to shift production to in-house facilities and possibly cause manufacturing delays, disrupt our ability to fill orders, or require us to suspend production until we find another third party manufacturer. We are not able to control the manufacturing efforts of these third party manufacturers as closely as we control our business. Should any of these manufacturers fail to meet the applicable standards, we or our third-party manufacturer could face various enforcement actions, which would have an adverse effect on our net revenues and results of operations.

Need for Additional Capital

The Company generated positive cash from operations in the first half ended June 30, 2004 and break even cash flow from operations in 2003. The Company currently expects that it will generate positive cash flow from operations in 2004. As of June 30, 2004, the Company had cash and cash equivalents of $5.7 million. The Company estimates that, at its planned rate of spending, its existing cash and cash equivalents and the interest income thereon will be sufficient to meet its operating and capital requirements for at least the next two years. There can be no assurance, however, that our underlying assumed levels of revenue and expense will prove accurate. Whether or not these assumptions prove to be accurate, the Company may need to raise additional capital as the Company may require additional

funds to expand or enhance its sales and marketing activities, to accelerate product development, or to acquire a product line or company. The Company may be required to seek this additional funding through public or private financing, including equity financing, or through

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collaborative arrangements. Adequate funds for these purposes, whether obtained through financial markets or from collaborative or other arrangements, may not be available when needed or may not be available on terms favorable to the Company. If we issue equity securities to raise additional funds, dilution to existing shareholders will result. If funding is insufficient at any time in the future, the Company may be required to: delay, scale back or eliminate some or all of its marketing and research and development programs; or license to third parties the rights to commercialize products or technologies that the Company would otherwise seek to develop on its own. Furthermore, the terms of any such license agreements or asset sales might be less favorable than if the Company were negotiating from a stronger position.

Uncertainty of Patent Position and Proprietary Rights

The patent positions of biotechnology, medical device and healthcare products companies are often uncertain and involve complex legal and factual questions, and the breadth of claims allowed in such patents cannot be predicted. The Company' s success will depend on its ability to obtain patents and licenses to patent rights, to maintain trade secrets, and to operate without infringing on the proprietary rights of others, both in the United States and in other countries. The failure of the Company or its licensors to obtain, maintain and enforce patent protection for the Company' s technology could have a material adverse effect on the Company.

ProCyte' s success depends, in part, upon its ability to protect its products, technology and trademarks under intellectual property laws in the United States and abroad. The Company receives a significant amount of its revenue from technology licensing agreements, which are dependent upon patents, and expects to continue licensing its technology for certain markets. Royalty revenue from the Neutrogena license agreement accounted for 8 percent and 13 percent of the Company' s net revenues in the first half of 2004 and 2003, respectively and is based upon Neutrogena' s applicable sales, as set forth in the agreement, multiplied by specified royalty percentages. The patent related to the Neutrogena license agreement expires February 5, 2005. Upon expiration of this patent, the agreement specifies that lower royalty percentages be used for the remaining term, the impact of which is a reduction in the average effective royalty rate of approximately 32 percent. The actual amount of royalty income recognized in future periods is dependent upon the royalty percentages in effect during the period and the actual applicable sales reported by Neutrogena, which can vary from quarter to quarter. The expiration of the patent would also allow others, including Neutrogena, to manufacture the compound. The supply agreement expires in April 2005, with extensions for additional two-year terms by mutual consent of the parties up to April 2010. There can be no assurance that this agreement will be extended beyond April 2005, or if extended, that it will be extended to April 2010.

As of July 31, 2004, the Company had 19 issued US patents expiring between 2005 and 2017 and numerous issued foreign patents and patent registrations. In addition, the Company has 12 patents applied for of which 6 have been published and are pending action by the United States Patent & Trademark Office. The patents relate to use of the Company' s copper peptide-based technology for a variety of healthcare applications, and to the composition of certain biologically active, synthesized compounds. The Company' s strategy has been to apply for patent protection for certain compounds and their discovered uses that are believed to have potential commercial value in countries that offer significant market potential. There can be no assurance that patent applications relating to the technology used by the Company will result in patents being issued. Nor can there be any assurance that any patent issued to the Company will not be subject to further proceedings limiting the scope of the rights under the patent or that such patent will provide a competitive advantage, will afford protection

against competitors with similar technology, or will not be successfully challenged, invalidated or circumvented by competitors.

The Company' s processes and potential products may conflict with patents that have been or may be granted to competitors and others. As the biotechnology, medical device and healthcare industries expand and more patents are issued, the risk increases that the Company' s processes and potential products may give rise to claims that they infringe the patents of others. Such other persons could bring legal actions against the Company claiming damages and seeking to enjoin clinical testing, manufacturing and marketing of the affected product or use of the affected process. Litigation may be necessary to enforce patents issued to the Company, to protect trade secrets or know-how owned by the Company or to determine the enforceability, scope and validity of proprietary rights of others. If the Company becomes involved in such litigation, it could result in substantial expense to the Company and significant diversion of effort by the Company' s technical and management personnel. In addition to any potential liability for significant damages, the Company could be required to obtain a license to continue to manufacture or market the affected product or use the affected process. Costs associated with any licensing arrangement may be substantial and could include ongoing royalties. There can be no assurance that any license required under any such patent would be made

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available to the Company on acceptable terms, if at all. If such licenses could not be obtained on acceptable terms, the Company could be prevented from manufacturing and marketing existing or potential products. Accordingly, an adverse determination in such litigation could have a material adverse effect on the Company' s business, financial condition and results of operations. The Company is not aware of any conflicts at this time.

The Company also relies upon non-patented proprietary technology. There can be no assurance that the Company can meaningfully protect its rights to such non-patented technology, that any obligation to maintain the confidentiality of such proprietary technology will not be breached by employees, consultants, collaborators or others or that others will not independently develop or acquire substantially equivalent technology. To the extent that licensees or consultants apply Company technological information independently developed by them or by others to Company projects or apply Company technology or know-how to other projects, disputes may arise as to the ownership of proprietary rights to such information. Any failure to protect non-patented proprietary technology or any breach of obligations designed to protect such technology or development of equivalent technology may have a material adverse effect on the Company' s business, financial condition and results of operations.

Uncertainty of Government Regulatory Requirements

The Federal Food, Drug and Cosmetic Act, and the regulations promulgated thereunder, and other federal and state statutes govern, among other things, the testing, manufacture, safety, labeling, storage, record-keeping, advertising and promotion of cosmetic products and medical devices. The Company' s products and product candidates may be regulated by any of a number of divisions of the FDA and in other countries by similar health and regulatory authorities. The process of obtaining and maintaining regulatory approvals for the manufacturing or marketing of the Company' s existing and potential products is costly and time-consuming and is subject to unanticipated delays. Regulatory requirements ultimately imposed could also adversely affect the ability of the Company to clinically test, manufacture or market products.

In the United States, products that do not seek to make effectiveness claims based on human clinical evaluation may be subject to review and regulation under the FDA' s cosmetic, drug or 510(k) medical device guidelines. Similar guidelines exist for such products in other countries. Such 510(k) products, which include wound care dressings and certain ointments and gels, must show safety and substantial equivalency with predicate products already cleared by the FDA to be marketed. There can be no

assurance that product applications submitted to the FDA or similar agencies in other countries will receive clearance to be marketed, or that the labeling claims sought will be approved, or that, if cleared, such products will be commercially successful or free from third party claims relating to the effectiveness or safety of such products.

The Company also is or may become subject to various other federal, state, local and foreign laws, regulations and policies relating to, among other things, safe working conditions, good laboratory practices, and the use and disposal of hazardous or potentially hazardous substances used in connection with research and development.

Failure to obtain regulatory approvals where appropriate for its product candidates or to attain or maintain compliance with QSR or other manufacturing requirements would have a material adverse effect on the Company' s business, financial condition and results of operations.

Intense Competition

Competition in the wound care, skin health and hair care markets is intense. The Company' s competitors include well-established pharmaceutical, cosmetic and healthcare companies such as Obagi, La Roche Posay, Allergan, Pevonia, Declore and Murad. These competitors have substantially more financial and other resources, larger research and development staffs, and more experience and capabilities in researching, developing and testing products in clinical trials, in obtaining FDA and other regulatory approvals and in manufacturing, marketing and distribution than the Company. In addition, a number of smaller companies are developing or marketing competitive products. The Company' s competitors may succeed in developing and commercializing products or obtaining patent protection or other regulatory approvals for products more rapidly than the Company. In addition, competitive products may be manufactured and

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marketed more successfully than the Company' s potential products. Such developments could render the Company' s existing or potential products less competitive or obsolete and could have a material adverse effect on the Company' s business, financial condition and results of operations.

Product Liability Claims

The testing, manufacturing, marketing and sale of our products may subject the Company to product liability claims. ProCyte maintains insurance coverage against product liability risks up to an aggregate annual limit of $10 million. However, continuing insurance coverage may not be available at an acceptable cost, if at all. The Company may not be able to obtain insurance coverage that will be adequate to satisfy any liability that may arise. Regardless of merit or eventual outcome, product liability claims may result in decreased demand for a product, injury to its reputation, withdrawal of clinical trial volunteers and loss of revenues. As a result, regardless of whether the Company is insured, a product liability claim or product recall may result in losses that could be material to ProCyte.

Potential Volatility of Stock Price; Bulletin Board Listing

The market prices for securities of healthcare, pharmaceutical and biotechnology companies are subject to volatility, and the market has from time to time experienced significant fluctuations that are unrelated to the operations of the Company. ProCyte' s market price has fluctuated over a wide range since the Company' s initial public offering in 1989, and since March 25, 1999, the Company' s common stock has traded on the NASD OTC bulletin board. Because real-time price information may not be easily available for bulletin board securities, an investor is likely to find it more difficult to dispose of, or to obtain accurate quotations on the market value of, the Company' s securities than if they were listed on a the Nasdaq or a national exchange. In addition, purchases and sales of the Company' s securities may

become subject to Rule 15g-9 of the Securities Exchange Act of 1934, which imposes various sales practice requirements on broker-dealers, or to the "penny stock" rules, either of which would likely reduce the level of trading activity in the secondary market for the Company' s securities and make selling the securities more difficult for an investor.

Announcements concerning the Company or its competitors, including fluctuations in operating results, research and development program direction, results of clinical trials, addition or termination of corporate alliances, technology licenses, clearance or approval to market products, announcements of technological innovations or new products by the Company or its competitors, changes in government regulations, healthcare reform, developments in patent or other proprietary rights of the Company or its competitors, litigation concerning business operations or intellectual property, or public concern as to safety of products, as well as changes in general market conditions and mergers and acquisitions, may have a significant effect on the market price of ProCyte' s common stock.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

For a discussion of our market risks, refer to the Item 7A, "Quantitative and Qualitative Disclosures About Market Risk," in our Annual Report on Form 10-K for the year ended December 31, 2003. There have been no material changes to the information provided that would require additional information with respect to the six months ended June 30, 2004.

Item 4. Controls and Procedures

As of the end of the period covered by this report, the Company conducted an evaluation, under the supervision and with the participation of its principal executive officer and principal financial officer, of the effectiveness and design of its disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (the "Exchange Act")). Based on this evaluation, the principal executive officer and principal financial officer concluded that these disclosure controls and procedures were effective as of June 30, 2004, in ensuring that the information required to be disclosed by the Company in reports it files or submits under the Exchange Act within the time periods specified in the SEC rules and forms.

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There were no changes in the Company' s internal controls over financial reporting during the second quarter of 2004 that have materially affected, or are reasonably likely to materially affect, the Company' s internal control over financial reporting.

Part II - Other Information

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

The annual meeting of the shareholders of the Company was held on May 19, 2004. Three matters were submitted to the shareholders for a vote: election of directors, the approval of the ProCyte Corporation 2004 Stock Option Plan, and ratifying the appointment of Deloitte & Touche LLP as independent auditors of the Company for the year ending December 31, 2004. As of April 2, 2004, the record date, there were 15,798,747 shares eligible to vote at the meeting, of which, 93.8% or 14,821,136 were represented at the meeting, constituting a quorum.

The four nominees for election as directors were elected to serve until the 2005 annual meeting of the shareholders, and until the election and qualification of their respective successors. The vote for each director follows:

Directors	For	Withheld
John F. Clifford	14,155,349	665,787
Matt L. Leavitt	14,164,083	657,053
Robert E. Patterson	14,188,443	632,693
John M. Hammer	13,826,533	994,603

The second proposal was approved by the shareholders. The vote was as follows:

Proposal	For	Against	Abstain
Approve the ProCyte Corporation 2004 Stock Option Plan	3,559,459	1,189,575	155,015

The third proposal was approved by the shareholders. The vote was as follows:

Proposal	For	Against	Abstain
Ratify the appointment of Deloitte & Touche LLP as independent auditors of the Company for the year ended December 31, 2004	14,573,645	177,469	70,022

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

See Exhibit Index below.

(b) Reports on Form 8-K

Form 8-K filed May 5, 2004 announcing the Company' s earnings for the first quarter ended March 31, 2004.

Signatures

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Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

ProCyte Corporation

Date: August 12, 2004 By: /s/ John F. Clifford

John F. Clifford, Chairman and CEO

Date: August 12, 2004 By: /s/ Robert W. Benson

Robert W. Benson, Chief Financial Officer

Exhibit Index

Exhibit	Description	Note
3.1	**Restated Articles of Incorporation of the Registrant**	**A**
3.2	**Restated Bylaws of the Registrant**	**A**
4.1	**Rights Agreement between the Registrant and American Securities Transfer and Trust as of December 7, 1994**	**G**
10.1*	**1987 Stock Benefit Plan of ProCyte Corporation**	**A**
10.2*	**ProCyte Corporation 1989 Restated Stock Option Plan**	**B**
10.3*	**ProCyte Corporation 1991 Restated Stock Option Plan for Non-employee Directors and amendments thereto**	**D**
10.4†	**Teachers Insurance & Annuity Association Lease dated as of October 1, 1993 and second amendment thereto dated February 28, 1997**	**D**
10.5*	**1996 Stock Option Plan**	**D**
10.6*	**ProCyte Corporation 1998 Non-employee Director Stock Plan**	**F**
10.7*	**Change of Control Agreement for Ms. Robin Carmichael**	**K**
10.8*	**Change of Control Agreement for Mr. John Clifford**	**K**
10.9*	**Change of Control Agreement for Mr. Robert Benson**	**K**
10.13*	**Form of Indemnity Agreement dated February 23, 1995 between the Registrant and each of Dr. Blake, Mr. Patterson and Mr. Clifford.**	**C**
10.14*	**Form of Indemnity Agreement between ProCyte Corporation and each of various of its Officers and Directors**	**F**
10.15*	**Severance Agreement for Mr. John Clifford**	**K**
10.16*	**Form of Promissory Note between ProCyte Corporation and Mr. John Clifford**	**H**
10.17†	**License Agreement dated April 19, 2000 between ProCyte Corporation and Neutrogena Corporation**	**I**
10.18*	**ProCyte Corporation 2004 Stock Option Plan**	**K**
31.1	**Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer**	**K**
31.2	**Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer**	**K**
32.1	**Section 1350 Certification of Chief Executive Officer**	**K**
32.2	**Section 1350 Certification of Chief Financial Officer**	**K**

* Management contract or compensatory plan or arrangement.
† Confidential treatment has been granted or requested with respect to portions of this exhibit.
A Incorporated by reference to the Registrant' s Registration Statement of Form S-1 (No. 33-31353).

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B Incorporated by reference to the Registrant’ s Registration Statement of Form S-1 (No. 33-46364).
C Incorporated by reference to the Registrant’ s Annual Report on Form 10-K for the year ended December 31, 1994.
D Incorporated by reference to the Registrant’ s Annual Report on Form 10-K for the year ended December 31, 1996.
F Incorporated by reference to the Registrant’ s Quarterly Report on Form 10-Q for the Quarter ended June 30, 1998.
G Incorporated by reference to the Registrant’ s Amended Annual Report on Form 10-K/A dated December 31, 1997.
H Incorporated by reference to the Registrant’ s Amended Annual Report on Form 10-K/A dated December 31, 1998.
I Incorporated by reference to the Registrant’ s Quarterly Report on Form 10-Q for the Quarter ended March 31, 2000.
J Incorporated by reference to the Registrant’ s Annual Report on Form 10-K for the year ended December 31, 2003.
K Filed herewith.

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Exhibit 10.7

CHANGE OF CONTROL AGREEMENT

This Change of Control Agreement (this “Agreement”), dated as of July 1, 2004, is between PROCYTE CORPORATION, a Washington corporation (the “Company”), and ROBIN L. CARMICHAEL (the “Executive”).

The Board of Directors of the Company (the “Board”) has determined that it is in the best interests of the Company and its stockholders to ensure that the Company will have the continued dedication of the Executive, notwithstanding the possibility, threat or occurrence of a Change of Control (as defined in Section 1.1 below) of the Company. The Board believes it is imperative to diminish the inevitable distraction of the Executive arising from the personal uncertainties and risks created by a pending or threatened Change of Control, to encourage the Executive' s full attention and dedication to the Company currently and in the event of any threatened or pending Change of Control, and to provide the Executive with reasonable compensation and benefit arrangements upon a Change of Control.

In order to accomplish these objectives, the Board has caused the Company to enter into this Agreement.

1. DEFINITIONS

1.1 “Change of Control” shall have the definition set forth in Appendix A to this Agreement, which is hereby incorporated by reference.

1.2 “Change of Control Date” shall mean the first date on which a Change of Control occurs.

1.3 “Employment Period” shall mean the two-year period commencing on the Change of Control Date and ending on the second anniversary of such date.

2. TERM

The term of this Agreement (“Term”) shall be for a period of two (2) years from the date of this Agreement as first entered above, at which time this Agreement shall terminate without further action by either the Company or the Executive; provided, however, that if a Change of Control occurs during the Term, the Term shall automatically extend for the duration of the Employment Period.

3. EMPLOYMENT

3.1 Employment Period

During the Employment Period, the Company hereby agrees to continue the Executive in its employ or in the employ of its affiliated companies, and the Executive hereby agrees to remain in the employ of the Company or its affiliated companies, in accordance with the terms and provisions of this Agreement; provided, however, that either the Company or the Executive may terminate the employment relationship subject to the terms of this Agreement.

3.2 Position and Duties

During the Employment Period, the Executive' s position, authority, duties and responsibilities shall be at least commensurate in all material respects with the most significant of those held, exercised and assigned at any time during the 90-day period immediately preceding the Change of Control Date.

3.3 Location

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During the Employment Period, the Executive' s services shall be performed at the Company' s headquarters on the Change of Control Date or any office which is subsequently designated as the headquarters of the Company and is less than 30 miles from such location.

3.4 Employment at Will

The Executive and the Company acknowledge that, except as may otherwise be provided under any other written agreement between the Executive and the Company, the employment of the Executive by the Company or its affiliated companies is "at will" and may be terminated by either the Executive or the Company or its affiliated companies at any time with or without cause. Moreover, if prior to the Change of Control Date, the Executive' s employment with the Company or its affiliated companies terminates for any reason, then the Executive shall have no further rights under this Agreement; provided, however, that Company may not avoid liability for any termination payments which would have been required during the Employment Period pursuant to Section 8 below by terminating the Executive prior to the Employment Period where such termination is carried out in anticipation of a Change of Control and the principal motivating purpose is to avoid liability for such termination payments.

4. ATTENTION AND EFFORT

During the Employment Period, and excluding any periods of vacation and sick leave to which the Executive is entitled, the Executive will devote all of her productive time, ability, attention and effort to the business and affairs of the Company and the discharge of the responsibilities assigned to her hereunder, and will use her reasonable best efforts to perform faithfully and efficiently such responsibilities. It shall not be a violation of this Agreement for the Executive to (a) serve on corporate, civic or charitable boards or committees, (b) deliver lectures, fulfill speaking engagements or teach at educational institutions, and (c) manage personal investments, so long as such activities do not significantly interfere with the performance of the Executive' s responsibilities in accordance with this Agreement. It is expressly understood and agreed that to the extent any such activities have been conducted by the Executive prior to the Employment Period, the continued conduct of such activities (or the conduct of activities similar in nature and scope thereto) during the Employment Period shall not thereafter be deemed to interfere with the performance of the Executive' s responsibilities to the Company.

5. COMPENSATION

As long as the Executive remains employed by the Company during the Employment Period, the Company agrees to pay or cause to be paid to the Executive, and the Executive agrees to accept in exchange for the services rendered hereunder by her, the following compensation:

5.1 Salary

The Executive shall receive an annual base salary (the "Annual Base Salary"), at least equal to the annual salary established by the Board or the Compensation Committee of the Board (the "Compensation Committee") for the fiscal year in which the Change of Control Date occurs. The Annual Base Salary shall be paid in substantially equal installments and at the same intervals as the salaries of other executives of the Company are paid. The Board or the Compensation Committee shall review the Annual Base Salary at least annually and shall determine in good faith and consistent with any generally applicable Company policy any increases for future years.

5.2 Bonus

In addition to Annual Base Salary, the Executive shall be awarded, for each fiscal year ending during the Employment Period, an annual bonus (the "Annual Bonus") in cash at least equal to the average annualized (for any fiscal year consisting of less than 12 full months) bonus paid or payable, including by reason of any deferral, to the Executive by the Company and its affiliated companies in respect of the three fiscal years immediately preceding the fiscal year in which the Change of Control Date occurs. Each such Annual Bonus shall be paid no later than 90 days after the end of the fiscal year for which the Annual Bonus is awarded, unless the Executive shall elect to defer the receipt of such Annual Bonus.

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6. BENEFITS

6.1 Incentive, Retirement and Welfare Benefit Plans; Vacation

During the Employment Period, the Executive shall be entitled to participate, subject to and in accordance with applicable eligibility requirements, in such fringe benefit programs as shall be generally made available to other executives of the Company and its affiliated companies from time to time during the Employment Period by action of the Board (or any person or committee appointed by the Board to determine fringe benefit programs and other emoluments), including, without limitation, paid vacations; any stock purchase, savings or retirement plan, practice, policy or program; and all welfare benefit plans, practices, policies or programs (including, without limitation, medical, prescription, dental, disability, salary continuance, employee life, group life, accidental death and travel accident insurance plans or programs).

6.2 Expenses

During the Employment Period, the Executive shall be entitled to receive prompt reimbursement for all reasonable employment expenses incurred by her in accordance with the policies, practices and procedures of the Company and its affiliated companies in effect for the executives of the Company and its affiliated companies during the Employment Period.

7. TERMINATION

During the Employment Period, employment of the Executive may be terminated as follows but, in any case, the nondisclosure provisions set forth in Section 10 hereof shall survive the termination of this Agreement and the termination of the Executive' s employment with the Company:

7.1 By the Company or the Executive

At any time during the Employment Period, the Company may terminate the employment of the Executive with or without Cause (as defined below), and the Executive may terminate her employment for Good Reason (as defined below) or for any reason, upon giving Notice of Termination (as defined below).

7.2 Automatic Termination

This Agreement and the Executive' s employment during the Employment Period shall terminate automatically upon the death or Total Disability of the Executive. The term "Total Disability" as used herein shall mean the Executive' s inability (with such accommodation as may be required by law and which places no undue burden on the Company), as determined by a physician selected by the Company and acceptable to the Executive, to perform the duties set forth in Section 3.2 hereof for a period or periods aggregating 120 calendar days in any 12-month period as a result of physical or mental illness, loss of legal capacity or any other cause beyond the Executive' s control, unless the Executive is granted a leave of absence by the Board. The Executive and the Company hereby acknowledge that the duties specified in Section 3.2 hereof are essential to Executive' s position and that Executive' s ability to perform those duties is the essence of this Agreement.

7.3 Notice of Termination

Any termination by the Company or by the Executive during the Employment Period shall be communicated by Notice of Termination to the other party given in accordance with Section 12 hereof. The term "Notice of Termination" shall mean a written notice which (a) indicates the specific termination provision in this Agreement relied upon and (b) to the extent applicable, sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive' s employment under the provision so indicated. The failure by the Executive or the Company to set forth in the Notice of Termination any fact or circumstance which contributes to a showing of Good Reason or Cause shall not waive any right of the Executive or the Company hereunder or preclude the Executive or the Company from asserting such fact or circumstance in enforcing the Executive' s or the Company' s rights hereunder.

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7.4 Date of Termination

During the Employment Period, "Date of Termination" means (a) if the Executive' s employment is terminated by reason of death, at the end of the calendar month in which the Executive' s death occurs, (b) if the Executive' s employment is terminated by reason of Total Disability, immediately upon a determination by the Company of the Executive' s Total Disability, and (c) in all other cases, five days after the date of personal delivery or mailing of the Notice of Termination. The Executive' s employment and performance of services will continue during such five-day period; provided, however, that the Company may, upon notice to the Executive and without reducing the Executive' s compensation during such period, excuse the Executive from any or all of her duties during such period.

8. TERMINATION PAYMENTS

In the event of termination of the Executive' s employment during the Employment Period, all compensation and benefits shall terminate except as specifically provided in this Section 8.

8.1 Termination by the Company Other Than for Cause or by the Executive for Good Reason

If during the Employment Period the Company terminates the Executive' s employment other than for Cause or the Executive terminates her employment for Good Reason, the Executive shall be entitled to:

(a) receive payment of the following accrued obligations (the "Accrued Obligations"):

(i) the Executive' s Annual Base Salary through the Date of Termination to the extent not theretofore paid;

(ii) the product of (x) the Annual Bonus payable with respect to the fiscal year in which the Date of Termination occurs and (y) a fraction, the numerator of which is the number of days in the current fiscal year through the Date of Termination, and the denominator of which is 365; and

(iii) any compensation previously deferred by the Executive (together with accrued interest or earnings thereon, if any) and any accrued vacation pay which would be payable under the Company' s standard policy, in each case to the extent not theretofore paid;

(b) for one year after the Date of Termination, the Company shall pay the Executive' s premiums for health insurance benefit continuation for Executive and her family members, if applicable, which the Company provides to the Executive under the provisions of the federal Comprehensive Omnibus Budget Reconciliation Act of 1986, as amended ("COBRA") to the extent that the Company would have paid such premiums had the Executive remained employed by the Company (such continued payment is hereinafter referred to as "COBRA Continuation"); and

(c) an amount as severance pay equal to one (1) times the Annual Base Salary for the fiscal year in which the Date of Termination occurs.

8.2 Termination for Cause or Other Than for Good Reason

If during the Employment Period the Executive' s employment shall be terminated by the Company for Cause or by the Executive for other than Good Reason, this Agreement shall terminate without further obligation on the part of the Company to the Executive, other than the Company' s obligation to pay the Executive (a) her Annual Base Salary through the Date of Termination, (b) the amount of any compensation previously deferred by the Executive, and (c) any accrued vacation pay which would be payable under the Company' s standard policy, in each case to the extent theretofore unpaid.

8.3 Expiration of Term

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In the case of a termination of the Executive' s employment as a result of the expiration of the Term of this Agreement, this Agreement shall terminate without further obligation on the part of the Company to the Executive, other than the Company' s obligation to pay the Executive the Accrued Obligations.

8.4 Termination Because of Death or Total Disability

If during the Employment Period the Executive' s employment is terminated by reason of the Executive' s death or Total Disability, this Agreement shall terminate automatically without further obligation on the part of the Company to the Executive or her legal representatives under this Agreement, other than the Company' s obligation to pay the Executive the Accrued Obligations (which shall be paid to the Executive' s estate or beneficiary, as applicable in the case of the Executive' s death), and to provide COBRA Continuation.

8.5 Payment Schedule

All payments of Accrued Obligations, or any portion thereof payable pursuant to this Section 8, shall be made to the Executive within ten working days of the Date of Termination. Any payments payable to the Executive pursuant to Section 8.1(c) shall be made to the Executive, at the Company' s option, either (a) in a lump sum within ten working days of the Date of Termination; or (b) in two equal payments, the first of which is made within ten working days of the Date of Termination and the second of which is made within six months of the Date of Termination.

8.6 Cause

For purposes of this Agreement, "Cause" means cause given by the Executive to the Company and shall include, without limitation, the occurrence of one or more of the following events:

(a) A clear refusal to carry out any material lawful duties of the Executive or any directions of the Board or senior management of the Company, all reasonably consistent with those duties described in Section 3.2 hereof ;

(b) Persistent failure to carry out any lawful duties of the Executive described in Section 3.2 hereof or any directions of the Board or senior management reasonably consistent with those duties herein set forth to be performed by the Executive, provided Executive has been given reasonable notice and opportunity to correct any such failure;

(c) Violation by the Executive of a state or federal criminal law involving the commission of a crime against the Company or any other criminal act involving moral turpitude;

(d) Current abuse by the Executive of alcohol or controlled substances; deception, fraud, misrepresentation or dishonesty by the Executive; or any incident materially compromising the Executive' s reputation or ability to represent the Company with investors, customers or the public; or

(e) Any other material violation of any provision of this Agreement by the Executive, subject to the notice and opportunity to cure requirements of Section 11.

8.7 Good Reason

For purposes of this Agreement, "Good Reason" means

(a) The assignment to the Executive of any duties materially inconsistent with the Executive' s position, authority, duties or responsibilities as contemplated by Section 3.2 hereof or any other action by the Company which results in a material diminution in such position, authority, duties or responsibilities, excluding for this purpose an isolated and inadvertent action not taken in bad faith and which is remedied by the Company promptly after receipt of notice thereof given by the Executive;

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(b) Any failure by the Company to comply with any of the provisions of Section 5 or Section 6 hereof, other than an isolated and inadvertent failure not taken in bad faith and which is remedied by the Company promptly after receipt of notice thereof given by the Executive;

(c) The Company' s requiring the Executive to be based at any office or location other than that described in Section 3.3 hereof;

(d) Any failure by the Company to comply with and satisfy Section 13 hereof, provided that the Company' s successor has received at least ten days' prior written notice from the Company or the Executive of the requirements of Section 13 hereof; or

(e) Any other material violation of any provision of this Agreement by the Company, subject to the notice and opportunity to cure requirements of Section 11.

8.8 Excess Parachute Limitation

If either the Company or the Executive receives confirmation from the Company' s independent tax counsel or its certified public accounting firm, or such other accounting firm retained as independent certified public accountants for the Company (the "Tax Advisor"), that any payment by the Company to the Executive under this Agreement or otherwise would be considered to be an "excess parachute payment" within the meaning of Section 280G of the Internal Revenue Code of 1986, as amended, or any successor statute then in effect (the "Code"), then the aggregate payments by the Company pursuant to this Agreement shall be reduced to the highest amount that may be paid to the Executive by the Company under this Agreement without having any portion of any amount payable to the Executive by the Company or a related entity under this Agreement or otherwise treated as such an "excess parachute payment", and, if permitted by applicable law and without adverse tax consequence, such reduction shall be made to the last payment due hereunder. Any payments made by the Company to the Executive under this Agreement which are later confirmed by the Tax Advisor to be "excess parachute payments" shall promptly be repaid by the Executive to the Company.

9. REPRESENTATIONS, WARRANTIES AND OTHER CONDITIONS

In order to induce the Company to enter into this Agreement, the Executive represents and warrants to the Company as follows:

9.1 Health

The Executive is in good health and knows of no physical or mental disability which, with any accommodation which may be required by law and which places no undue burden on the Company, would prevent her from fulfilling her obligations hereunder. The Executive agrees, if the Company requests, to submit to reasonable periodic medical examinations by a physician or physicians designated by, paid for and arranged by the Company. The Executive agrees that the examination' s medical report shall be provided to the Company.

9.2 No Violation of Other Agreements

The Executive represents that neither the execution nor the performance of this Agreement by the Executive will violate or conflict in any way with any other agreement by which the Executive may be bound.

10. NONDISCLOSURE; RETURN OF MATERIALS

10.1 Nondisclosure

Except as required by her employment with the Company, the Executive will not, at any time during the term of employment by the Company, or at any time thereafter, directly, indirectly or otherwise, use, communicate, disclose, disseminate, lecture upon or publish articles relating to any confidential, proprietary or trade secret information without the prior written consent of the Company. The Executive

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understands that the Company will be relying on this covenant in continuing the Executive' s employment, paying her compensation, granting her any promotions or raises, or entrusting her with any information which helps the Company compete with others.

10.2 Return of Materials

All documents, records, notebooks, notes, memoranda, drawings or other documents made or compiled by the Executive at any time while employed by the Company, or in her possession, including any and all copies thereof, shall be the property of the Company and shall be held by the Executive in trust and solely for the benefit of the Company, and shall be delivered to the Company by the Executive upon termination of employment or at any other time upon request by the Company.

11. NOTICE AND CURE OF BREACH

Whenever a breach of this Agreement by either party is relied upon as justification for any action taken by the other party pursuant to any provision of this Agreement, other than clause (a), (b), (c) or (d) of Section 8.6 hereof, before such action is taken, the party asserting the breach of this Agreement shall give the other party at least ten days' prior written notice of the existence and the nature of such breach before taking further action hereunder and shall give the party purportedly in breach of this Agreement the opportunity to correct such breach during the ten-day period.

12. FORM OF NOTICE

Every notice required by the terms of this Agreement shall be given in writing by serving the same upon the party to whom it was addressed personally or by registered or certified mail, return receipt requested, at the address set forth below or at such other address as may hereafter be designated by notice given in compliance with the terms hereof:

If to the Executive:	Robin L. Carmichael
If to the Company:	ProCyte Corporation 8511 154th Avenue N.E., Bldg. A Redmond, Washington 98052-3557 Attn: President
With a copy to:	Perkins Coie LLP Attn: James R. Lisbakken, Esq. 1201 Third Avenue, 40th Floor Seattle, Washington 98101-3099

or such other address as shall be provided in accordance with the terms hereof. Except as set forth in Section 7.4 hereof, if notice is mailed, such notice shall be effective upon mailing.

13. ASSIGNMENT

This Agreement is personal to the Executive and shall not be assignable by the Executive.

The Company shall assign to and require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all the business and/or assets of the Company to assume expressly and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. As used in this Agreement, "Company" shall mean ProCyte Corporation and any affiliated company or successor to its business and/or assets as aforesaid

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which assumes and agrees to perform this Agreement by contract, operation of law, or otherwise; and as long as such affiliated company or successor assumes and agrees to perform this Agreement, the termination of Executive' s employment by one such entity and the immediate hiring and continuation of the Executive' s employment by the Company or other affiliated company or successor shall not be deemed to constitute a termination or trigger any obligation under this Agreement. All the terms and provisions of this Agreement shall be binding upon and inure to the benefit of and be enforceable by the parties hereto and their respective successors and permitted assigns.

14. WAIVERS

No delay or failure by any party hereto in exercising, protecting or enforcing any of its rights, titles, interests or remedies hereunder, and no course of dealing or performance with respect thereto, shall constitute a waiver thereof. The express waiver by a party hereto of any right, title, interest or remedy in a particular instance or circumstance shall not constitute a waiver thereof in any other instance or circumstance. All rights and remedies shall be cumulative and not exclusive of any other rights or remedies.

15. AMENDMENTS IN WRITING

No amendment, modification, waiver, termination or discharge of any provision of this Agreement, nor consent to any departure therefrom by either party hereto, shall in any event be effective unless the same shall be in writing, specifically identifying this Agreement and the provision intended to be amended, modified, waived, terminated or discharged and signed by the Company and the Executive, and each such amendment, modification, waiver, termination or discharge shall be effective only in the specific instance and for the specific purpose for which given. No provision of this Agreement shall be varied, contradicted or explained by any oral agreement, course of dealing or performance or any other matter not set forth in an agreement in writing and signed by the Company and the Executive.

16. APPLICABLE LAW

This Agreement shall in all respects, including all matters of construction, validity and performance, be governed by, and construed and enforced in accordance with, the laws of the State of Washington, without regard to any rules governing conflicts of laws.

17. ARBITRATION; ATTORNEYS' FEES

Except in connection with enforcing Section 10 of this Agreement, for which legal and equitable remedies may be sought in a court of law, any dispute arising under this Agreement shall be subject to arbitration. The arbitration proceeding shall be conducted in accordance with the Commercial

Arbitration Rules of the American Arbitration Association then in effect, conducted by one arbitrator either mutually agreed upon or selected in accordance with the AAA Rules. The arbitration shall be conducted in King County, Washington under the jurisdiction of the Seattle office of the American Arbitration Association. The arbitrator shall have authority only to interpret and apply the provisions of this Agreement, and shall have no authority to add to, subtract from, or otherwise modify the terms of this Agreement. Any demand for arbitration must be made within sixty (60) days of the event(s) giving rise to the claim that this Agreement has been breached. The arbitrator' s decision shall be final and binding, and each party agrees to be bound to by arbitrator' s award subject only to an appeal therefrom in accordance with the laws of the State of Washington. Either party may obtain judgment upon the arbitrator' s award in the Superior Court of King, County, Washington.

If it becomes necessary to pursue or defend any legal proceeding, whether in arbitration or court, in order to resolve a dispute arising under this Agreement, the prevailing party in any such proceeding shall be entitled to recover its reasonable costs and attorneys' fees.

18. SEVERABILITY

If any provision of this Agreement shall be held invalid, illegal or unenforceable in any jurisdiction, for any reason, including, without limitation, the duration of such provision, its geographical scope or the extent of the activities prohibited or required by it, then, to the full extent permitted by law, (a) all other provisions hereof shall remain in full force and effect in such jurisdiction and shall be liberally

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construed in order to carry out the intent of the parties hereto as nearly as may be possible, (b) such invalidity, illegality or unenforceability shall not affect the validity, legality or enforceability of any other provision hereof, and (c) any court or arbitrator having jurisdiction thereover shall have the power to reform such provision to the extent necessary for such provision to be enforceable under applicable law.

19. ENTIRE AGREEMENT

This Agreement on and as of the date hereof constitutes the entire agreement between the Company and the Executive with respect to the subject matter hereof and all prior or contemporaneous oral or written communications, understandings or agreements between the Company and the Executive with respect to such subject matter, including, but not limited to, that certain Change of Control Agreement between the Company and the Executive dated as of April 24, 1998 and all amendments thereto, are hereby superseded and nullified in their entireties, except that the Proprietary Information and Invention Agreement between the Executive and the Company shall continue in full force and effect to the extent not superseded by Section 10 hereof.

20. WITHHOLDING

The Company may withhold from any amounts payable under this Agreement such federal, state or local taxes as shall be required to be withheld pursuant to any applicable law or regulation.

21. COUNTERPARTS

This Agreement may be executed in counterparts, each of which counterpart shall be deemed an original, but all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties have executed and entered into this Agreement effective on the date first set forth above.

EXECUTIVE

/s/ Robin L. Carmichael
Robin L. Carmichael

PROCYTE CORPORATION

By /s/ John F. Clifford
Its Chairman and CEO

APPENDIX A TO

CHANGE OF CONTROL AGREEMENT

For purposes of this Agreement, a "Change of Control" shall mean:

(a) A "Board Change" which, for purposes of this Agreement, shall have occurred if a majority (excluding vacant seats) of the seats on the Company' s Board are occupied by individuals who were neither (i) nominated by a majority of the Incumbent Directors nor (ii) appointed by directors so nominated. An "Incumbent Director" is a member of the Board who has been either (i) nominated by a majority of the directors of the Company then in office or (ii) appointed by directors so nominated, but excluding, for this purpose, any such individual

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whose initial assumption of office occurs as a result of either an actual or threatened election contest (as such terms are used in Rule 14a-11 of Regulation 14A promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) or other actual or threatened solicitation of proxies or consents by or on behalf of a Person (as hereinafter defined) other than the Board; or

(b) The acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Exchange Act) (a "Person") of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of (i) 20% or more of either (A) the then outstanding shares of Common Stock of the Company (the "Outstanding Company Common Stock") or (B) the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors (the "Outstanding Company Voting Securities"), in the case of either (A) or (B) of this clause (i), which acquisition is not approved in advance by a majority of the Incumbent Directors, or (ii) 33% or more of either (A) the Outstanding Company Common Stock or (B) the Outstanding Company Voting Securities, in the case of either (A) or (B) of this clause (ii), which acquisition is approved in advance by a majority of the Incumbent Directors; provided, however, that the following acquisitions shall not constitute a Change of Control: (x) any acquisition by the Company, (y) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any corporation controlled by the Company or (z) any acquisition by any corporation pursuant to a reorganization, merger or consolidation, if, following such reorganization, merger or consolidation, the conditions described in clauses (i), (ii) and (iii) of subsection (c) of this Appendix A are satisfied; or

(c) Approval by the stockholders of the Company of a reorganization, merger or consolidation, in each case, unless, immediately following such reorganization, merger or consolidation, (i) more than 60% of, respectively, the then outstanding shares of common stock of the corporation resulting from such reorganization, merger or consolidation and the combined voting power of the then outstanding voting securities of such corporation entitled to vote generally in the election of directors is then beneficially owned, directly or indirectly, by all or substantially all the individuals and entities who were the beneficial owners, respectively, of the Outstanding Company Common Stock and the Outstanding Company Voting Securities immediately prior to such reorganization, merger or consolidation in substantially the same proportion as their ownership immediately prior to such reorganization, merger or consolidation of the Outstanding Company Common Stock and the Outstanding Company Voting Securities, as the case may be, (ii) no Person (excluding the Company, any employee benefit plan (or related trust) of the Company or such corporation resulting from such reorganization, merger or consolidation and any Person beneficially owning, immediately prior to such

reorganization, merger or consolidation, directly or indirectly, 33% or more of the Outstanding Company Common Stock or the Outstanding Voting Securities, as the case may be) beneficially owns, directly or indirectly, 33% or more of, respectively, the then outstanding shares of common stock of the corporation resulting from such reorganization, merger or consolidation or the combined voting power of the then outstanding voting securities of such corporation entitled to vote generally in the election of directors, and (iii) at least a majority of the members of the board of directors of the corporation resulting from such reorganization, merger or consolidation were the Incumbent Directors at the time of the execution of the initial agreement providing for such reorganization, merger or consolidation; or

(d) Approval by the stockholders of the Company of (i) a complete liquidation or dissolution of the Company or (ii) the sale or other disposition of all or substantially all the assets of the Company, other than to a corporation with respect to which immediately following such sale or other disposition, (A) more than 60% of, respectively, the then outstanding shares of common stock of such corporation and the combined voting power of the then outstanding voting securities of such corporation entitled to vote generally in the election of directors is then beneficially owned, directly or indirectly, by all or substantially all the individuals and entities who were the beneficial owners, respectively, of the Outstanding Company Common Stock and the Outstanding Company Voting Securities immediately prior to such sale or other disposition in substantially the same proportion as their ownership, immediately prior to such sale or other disposition, of the Outstanding Company Common Stock and the Outstanding Company Voting Securities, as the case may be, (B) no Person (excluding the Company, any employee benefit plan (or related trust) of the Company or such corporation and any Person beneficially owning, immediately prior to such sale or other disposition, directly or indirectly, 33% or more of the Outstanding Company Common Stock or the Outstanding Company Voting Securities, as the case may be) beneficially owns, directly or indirectly, 33% or more of, respectively, the then outstanding shares of common stock of such corporation and the combined voting power of the then outstanding voting securities of such corporation entitled to vote generally in the election of directors and (C) at least a majority of the members of the board of directors of such corporation were approved by a majority of the Incumbent Directors at the time of the execution of the initial agreement or action of the Board providing for such sale or other disposition of assets of the Company.

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Exhibit 10.8

CHANGE OF CONTROL AGREEMENT

This Change of Control Agreement (this "Agreement"), dated as of July 1, 2004, is between PROCYTE CORPORATION, a Washington corporation (the "Company"), and JOHN F. CLIFFORD (the "Executive").

The Board of Directors of the Company (the "Board") has determined that it is in the best interests of the Company and its stockholders to ensure that the Company will have the continued dedication of the Executive, notwithstanding the possibility, threat or occurrence of a Change of Control (as defined in Section 1.1 below) of the Company. The Board believes it is imperative to diminish the inevitable distraction of the Executive arising from the personal uncertainties and risks created by a pending or threatened Change of Control, to encourage the Executive' s full attention and dedication to the Company currently and in the event of any threatened or pending Change of Control, and to provide the Executive with reasonable compensation and benefit arrangements upon a Change of Control.

In order to accomplish these objectives, the Board has caused the Company to enter into this Agreement.

1. DEFINITIONS

1.1 "Change of Control" shall have the definition set forth in Appendix A to this Agreement, which is hereby incorporated by reference.

1.2 "Change of Control Date" shall mean the first date on which a Change of Control occurs.

1.3 "Employment Period" shall mean the two-year period commencing on the Change of Control Date and ending on the second anniversary of such date.

2. TERM

The term of this Agreement ("Term") shall be for a period of two (2) years from the date of this Agreement as first entered above, at which time this Agreement shall terminate without further action by either the Company or the Executive; provided, however, that if a Change of Control occurs during the Term, the Term shall automatically extend for the duration of the Employment Period.

3. EMPLOYMENT

3.1 Employment Period

During the Employment Period, the Company hereby agrees to continue the Executive in its employ or in the employ of its affiliated companies, and the Executive hereby agrees to remain in the employ of the Company or its affiliated companies, in accordance with the terms and provisions of this Agreement; provided, however, that either the Company or the Executive may terminate the employment relationship subject to the terms of this Agreement.

3.2 Position and Duties

During the Employment Period, the Executive' s position, authority, duties and responsibilities shall be at least commensurate in all material respects with the most significant of those held, exercised and assigned at any time during the 90-day period immediately preceding the Change of Control Date.

3.3 Location

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During the Employment Period, the Executive' s services shall be performed at the Company' s headquarters on the Change of Control Date or any office which is subsequently designated as the headquarters of the Company and is less than 30 miles from such location.

3.4 Employment at Will

The Executive and the Company acknowledge that, except as may otherwise be provided under any other written agreement between the Executive and the Company, the employment of the Executive by the Company or its affiliated companies is "at will" and may be terminated by either the Executive or the Company or its affiliated companies at any time with or without cause. Moreover, if prior to the Change of Control Date, the Executive' s employment with the Company or its affiliated companies terminates for any reason, then the Executive shall have no further rights under this Agreement; provided, however, that Company may not avoid liability for any termination payments which would have been required during the Employment Period pursuant to Section 8 below by terminating the Executive prior to the Employment Period where such termination is carried out in anticipation of a Change of Control and the principal motivating purpose is to avoid liability for such termination payments.

3.5 Board of Directors

The Executive is currently a member of the Board but his continuation as such shall be subject to the will of the Company' s stockholders and the Board, as provided in the Company' s by-laws and certificate of incorporation. Removal of the Executive from, or nonelection of the Executive to, the Board by the Company' s stockholders or the Board, as provided in the Company' s by-laws and certificate of incorporation, shall in no event be deemed a breach of this Agreement by the Company.

4. ATTENTION AND EFFORT

During the Employment Period, and excluding any periods of vacation and sick leave to which the Executive is entitled, the Executive will devote all of his productive time, ability, attention and effort to the business and affairs of the Company and the discharge of the responsibilities assigned to him hereunder, and will use his reasonable best efforts to perform faithfully and efficiently such responsibilities. It shall not be a violation of this Agreement for the Executive to (a) serve on corporate, civic or charitable boards or committees, (b) deliver lectures, fulfill speaking engagements or teach at educational institutions, and (c) manage personal investments, so long as such activities do not significantly interfere with the performance of the Executive' s responsibilities in accordance with this Agreement. It is expressly understood and agreed that to the extent any such activities have been conducted by the Executive prior to the Employment Period, the continued conduct of such activities (or the conduct of activities similar in nature and scope thereto) during the Employment Period shall not thereafter be deemed to interfere with the performance of the Executive' s responsibilities to the Company.

5. COMPENSATION

As long as the Executive remains employed by the Company during the Employment Period, the Company agrees to pay or cause to be paid to the Executive, and the Executive agrees to accept in exchange for the services rendered hereunder by him, the following compensation:

5.1 Salary

The Executive shall receive an annual base salary (the "Annual Base Salary"), at least equal to the annual salary established by the Board or the Compensation Committee of the Board (the "Compensation Committee") for the fiscal year in which the Change of Control Date occurs. The Annual Base Salary shall be paid in substantially equal installments and at the same intervals as the salaries of other executives of the Company are paid. The Board or the Compensation Committee shall review the Annual Base Salary at least annually and shall determine in good faith and consistent with any generally applicable Company policy any increases for future years.

5.2 Bonus

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In addition to Annual Base Salary, the Executive shall be awarded, for each fiscal year ending during the Employment Period, an annual bonus (the "Annual Bonus") in cash at least equal to the average annualized (for any fiscal year consisting of less than 12 full months) bonus paid or payable, including by reason of any deferral, to the Executive by the Company and its affiliated companies in respect of the three fiscal years immediately preceding the fiscal year in which the Change of Control Date occurs. Each such Annual Bonus shall be paid no later than 90 days after the end of the fiscal year for which the Annual Bonus is awarded, unless the Executive shall elect to defer the receipt of such Annual Bonus.

6. BENEFITS

6.1 Incentive, Retirement and Welfare Benefit Plans; Vacation

During the Employment Period, the Executive shall be entitled to participate, subject to and in accordance with applicable eligibility requirements, in such fringe benefit programs as shall be generally made available to other executives of the Company and its affiliated companies from time to time during the Employment Period by action of the Board (or any person or committee appointed by the Board to determine fringe benefit programs and other emoluments), including, without limitation, paid vacations; any stock purchase, savings or retirement plan, practice, policy or program; and all welfare benefit plans, practices, policies or programs (including, without limitation, medical, prescription, dental, disability, salary continuance, employee life, group life, accidental death and travel accident insurance plans or programs).

6.2 Expenses

During the Employment Period, the Executive shall be entitled to receive prompt reimbursement for all reasonable employment expenses incurred by him in accordance with the policies, practices and procedures of the Company and its affiliated companies in effect for the executives of the Company and its affiliated companies during the Employment Period.

7. TERMINATION

During the Employment Period, employment of the Executive may be terminated as follows but, in any case, the nondisclosure provisions set forth in Section 10 hereof shall survive the termination of this Agreement and the termination of the Executive' s employment with the Company:

7.1 By the Company or the Executive

At any time during the Employment Period, the Company may terminate the employment of the Executive with or without Cause (as defined below), and the Executive may terminate his employment for Good Reason (as defined below) or for any reason, upon giving Notice of Termination (as defined below).

7.2 Automatic Termination

This Agreement and the Executive' s employment during the Employment Period shall terminate automatically upon the death or Total Disability of the Executive. The term "Total Disability" as used herein shall mean the Executive' s inability (with such accommodation as may be required by law and which places no undue burden on the Company), as determined by a physician selected by the Company and acceptable to the Executive, to perform the duties set forth in Section 3.2 hereof for a period or periods aggregating 120 calendar days in any 12-month period as a result of physical or mental illness, loss of legal capacity or any other cause beyond the Executive' s control, unless the Executive is granted a leave of absence by the Board. The Executive and the Company hereby acknowledge that the duties specified in Section 3.2 hereof are essential to Executive' s position and that Executive' s ability to perform those duties is the essence of this Agreement.

7.3 Notice of Termination

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Any termination by the Company or by the Executive during the Employment Period shall be communicated by Notice of Termination to the other party given in accordance with Section 12 hereof. The term "Notice of Termination" shall mean a written notice which (a) indicates the specific termination provision in this Agreement relied upon and (b) to the extent applicable, sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive' s employment under the provision so indicated. The failure by the Executive or the Company to set forth in the Notice of Termination any fact or circumstance which contributes to a showing of Good Reason or Cause shall not waive any right of the Executive or the Company hereunder or preclude the Executive or the Company from asserting such fact or circumstance in enforcing the Executive' s or the Company' s rights hereunder.

7.4 Date of Termination

During the Employment Period, "Date of Termination" means (a) if the Executive' s employment is terminated by reason of death, at the end of the calendar month in which the Executive' s death occurs, (b) if the Executive' s employment is terminated by reason of Total Disability, immediately upon a determination by the Company of the Executive' s Total Disability, and (c) in all other cases, five days after the date of personal delivery or mailing of the Notice of Termination. The Executive' s employment and performance of services will continue during such five-day period; provided, however, that the Company may, upon notice to the Executive and without reducing the Executive' s compensation during such period, excuse the Executive from any or all of his duties during such period.

8. TERMINATION PAYMENTS

In the event of termination of the Executive' s employment during the Employment Period, all compensation and benefits shall terminate except as specifically provided in this Section 8.

8.1 Termination by the Company Other Than for Cause or by the Executive for Good Reason

If during the Employment Period the Company terminates the Executive' s employment other than for Cause or the Executive terminates his employment for Good Reason, the Executive shall be entitled to:

(a) receive payment of the following accrued obligations (the "Accrued Obligations"):

(i) the Executive' s Annual Base Salary through the Date of Termination to the extent not theretofore paid;

(ii) the product of (x) the Annual Bonus payable with respect to the fiscal year in which the Date of Termination occurs and (y) a fraction, the numerator of which is the number of days in the current fiscal year through the Date of Termination, and the denominator of which is 365; and

(iii) any compensation previously deferred by the Executive (together with accrued interest or earnings thereon, if any) and any accrued vacation pay which would be payable under the Company' s standard policy, in each case to the extent not theretofore paid;

(b) for one year after the Date of Termination, the Company shall pay the Executive' s premiums for health insurance benefit continuation for Executive and his family members, if applicable, which the Company provides to the Executive under the provisions of the federal Comprehensive Omnibus Budget Reconciliation Act of 1986, as amended ("COBRA") to the extent that the Company would have paid such premiums had the Executive remained employed by the Company (such continued payment is hereinafter referred to as "COBRA Continuation"); and

(c) an amount as severance pay equal to two (2) times the Annual Base Salary for the fiscal year in which the Date of Termination occurs.

8.2 Termination for Cause or Other Than for Good Reason

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If during the Employment Period the Executive' s employment shall be terminated by the Company for Cause or by the Executive for other than Good Reason, this Agreement shall terminate without further obligation on the part of the Company to the Executive, other than the Company' s obligation to pay the Executive (a) his Annual Base Salary through the Date of Termination, (b) the amount of any compensation previously deferred by the Executive, and (c) any accrued vacation pay which would be payable under the Company' s standard policy, in each case to the extent theretofore unpaid.

8.3 Expiration of Term

In the case of a termination of the Executive' s employment as a result of the expiration of the Term of this Agreement, this Agreement shall terminate without further obligation on the part of the

Company to the Executive, other than the Company' s obligation to pay the Executive the Accrued Obligations.

8.4 Termination Because of Death or Total Disability

If during the Employment Period the Executive' s employment is terminated by reason of the Executive' s death or Total Disability, this Agreement shall terminate automatically without further obligation on the part of the Company to the Executive or his legal representatives under this Agreement, other than the Company' s obligation to pay the Executive the Accrued Obligations (which shall be paid to the Executive' s estate or beneficiary, as applicable in the case of the Executive' s death), and to provide COBRA Continuation.

8.5 Payment Schedule

All payments of Accrued Obligations, or any portion thereof payable pursuant to this Section 8, shall be made to the Executive within ten working days of the Date of Termination. Any payments payable to the Executive pursuant to Section 8.1(c) shall be made to the Executive, at the Company' s option, either (a) in a lump sum within ten working days of the Date of Termination; or (b) in two equal payments, the first of which is made within ten working days of the Date of Termination and the second of which is made within six months of the Date of Termination.

8.6 Cause

For purposes of this Agreement, "Cause" means cause given by the Executive to the Company and shall include, without limitation, the occurrence of one or more of the following events:

(a) A clear refusal to carry out any material lawful duties of the Executive or any directions of the Board or senior management of the Company, all reasonably consistent with those duties described in Section 3.2 hereof ;

(b) Persistent failure to carry out any lawful duties of the Executive described in Section 3.2 hereof or any directions of the Board or senior management reasonably consistent with those duties herein set forth to be performed by the Executive, provided Executive has been given reasonable notice and opportunity to correct any such failure;

(c) Violation by the Executive of a state or federal criminal law involving the commission of a crime against the Company or any other criminal act involving moral turpitude;

(d) Current abuse by the Executive of alcohol or controlled substances; deception, fraud, misrepresentation or dishonesty by the Executive; or any incident materially compromising the Executive' s reputation or ability to represent the Company with investors, customers or the public; or

(e) Any other material violation of any provision of this Agreement by the Executive, subject to the notice and opportunity to cure requirements of Section 11.

8.7 Good Reason

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For purposes of this Agreement, “Good Reason” means

(a) The assignment to the Executive of any duties materially inconsistent with the Executive’ s position, authority, duties or responsibilities as contemplated by Section 3.2 hereof or any

other action by the Company which results in a material diminution in such position, authority, duties or responsibilities, excluding for this purpose an isolated and inadvertent action not taken in bad faith and which is remedied by the Company promptly after receipt of notice thereof given by the Executive;

(b) Any failure by the Company to comply with any of the provisions of Section 5 or Section 6 hereof, other than an isolated and inadvertent failure not taken in bad faith and which is remedied by the Company promptly after receipt of notice thereof given by the Executive;

(c) The Company’ s requiring the Executive to be based at any office or location other than that described in Section 3.3 hereof;

(d) Any failure by the Company to comply with and satisfy Section 13 hereof, provided that the Company’ s successor has received at least ten days’ prior written notice from the Company or the Executive of the requirements of Section 13 hereof; or

(e) Any other material violation of any provision of this Agreement by the Company, subject to the notice and opportunity to cure requirements of Section 11.

8.8 Excess Parachute Limitation

If either the Company or the Executive receives confirmation from the Company’ s independent tax counsel or its certified public accounting firm, or such other accounting firm retained as independent certified public accountants for the Company (the “Tax Advisor”), that any payment by the Company to the Executive under this Agreement or otherwise would be considered to be an “excess parachute payment” within the meaning of Section 280G of the Internal Revenue Code of 1986, as amended, or any successor statute then in effect (the “Code”), then the aggregate payments by the Company pursuant to this Agreement shall be reduced to the highest amount that may be paid to the Executive by the Company under this Agreement without having any portion of any amount payable to the Executive by the Company or a related entity under this Agreement or otherwise treated as such an “excess parachute payment”, and, if permitted by applicable law and without adverse tax consequence, such reduction shall be made to the last payment due hereunder. Any payments made by the Company to the Executive under this Agreement which are later confirmed by the Tax Advisor to be “excess parachute payments” shall promptly be repaid by the Executive to the Company.

9. REPRESENTATIONS, WARRANTIES AND OTHER CONDITIONS

In order to induce the Company to enter into this Agreement, the Executive represents and warrants to the Company as follows:

9.1 Health

The Executive is in good health and knows of no physical or mental disability which, with any accommodation which may be required by law and which places no undue burden on the Company, would prevent him from fulfilling his obligations hereunder. The Executive agrees, if the Company requests, to submit to reasonable periodic medical examinations by a physician or physicians designated by, paid for and arranged by the Company. The Executive agrees that the examination’ s medical report shall be provided to the Company.

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9.2 No Violation of Other Agreements

The Executive represents that neither the execution nor the performance of this Agreement by the Executive will violate or conflict in any way with any other agreement by which the Executive may be bound.

10. NONDISCLOSURE; RETURN OF MATERIALS

10.1 Nondisclosure

Except as required by his employment with the Company, the Executive will not, at any time during the term of employment by the Company, or at any time thereafter, directly, indirectly or otherwise, use, communicate, disclose, disseminate, lecture upon or publish articles relating to any confidential, proprietary or trade secret information without the prior written consent of the Company. The Executive understands that the Company will be relying on this covenant in continuing the Executive' s employment, paying his compensation, granting him any promotions or raises, or entrusting him with any information which helps the Company compete with others.

10.2 Return of Materials

All documents, records, notebooks, notes, memoranda, drawings or other documents made or compiled by the Executive at any time while employed by the Company, or in his possession, including any and all copies thereof, shall be the property of the Company and shall be held by the Executive in trust and solely for the benefit of the Company, and shall be delivered to the Company by the Executive upon termination of employment or at any other time upon request by the Company.

11. NOTICE AND CURE OF BREACH

Whenever a breach of this Agreement by either party is relied upon as justification for any action taken by the other party pursuant to any provision of this Agreement, other than clause (a), (b), (c) or (d) of Section 8.6 hereof, before such action is taken, the party asserting the breach of this Agreement shall give the other party at least ten days' prior written notice of the existence and the nature of such breach before taking further action hereunder and shall give the party purportedly in breach of this Agreement the opportunity to correct such breach during the ten-day period.

12. FORM OF NOTICE

Every notice required by the terms of this Agreement shall be given in writing by serving the same upon the party to whom it was addressed personally or by registered or certified mail, return receipt requested, at the address set forth below or at such other address as may hereafter be designated by notice given in compliance with the terms hereof:

If to the Executive:	John F. Clifford
If to the Company:	ProCyte Corporation 8511 154th Avenue N.E., Bldg. A Redmond, Washington 98052-3557 Attn: Corporate Secretary

With a copy to:	Perkins Coie LLP Attn: James R. Lisbakken 1201 Third Avenue, 40th Floor Seattle, Washington 98101-3099

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or such other address as shall be provided in accordance with the terms hereof. Except as set forth in Section 7.4 hereof, if notice is mailed, such notice shall be effective upon mailing.

13. ASSIGNMENT

This Agreement is personal to the Executive and shall not be assignable by the Executive.

The Company shall assign to and require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all the business and/or assets of the Company to assume expressly and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. As used in this Agreement, "Company" shall mean ProCyte Corporation and any affiliated company or successor to its business and/or assets as aforesaid which assumes and agrees to perform this Agreement by contract, operation of law, or otherwise; and as long as such affiliated company or successor assumes and agrees to perform this Agreement, the termination of Executive' s employment by one such entity and the immediate hiring and continuation of the Executive' s employment by the Company or other affiliated company or successor shall not be deemed to constitute a termination or trigger any obligation under this Agreement. All the terms and provisions of this Agreement shall be binding upon and inure to the benefit of and be enforceable by the parties hereto and their respective successors and permitted assigns.

14. WAIVERS

No delay or failure by any party hereto in exercising, protecting or enforcing any of its rights, titles, interests or remedies hereunder, and no course of dealing or performance with respect thereto, shall constitute a waiver thereof. The express waiver by a party hereto of any right, title, interest or remedy in a particular instance or circumstance shall not constitute a waiver thereof in any other instance or circumstance. All rights and remedies shall be cumulative and not exclusive of any other rights or remedies.

15. AMENDMENTS IN WRITING

No amendment, modification, waiver, termination or discharge of any provision of this Agreement, nor consent to any departure therefrom by either party hereto, shall in any event be effective unless the same shall be in writing, specifically identifying this Agreement and the provision intended to be amended, modified, waived, terminated or discharged and signed by the Company and the Executive, and each such amendment, modification, waiver, termination or discharge shall be effective only in the specific instance and for the specific purpose for which given. No provision of this Agreement shall be varied, contradicted or explained by any oral agreement, course of dealing or performance or any other matter not set forth in an agreement in writing and signed by the Company and the Executive.

16. APPLICABLE LAW

This Agreement shall in all respects, including all matters of construction, validity and performance, be governed by, and construed and enforced in accordance with, the laws of the State of Washington, without regard to any rules governing conflicts of laws.

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17. ARBITRATION; ATTORNEYS' FEES

Except in connection with enforcing Section 10 of this Agreement, for which legal and equitable remedies may be sought in a court of law, any dispute arising under this Agreement shall be subject to arbitration. The arbitration proceeding shall be conducted in accordance with the Commercial Arbitration Rules of the American Arbitration Association then in effect, conducted by one arbitrator either mutually agreed upon or selected in accordance with the AAA Rules. The arbitration shall be conducted in King County, Washington under the jurisdiction of the Seattle office of the American Arbitration Association. The arbitrator shall have authority only to interpret and apply the provisions of this Agreement, and shall have no authority to add to, subtract from, or otherwise modify the terms of this Agreement. Any demand for arbitration must be made within sixty (60) days of the event(s) giving rise to the claim that this Agreement has been breached. The arbitrator' s decision shall be final and binding, and each party agrees to be bound to by arbitrator' s award subject only to an appeal

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therefrom in accordance with the laws of the State of Washington. Either party may obtain judgment upon the arbitrator' s award in the Superior Court of King, County, Washington.

If it becomes necessary to pursue or defend any legal proceeding, whether in arbitration or court, in order to resolve a dispute arising under this Agreement, the prevailing party in any such proceeding shall be entitled to recover its reasonable costs and attorneys' fees.

18. SEVERABILITY

If any provision of this Agreement shall be held invalid, illegal or unenforceable in any jurisdiction, for any reason, including, without limitation, the duration of such provision, its geographical scope or the extent of the activities prohibited or required by it, then, to the full extent permitted by law, (a) all other provisions hereof shall remain in full force and effect in such jurisdiction and shall be liberally construed in order to carry out the intent of the parties hereto as nearly as may be possible, (b) such invalidity, illegality or unenforceability shall not affect the validity, legality or enforceability of any other provision hereof, and (c) any court or arbitrator having jurisdiction thereover shall have the power to reform such provision to the extent necessary for such provision to be enforceable under applicable law.

19. ENTIRE AGREEMENT

This Agreement on and as of the date hereof constitutes the entire agreement between the Company and the Executive with respect to the subject matter hereof and all prior or contemporaneous oral or written communications, understandings or agreements between the Company and the Executive with respect to such subject matter, including, but not limited to, that certain Change of Control Agreement between the Company and the Executive dated as of February 19, 1997 and all amendments thereto, are hereby superseded and nullified in their entireties, except that the Proprietary Information and Invention Agreement between the Executive and the Company shall continue in full force and effect to the extent not superseded by Section 10 hereof.

20. COORDINATION WITH SEVERANCE AGREEMENT

The Key Executive Severance Agreement that the parties are entering into contemporaneously with this Agreement (the "Severance Agreement") provides for certain forms of severance and benefit payments in the event of termination of the Executive' s employment. This Agreement is in addition to the Severance Agreement and in no way supersedes or nullifies the Severance Agreement. Nevertheless, it is possible that termination of employment by the Company or by the Executive may fall within the

scope of both agreements. In such event, payments made to the Executive under Section 8.1 hereof shall be coordinated with payments made to the Executive under Section 5.1 of the Severance Agreement as follows:

(a) Accrued Obligations under this Agreement shall be paid first, in which case Accrued Obligations need not be paid under the Severance Agreement;

(b) COBRA Continuation under this Agreement shall be provided first, in which case COBRA Continuation need not be provided under the Severance Agreement; and

(c) The severance payment required under Section 8.1(c) hereof shall be paid first, in which case the severance payment required under Section 5.1(c) of the Severance Agreement need not be provided.

21. WITHHOLDING

The Company may withhold from any amounts payable under this Agreement such federal, state or local taxes as shall be required to be withheld pursuant to any applicable law or regulation.

22. COUNTERPARTS

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This Agreement may be executed in counterparts, each of which counterpart shall be deemed an original, but all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties have executed and entered into this Agreement effective on the date first set forth above.

EXECUTIVE

/s/ John F. Clifford
John F. Clifford

PROCYTE CORPORATION

By: /s/ Matt L. Leavitt
Name: Matt L. Leavitt
Chair of Compensation Committee

APPENDIX A TO

CHANGE OF CONTROL AGREEMENT

For purposes of this Agreement, a "Change of Control" shall mean:

(a) A "Board Change" which, for purposes of this Agreement, shall have occurred if a majority (excluding vacant seats) of the seats on the Company' s Board are occupied by individuals who were neither (i) nominated by a majority of the Incumbent Directors nor (ii) appointed by directors so nominated. An "Incumbent Director" is a member of the Board who has been either (i) nominated by a majority of the directors of the Company then in office or (ii) appointed by directors so nominated, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of either an actual or threatened election contest (as such terms are used in Rule 14a-11 of Regulation 14A promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) or other actual or threatened solicitation of proxies or consents by or on behalf of a Person (as hereinafter defined) other than the Board; or

(b) The acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Exchange Act) (a "Person") of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of (i) 20% or more of either (A) the then outstanding shares of Common Stock of the Company (the "Outstanding Company Common Stock") or (B) the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors (the "Outstanding Company Voting Securities"), in the case of either (A) or (B) of this clause (i), which acquisition is not approved in advance by a majority of the Incumbent Directors, or (ii) 33% or more of either (A) the Outstanding Company Common Stock or (B) the Outstanding Company Voting Securities, in the case of either (A) or (B) of this clause (ii), which acquisition is approved in advance by a majority of the Incumbent Directors; provided, however, that the following acquisitions shall not constitute a Change of Control: (x) any acquisition by the Company, (y) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any corporation controlled by the Company or (z) any acquisition by any corporation pursuant to a reorganization, merger or consolidation, if, following such reorganization, merger or consolidation, the conditions described in clauses (i), (ii) and (iii) of subsection (c) of this Appendix A are satisfied; or

(c) Approval by the stockholders of the Company of a reorganization, merger or consolidation, in each case, unless, immediately following such reorganization, merger or consolidation, (i) more than 60% of, respectively, the then outstanding shares of common stock of the corporation resulting from such reorganization, merger or consolidation and the combined voting power of the then outstanding voting securities of such corporation entitled to vote generally in the election of directors is then beneficially owned, directly or indirectly, by all or substantially all the individuals and entities who were the beneficial owners, respectively, of the Outstanding Company Common Stock and the Outstanding Company Voting Securities immediately prior to such reorganization, merger or consolidation in substantially the same proportion as their ownership immediately prior to such reorganization, merger or consolidation of the Outstanding

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Company Common Stock and the Outstanding Company Voting Securities, as the case may be, (ii) no Person (excluding the Company, any employee benefit plan (or related trust) of the Company or such corporation resulting from such reorganization, merger or consolidation and any Person beneficially owning, immediately prior to such

reorganization, merger or consolidation, directly or indirectly, 33% or more of the Outstanding Company Common Stock or the Outstanding Voting Securities, as the case may be) beneficially owns, directly or indirectly, 33% or more of, respectively, the then outstanding shares of common stock of the corporation resulting from such reorganization, merger or consolidation or the combined voting power of the then outstanding voting securities of such corporation entitled to vote generally in the election of directors, and (iii) at least a majority of the members of the board of directors of the corporation resulting from such reorganization, merger or consolidation were the Incumbent Directors at the time of the execution of the initial agreement providing for such reorganization, merger or consolidation; or

(d) Approval by the stockholders of the Company of (i) a complete liquidation or dissolution of the Company or (ii) the sale or other disposition of all or substantially all the assets of the Company, other than to a corporation with respect to which immediately following such sale or other disposition, (A) more than 60% of, respectively, the then outstanding shares of common stock of such corporation and the combined voting power of the then outstanding voting securities of such corporation entitled to vote generally in the election of directors is then beneficially owned, directly or indirectly, by all or substantially all the individuals and entities who were the beneficial owners, respectively, of the Outstanding Company Common Stock and the Outstanding Company Voting Securities immediately prior to such sale or other disposition in substantially the same proportion as their ownership, immediately prior to such sale or other disposition, of the Outstanding Company Common Stock and the Outstanding Company Voting Securities, as the case may be, (B) no Person (excluding the Company, any employee benefit plan (or related trust) of the Company or such corporation and any Person beneficially owning, immediately prior to such sale or other disposition, directly or indirectly, 33% or more of the Outstanding Company Common Stock or the Outstanding Company Voting Securities, as the case may be) beneficially owns, directly or indirectly, 33% or more of, respectively, the then outstanding shares of common stock of such corporation and the combined voting power of the then outstanding voting securities of such corporation entitled to vote generally in the election of directors and (C) at least a majority of the members of the board of directors of such corporation were approved by a majority of the Incumbent Directors at the time of the execution of the initial agreement or action of the Board providing for such sale or other disposition of assets of the Company.

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CHANGE OF CONTROL AGREEMENT

This Change of Control Agreement (this "Agreement"), dated as of July 1, 2004, is between PROCYTE CORPORATION, a Washington corporation (the "Company"), and ROBERT W. BENSON (the "Executive").

The Board of Directors of the Company (the "Board") has determined that it is in the best interests of the Company and its stockholders to ensure that the Company will have the continued dedication of the Executive, notwithstanding the possibility, threat or occurrence of a Change of Control (as defined in Section 1.1 below) of the Company. The Board believes it is imperative to diminish the inevitable distraction of the Executive arising from the personal uncertainties and risks created by a pending or threatened Change of Control, to encourage the Executive' s full attention and dedication to the Company currently and in the event of any threatened or pending Change of Control, and to provide the Executive with reasonable compensation and benefit arrangements upon a Change of Control.

In order to accomplish these objectives, the Board has caused the Company to enter into this Agreement.

1. DEFINITIONS

1.1 "Change of Control" shall have the definition set forth in Appendix A to this Agreement, which is hereby incorporated by reference.

1.2 "Change of Control Date" shall mean the first date on which a Change of Control occurs.

1.3 "Employment Period" shall mean the two-year period commencing on the Change of Control Date and ending on the second anniversary of such date.

2. TERM

The term of this Agreement ("Term") shall be for a period of two (2) years from the date of this Agreement as first entered above, at which time this Agreement shall terminate without further action by either the Company or the Executive; provided, however, that if a Change of Control occurs during the Term, the Term shall automatically extend for the duration of the Employment Period.

3. EMPLOYMENT

3.1 Employment Period

During the Employment Period, the Company hereby agrees to continue the Executive in its employ or in the employ of its affiliated companies, and the Executive hereby agrees to remain in the employ of the Company or its affiliated companies, in accordance with the terms and provisions of this Agreement; provided, however, that either the Company or the Executive may terminate the employment relationship subject to the terms of this Agreement.

3.2 Position and Duties

During the Employment Period, the Executive' s position, authority, duties and responsibilities shall be at least commensurate in all material respects with the most significant of those held, exercised and assigned at any time during the 90-day period immediately preceding the Change of Control Date.

3.3 Location

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During the Employment Period, the Executive' s services shall be performed at the Company' s headquarters on the Change of Control Date or any office which is subsequently designated as the headquarters of the Company and is less than 30 miles from such location.

3.4 Employment at Will

The Executive and the Company acknowledge that, except as may otherwise be provided under any other written agreement between the Executive and the Company, the employment of the Executive by the Company or its affiliated companies is "at will" and may be terminated by either the Executive or the Company or its affiliated companies at any time with or without cause. Moreover, if prior to the Change of Control Date, the Executive' s employment with the Company or its affiliated companies terminates for any reason, then the Executive shall have no further rights under this Agreement; provided, however, that Company may not avoid liability for any termination payments which would have been required during the Employment Period pursuant to Section 8 below by terminating the Executive prior to the Employment Period where such termination is carried out in anticipation of a Change of Control and the principal motivating purpose is to avoid liability for such termination payments.

4. ATTENTION AND EFFORT

During the Employment Period, and excluding any periods of vacation and sick leave to which the Executive is entitled, the Executive will devote all of his productive time, ability, attention and effort to the business and affairs of the Company and the discharge of the responsibilities assigned to him hereunder, and will use his reasonable best efforts to perform faithfully and efficiently such responsibilities. It shall not be a violation of this Agreement for the Executive to (a) serve on corporate, civic or charitable boards or committees, (b) deliver lectures, fulfill speaking engagements or teach at educational institutions, and (c) manage personal investments, so long as such activities do not significantly interfere with the performance of the Executive' s responsibilities in accordance with this Agreement. It is expressly understood and agreed that to the extent any such activities have been conducted by the Executive prior to the Employment Period, the continued conduct of such activities (or the conduct of activities similar in nature and scope thereto) during the Employment Period shall not thereafter be deemed to interfere with the performance of the Executive' s responsibilities to the Company.

5. COMPENSATION

As long as the Executive remains employed by the Company during the Employment Period, the Company agrees to pay or cause to be paid to the Executive, and the Executive agrees to accept in exchange for the services rendered hereunder by him, the following compensation:

5.1 Salary

The Executive shall receive an annual base salary (the "Annual Base Salary"), at least equal to the annual salary established by the Board or the Compensation Committee of the Board (the "Compensation Committee") for the fiscal year in which the Change of Control Date occurs. The Annual Base Salary shall be paid in substantially equal installments and at the same intervals as the salaries of other executives of the Company are paid. The Board or the Compensation Committee shall review the Annual Base Salary at least annually and shall determine in good faith and consistent with any generally applicable Company policy any increases for future years.

5.2 Bonus

In addition to Annual Base Salary, the Executive shall be awarded, for each fiscal year ending during the Employment Period, an annual bonus (the "Annual Bonus") in cash at least equal to the average annualized (for any fiscal year consisting of less than 12 full months) bonus paid or payable, including by reason of any deferral, to the Executive by the Company and its affiliated companies in respect of the three fiscal years immediately preceding the fiscal year in which the Change of Control Date occurs. Each such Annual Bonus shall be paid no later than 90 days after the end of the fiscal year for which the Annual Bonus is awarded, unless the Executive shall elect to defer the receipt of such Annual Bonus.

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6. BENEFITS

6.1 Incentive, Retirement and Welfare Benefit Plans; Vacation

During the Employment Period, the Executive shall be entitled to participate, subject to and in accordance with applicable eligibility requirements, in such fringe benefit programs as shall be generally made available to other executives of the Company and its affiliated companies from time to time during the Employment Period by action of the Board (or any person or committee appointed by the Board to determine fringe benefit programs and other emoluments), including, without limitation, paid vacations; any stock purchase, savings or retirement plan, practice, policy or program; and all welfare benefit plans, practices, policies or programs (including, without limitation, medical, prescription, dental, disability, salary continuance, employee life, group life, accidental death and travel accident insurance plans or programs).

6.2 Expenses

During the Employment Period, the Executive shall be entitled to receive prompt reimbursement for all reasonable employment expenses incurred by him in accordance with the policies, practices and procedures of the Company and its affiliated companies in effect for the executives of the Company and its affiliated companies during the Employment Period.

7. TERMINATION

During the Employment Period, employment of the Executive may be terminated as follows but, in any case, the nondisclosure provisions set forth in Section 10 hereof shall survive the termination of this Agreement and the termination of the Executive' s employment with the Company:

7.1 By the Company or the Executive

At any time during the Employment Period, the Company may terminate the employment of the Executive with or without Cause (as defined below), and the Executive may terminate his employment for Good Reason (as defined below) or for any reason, upon giving Notice of Termination (as defined below).

7.2 Automatic Termination

This Agreement and the Executive' s employment during the Employment Period shall terminate automatically upon the death or Total Disability of the Executive. The term "Total Disability" as used herein shall mean the Executive' s inability (with such accommodation as may be required by law and which places no undue burden on the Company), as determined by a physician selected by the Company and acceptable to the Executive, to perform the duties set forth in Section 3.2 hereof for a period or periods aggregating 120 calendar days in any 12-month period as a result of physical or mental illness, loss of legal capacity or any other cause beyond the Executive' s control, unless the Executive is granted a leave of absence by the Board. The Executive and the Company hereby acknowledge that the duties specified in Section 3.2 hereof are essential to Executive' s position and that Executive' s ability to perform those duties is the essence of this Agreement.

7.3 Notice of Termination

Any termination by the Company or by the Executive during the Employment Period shall be communicated by Notice of Termination to the other party given in accordance with Section 12 hereof. The term "Notice of Termination" shall mean a written notice which (a) indicates the specific termination provision in this Agreement relied upon and (b) to the extent applicable, sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive' s employment under the provision so indicated. The failure by the Executive or the Company to set forth in the Notice of Termination any fact or circumstance which contributes to a showing of Good Reason or Cause shall not waive any right of the Executive or the Company hereunder or preclude the Executive or the Company from asserting such fact or circumstance in enforcing the Executive' s or the Company' s rights hereunder.

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7.4 Date of Termination

During the Employment Period, "Date of Termination" means (a) if the Executive' s employment is terminated by reason of death, at the end of the calendar month in which the Executive' s death occurs, (b) if the Executive' s employment is terminated by reason of Total Disability, immediately upon a determination by the Company of the Executive' s Total Disability, and (c) in all other cases, five days after the date of personal delivery or mailing of the Notice of Termination. The Executive' s employment and performance of services will continue during such five-day period; provided, however, that the Company may, upon notice to the Executive and without reducing the Executive' s compensation during such period, excuse the Executive from any or all of his duties during such period.

8. TERMINATION PAYMENTS

In the event of termination of the Executive' s employment during the Employment Period, all compensation and benefits shall terminate except as specifically provided in this Section 8.

8.1 Termination by the Company Other Than for Cause or by the Executive for Good Reason

If during the Employment Period the Company terminates the Executive' s employment other than for Cause or the Executive terminates his employment for Good Reason, the Executive shall be entitled to:

(a) receive payment of the following accrued obligations (the "Accrued Obligations"):

(i) the Executive' s Annual Base Salary through the Date of Termination to the extent not theretofore paid;

(ii) the product of (x) the Annual Bonus payable with respect to the fiscal year in which the Date of Termination occurs and (y) a fraction, the numerator of which is the number of days in the current fiscal year through the Date of Termination, and the denominator of which is 365; and

(iii) any compensation previously deferred by the Executive (together with accrued interest or earnings thereon, if any) and any accrued vacation pay which would be payable under the Company' s standard policy, in each case to the extent not theretofore paid;

(b) for one year after the Date of Termination, the Company shall pay the Executive' s premiums for health insurance benefit continuation for Executive and his family members, if applicable, which the Company provides to the Executive under the provisions of the federal Comprehensive Omnibus Budget Reconciliation Act of 1986, as amended ("COBRA") to the extent that the Company would have paid such premiums had the Executive remained employed by the Company (such continued payment is hereinafter referred to as "COBRA Continuation"); and

(c) an amount as severance pay equal to one half (0.5) times the Annual Base Salary for the fiscal year in which the Date of Termination occurs.

8.2 Termination for Cause or Other Than for Good Reason

If during the Employment Period the Executive' s employment shall be terminated by the Company for Cause or by the Executive for other than Good Reason, this Agreement shall terminate without further obligation on the part of the Company to the Executive, other than the Company' s obligation to pay the Executive (a) his Annual Base Salary through the Date of Termination, (b) the amount of any compensation previously deferred by the Executive, and (c) any accrued vacation pay which would be payable under the Company' s standard policy, in each case to the extent theretofore unpaid.

8.3 Expiration of Term

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In the case of a termination of the Executive' s employment as a result of the expiration of the Term of this Agreement, this Agreement shall terminate without further obligation on the part of the Company to the Executive, other than the Company' s obligation to pay the Executive the Accrued Obligations.

8.4 Termination Because of Death or Total Disability

If during the Employment Period the Executive' s employment is terminated by reason of the Executive' s death or Total Disability, this Agreement shall terminate automatically without further obligation on the part of the Company to the Executive or his legal representatives under this Agreement, other than the Company' s obligation to pay the Executive the Accrued Obligations (which shall be paid to the Executive' s estate or beneficiary, as applicable in the case of the Executive' s death), and to provide COBRA Continuation.

8.5 Payment Schedule

All payments of Accrued Obligations, or any portion thereof payable pursuant to this Section 8, shall be made to the Executive within ten working days of the Date of Termination. Any payments payable to the Executive pursuant to Section 8.1(c) shall be made to the Executive, at the Company' s option, either (a) in a lump sum within ten working days of the Date of Termination; or (b) in two equal payments, the first of which is made within ten working days of the Date of Termination and the second of which is made within six months of the Date of Termination.

8.6 Cause

For purposes of this Agreement, "Cause" means cause given by the Executive to the Company and shall include, without limitation, the occurrence of one or more of the following events:

(a) A clear refusal to carry out any material lawful duties of the Executive or any directions of the Board or senior management of the Company, all reasonably consistent with those duties described in Section 3.2 hereof ;

(b) Persistent failure to carry out any lawful duties of the Executive described in Section 3.2 hereof or any directions of the Board or senior management reasonably consistent with those duties herein set forth to be performed by the Executive, provided Executive has been given reasonable notice and opportunity to correct any such failure;

(c) Violation by the Executive of a state or federal criminal law involving the commission of a crime against the Company or any other criminal act involving moral turpitude;

(d) Current abuse by the Executive of alcohol or controlled substances; deception, fraud, misrepresentation or dishonesty by the Executive; or any incident materially compromising the Executive' s reputation or ability to represent the Company with investors, customers or the public; or

(e) Any other material violation of any provision of this Agreement by the Executive, subject to the notice and opportunity to cure requirements of Section 11.

8.7 Good Reason

For purposes of this Agreement, "Good Reason" means

(a) The assignment to the Executive of any duties materially inconsistent with the Executive' s position, authority, duties or responsibilities as contemplated by Section 3.2 hereof or any other action by the Company which results in a material diminution in such position, authority, duties or responsibilities, excluding for this purpose an isolated and inadvertent action not taken in bad faith and which is remedied by the Company promptly after receipt of notice thereof given by the Executive;

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(b) Any failure by the Company to comply with any of the provisions of Section 5 or Section 6 hereof, other than an isolated and inadvertent failure not taken in bad faith and which is remedied by the Company promptly after receipt of notice thereof given by the Executive;

(c) The Company' s requiring the Executive to be based at any office or location other than that described in Section 3.3 hereof;

(d) Any failure by the Company to comply with and satisfy Section 13 hereof, provided that the Company' s successor has received at least ten days' prior written notice from the Company or the Executive of the requirements of Section 13 hereof; or

(e) Any other material violation of any provision of this Agreement by the Company, subject to the notice and opportunity to cure requirements of Section 11.

8.8 Excess Parachute Limitation

If either the Company or the Executive receives confirmation from the Company' s independent tax counsel or its certified public accounting firm, or such other accounting firm retained as independent certified public accountants for the Company (the "Tax Advisor"), that any payment by the Company to the Executive under this Agreement or otherwise would be considered to be an "excess parachute payment" within the meaning of Section 280G of the Internal Revenue Code of 1986, as amended, or any successor statute then in effect (the "Code"), then the aggregate payments by the Company pursuant to this Agreement shall be reduced to the highest amount that may be paid to the Executive by the Company under this Agreement without having any portion of any amount payable to the Executive by the Company or a related entity under this Agreement or otherwise treated as such an "excess parachute payment", and, if permitted by applicable law and without adverse tax consequence, such reduction shall be made to the last payment due hereunder. Any payments made by the Company to the Executive under this Agreement which are later confirmed by the Tax Advisor to be "excess parachute payments" shall promptly be repaid by the Executive to the Company.

9. REPRESENTATIONS, WARRANTIES AND OTHER CONDITIONS

In order to induce the Company to enter into this Agreement, the Executive represents and warrants to the Company as follows:

9.1 Health

The Executive is in good health and knows of no physical or mental disability which, with any accommodation which may be required by law and which places no undue burden on the Company, would prevent him from fulfilling his obligations hereunder. The Executive agrees, if the Company requests, to submit to reasonable periodic medical examinations by a physician or physicians designated by, paid for and arranged by the Company. The Executive agrees that the examination' s medical report shall be provided to the Company.

9.2 No Violation of Other Agreements

The Executive represents that neither the execution nor the performance of this Agreement by the Executive will violate or conflict in any way with any other agreement by which the Executive may be bound.

10. NONDISCLOSURE; RETURN OF MATERIALS

10.1 Nondisclosure

Except as required by his employment with the Company, the Executive will not, at any time during the term of employment by the Company, or at any time thereafter, directly, indirectly or otherwise, use, communicate, disclose, disseminate, lecture upon or publish articles

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relating to any confidential, proprietary or trade secret information without the prior written consent of the Company. The Executive understands that the Company will be relying on this covenant in continuing the Executive' s employment, paying his compensation, granting him any promotions or raises, or entrusting him with any information which helps the Company compete with others.

10.2 Return of Materials

All documents, records, notebooks, notes, memoranda, drawings or other documents made or compiled by the Executive at any time while employed by the Company, or in his possession, including any and all copies thereof, shall be the property of the Company and shall be held by the Executive in trust and solely for the benefit of the Company, and shall be delivered to the Company by the Executive upon termination of employment or at any other time upon request by the Company.

11. NOTICE AND CURE OF BREACH

Whenever a breach of this Agreement by either party is relied upon as justification for any action taken by the other party pursuant to any provision of this Agreement, other than clause (a), (b), (c) or (d) of Section 8.6 hereof, before such action is taken, the party asserting the breach of this Agreement shall give the other party at least ten days' prior written notice of the existence and the nature of such breach before taking further action hereunder and shall give the party purportedly in breach of this Agreement the opportunity to correct such breach during the ten-day period.

12. FORM OF NOTICE

Every notice required by the terms of this Agreement shall be given in writing by serving the same upon the party to whom it was addressed personally or by registered or certified mail, return receipt requested, at the address set forth below or at such other address as may hereafter be designated by notice given in compliance with the terms hereof:

If to the Executive:	Robert W. Benson
If to the Company:	ProCyte Corporation 8511 154th Avenue N.E., Bldg. A Redmond, Washington 98052-3557 Attn: President
With a copy to:	Perkins Coie LLP Attn: James R. Lisbakken, Esq. 1201 Third Avenue, 40th Floor Seattle, Washington 98101-3099

or such other address as shall be provided in accordance with the terms hereof. Except as set forth in Section 7.4 hereof, if notice is mailed, such notice shall be effective upon mailing.

13. ASSIGNMENT

This Agreement is personal to the Executive and shall not be assignable by the Executive.

The Company shall assign to and require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all the business and/or assets of the Company to assume expressly and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. As used in this

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Agreement, "Company" shall mean ProCyte Corporation and any affiliated company or successor to its business and/or assets as aforesaid which assumes and agrees to perform this Agreement by contract, operation of law, or otherwise; and as long as such affiliated company or successor assumes and agrees to perform this Agreement, the termination of Executive' s employment by one such entity and the immediate hiring and continuation of the Executive' s employment by the Company or other affiliated company or successor shall not be deemed to constitute a termination or trigger any obligation under this Agreement. All the terms and provisions of this Agreement shall be binding upon and inure to the benefit of and be enforceable by the parties hereto and their respective successors and permitted assigns.

14. WAIVERS

No delay or failure by any party hereto in exercising, protecting or enforcing any of its rights, titles, interests or remedies hereunder, and no course of dealing or performance with respect thereto, shall constitute a waiver thereof. The express waiver by a party hereto of any right, title, interest or remedy in a particular instance or circumstance shall not constitute a waiver thereof in any other instance or circumstance. All rights and remedies shall be cumulative and not exclusive of any other rights or remedies.

15. AMENDMENTS IN WRITING

No amendment, modification, waiver, termination or discharge of any provision of this Agreement, nor consent to any departure therefrom by either party hereto, shall in any event be effective unless the same shall be in writing, specifically identifying this Agreement and the provision intended to be amended, modified, waived, terminated or discharged and signed by the Company and the Executive, and each such amendment, modification, waiver, termination or discharge shall be effective only in the specific instance and for the specific purpose for which given. No provision of this Agreement shall be varied, contradicted or explained by any oral agreement, course of dealing or performance or any other matter not set forth in an agreement in writing and signed by the Company and the Executive.

16. APPLICABLE LAW

This Agreement shall in all respects, including all matters of construction, validity and performance, be governed by, and construed and enforced in accordance with, the laws of the State of Washington, without regard to any rules governing conflicts of laws.

17. ARBITRATION; ATTORNEYS' FEES

Except in connection with enforcing Section 10 of this Agreement, for which legal and equitable remedies may be sought in a court of law, any dispute arising under this Agreement shall be subject to arbitration. The arbitration proceeding shall be conducted in accordance with the Commercial

Arbitration Rules of the American Arbitration Association then in effect, conducted by one arbitrator either mutually agreed upon or selected in accordance with the AAA Rules. The arbitration shall be conducted in King County, Washington under the jurisdiction of the Seattle office of the American Arbitration Association. The arbitrator shall have authority only to interpret and apply the provisions of this Agreement, and shall have no authority to add to, subtract from, or otherwise modify the terms of this Agreement. Any demand for arbitration must be made within sixty (60) days of the event(s) giving rise to the claim that this Agreement has been breached. The arbitrator' s decision shall be final and binding, and each party agrees to be bound to by arbitrator' s award subject only to an appeal therefrom in accordance with the laws of the State of Washington. Either party may obtain judgment upon the arbitrator' s award in the Superior Court of King, County, Washington.

If it becomes necessary to pursue or defend any legal proceeding, whether in arbitration or court, in order to resolve a dispute arising under this Agreement, the prevailing party in any such proceeding shall be entitled to recover its reasonable costs and attorneys' fees.

18. SEVERABILITY

If any provision of this Agreement shall be held invalid, illegal or unenforceable in any jurisdiction, for any reason, including, without limitation, the duration of such provision, its geographical scope or the extent of the activities prohibited or required by it, then, to the

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full extent permitted by law, (a) all other provisions hereof shall remain in full force and effect in such jurisdiction and shall be liberally construed in order to carry out the intent of the parties hereto as nearly as may be possible, (b) such invalidity, illegality or unenforceability shall not affect the validity, legality or enforceability of any other provision hereof, and (c) any court or arbitrator having jurisdiction thereover shall have the power to reform such provision to the extent necessary for such provision to be enforceable under applicable law.

19. ENTIRE AGREEMENT

This Agreement on and as of the date hereof constitutes the entire agreement between the Company and the Executive with respect to the subject matter hereof and all prior or contemporaneous oral or written communications, understandings or agreements between the Company and the Executive with respect to such subject matter are hereby superseded and nullified in their entireties, except that the Proprietary Information and Invention Agreement between the Executive and the Company shall continue in full force and effect to the extent not superseded by Section 10 hereof.

20. WITHHOLDING

The Company may withhold from any amounts payable under this Agreement such federal, state or local taxes as shall be required to be withheld pursuant to any applicable law or regulation.

21. COUNTERPARTS

This Agreement may be executed in counterparts, each of which counterpart shall be deemed an original, but all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties have executed and entered into this Agreement effective on the date first set forth above.

EXECUTIVE

/s/ Robert W. Benson
Robert W. Benson

PROCYTE CORPORATION

By /s/ John F. Clifford
Its Chairman and CEO

APPENDIX A TO

CHANGE OF CONTROL AGREEMENT

For purposes of this Agreement, a “Change of Control” shall mean:

(a) A “Board Change” which, for purposes of this Agreement, shall have occurred if a majority (excluding vacant seats) of the seats on the Company’ s Board are occupied by individuals who were neither (i) nominated by a majority of the Incumbent Directors nor (ii) appointed by directors so nominated. An “Incumbent Director” is a member of the Board who has been either (i) nominated by a majority of

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the directors of the Company then in office or (ii) appointed by directors so nominated, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of either an actual or threatened election contest (as such terms are used in Rule 14a-11 of Regulation 14A promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) or other actual or threatened solicitation of proxies or consents by or on behalf of a Person (as hereinafter defined) other than the Board; or

(b) The acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Exchange Act) (a "Person") of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of (i) 20% or more of either (A) the then outstanding shares of Common Stock of the Company (the "Outstanding Company Common Stock") or (B) the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors (the "Outstanding Company Voting Securities"), in the case of either (A) or (B) of this clause (i), which acquisition is not approved in advance by a majority of the Incumbent Directors, or (ii) 33% or more of either (A) the Outstanding Company Common Stock or (B) the Outstanding Company Voting Securities, in the case of either (A) or (B) of this clause (ii), which acquisition is approved in advance by a majority of the Incumbent Directors; provided, however, that the following acquisitions shall not constitute a Change of Control: (x) any acquisition by the Company, (y) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any corporation controlled by the Company or (z) any acquisition by any corporation pursuant to a reorganization, merger or consolidation, if, following such reorganization, merger or consolidation, the conditions described in clauses (i), (ii) and (iii) of subsection (c) of this Appendix A are satisfied; or

(c) Approval by the stockholders of the Company of a reorganization, merger or consolidation, in each case, unless, immediately following such reorganization, merger or consolidation, (i) more than 60% of, respectively, the then outstanding shares of common stock of the corporation resulting from such reorganization, merger or consolidation and the combined voting power of the then outstanding voting securities of such corporation entitled to vote generally in the election of directors is then beneficially owned, directly or indirectly, by all or substantially all the individuals and entities who were the beneficial owners, respectively, of the Outstanding Company Common Stock and the Outstanding Company Voting Securities immediately prior to such reorganization, merger or consolidation in substantially the same proportion as their ownership immediately prior to such reorganization, merger or consolidation of the Outstanding Company Common Stock and the Outstanding Company Voting Securities, as the case may be, (ii) no Person (excluding the Company, any employee benefit plan (or related trust) of the Company or such corporation resulting from such reorganization, merger or consolidation and any Person beneficially owning, immediately prior to such

reorganization, merger or consolidation, directly or indirectly, 33% or more of the Outstanding Company Common Stock or the Outstanding Voting Securities, as the case may be) beneficially owns, directly or indirectly, 33% or more of, respectively, the then outstanding shares of common stock of the corporation resulting from such reorganization, merger or consolidation or the combined voting power of the then outstanding voting securities of such corporation entitled to vote generally in the election of directors, and (iii) at least a majority of the members of the board of directors of the corporation resulting from such reorganization, merger or consolidation were the Incumbent Directors at the time of the execution of the initial agreement providing for such reorganization, merger or consolidation; or

(d) Approval by the stockholders of the Company of (i) a complete liquidation or dissolution of the Company or (ii) the sale or other disposition of all or substantially all the assets of the Company, other than to a corporation with respect to which immediately following such sale or other disposition, (A) more than 60% of, respectively, the then outstanding shares of common stock of such corporation and the combined voting power of the then outstanding voting securities of such corporation entitled to vote generally in the election of directors is then beneficially owned, directly or indirectly, by all or substantially all the individuals and entities who were the beneficial owners, respectively, of the Outstanding Company Common Stock and the Outstanding Company Voting Securities immediately prior to such sale or other disposition in substantially the same proportion as their ownership, immediately prior to such sale or other disposition, of the Outstanding Company Common Stock and the Outstanding Company Voting Securities, as the case may be, (B) no Person (excluding the Company, any employee benefit plan (or related trust) of the Company or such corporation and any Person beneficially owning, immediately prior to such sale or other disposition, directly or indirectly, 33% or more of the Outstanding Company Common Stock or the Outstanding Company Voting Securities, as the case may be) beneficially owns, directly or indirectly, 33% or more of, respectively, the then outstanding shares of common stock of such corporation and the combined voting power of the then outstanding voting securities of such corporation entitled to vote generally in the election of directors and (C) at least a majority of the members of the board of directors of such corporation were approved by a majority of the Incumbent Directors at the time of the execution of the initial agreement or action of the Board providing for such sale or other disposition of assets of the Company.

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Exhibit 10.15

PROCYTE CORPORATION
KEY EXECUTIVE SEVERANCE AGREEMENT

This Key Executive Severance Agreement (this "Agreement"), dated and effective as of July 1, 2004, is between PROCYTE CORPORATION, a Washington corporation (the "Company"), and JOHN F. CLIFFORD (the "Executive").

The Board of Directors of the Company (the "Board") has determined that it is in the best interests of the Company and its stockholders to ensure that the Company will have the continued dedication of the Executive, notwithstanding the fact that the Executive does not have any form of traditional employment contract or other assurance of job security. The Board believes it is imperative to diminish any distraction of the Executive arising from the personal uncertainty and insecurity that arises in the absence of any assurance of job security by providing the Executive with reasonable compensation and benefit arrangements in the event of termination of Executive' s employment by the Company under certain defined circumstances.

In order to accomplish these objectives, the Board has caused the Company to enter into this Agreement.

1. TERM

The term of this Agreement ("Term") shall be for a period of two (2) years from the date of this Agreement as first entered above, at which time this Agreement shall terminate without further action by either the Company or the Executive.

2. EMPLOYMENT

The Executive and the Company acknowledge that, except as may otherwise be provided under any other written agreement between the Executive and the Company, the employment of the Executive by the Company or by any affiliated or successor company is "at will" and may be terminated by either the Executive or the Company or its affiliated companies at any time with or without cause, subject to the termination payments prescribed herein.

3. ATTENTION AND EFFORT

During any period of time that Executive remains in the employ of the Company, and excluding any periods of vacation and sick leave to which the Executive is entitled, the Executive will devote all of his productive time, ability, attention and effort to the business and affairs of the Company and the discharge of the responsibilities assigned to him hereunder, and will use his reasonable best efforts to perform faithfully and efficiently such responsibilities. It shall not be a violation of this Agreement for the Executive to (a) serve on corporate, civic or charitable boards or committees, (b) deliver lectures, fulfill speaking engagements or teach at educational institutions, and (c) manage personal investments, so long as such activities do not significantly interfere with the performance of the Executive' s responsibilities in accordance with this Agreement. It is expressly understood and agreed that to the extent any such activities have been conducted by the Executive prior to the Term, the continued conduct of such activities (or the conduct of activities similar in nature and scope thereto) during the Term shall

not thereafter be deemed to interfere with the performance of the Executive' s responsibilities to the Company.

4. TERMINATION

During the Term, employment of the Executive may be terminated as follows but, in any case, the nondisclosure provisions set forth in Section 7 hereof shall survive the termination of this Agreement and the termination of the Executive' s employment with the Company:

4.1 By the Company or the Executive

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At any time during the Term, the Company may terminate the employment of the Executive with or without Cause (as defined below), and the Executive may terminate his employment for Good Reason (as defined below) or for any reason, upon giving Notice of Termination (as defined below).

4.2 Automatic Termination

This Agreement and the Executive' s employment shall terminate automatically upon the death or Total Disability of the Executive. The term "Total Disability" as used herein shall mean the Executive' s inability (with such accommodation as may be required by law and which places no undue burden on the Company), as determined by a physician selected by the Company and acceptable to the Executive, to perform the Executive' s essential duties for a period or periods aggregating 120 calendar days in any 12-month period as a result of physical or mental illness, loss of legal capacity or any other cause beyond the Executive' s control, unless the Executive is granted a leave of absence by the Board.

4.3 Notice of Termination

Any termination by the Company or by the Executive during the Term shall be communicated by Notice of Termination to the other party given in accordance with Section 9 hereof. The term "Notice of Termination" shall mean a written notice which (a) indicates the specific termination provision in this Agreement relied upon and (b) to the extent applicable, sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive' s employment under the provision so indicated. The failure by the Executive or the Company to set forth in the Notice of Termination any fact or circumstance which contributes to a showing of Good Reason or Cause shall not waive any right of the Executive or the Company hereunder or preclude the Executive or the Company from asserting such fact or circumstance in enforcing the Executive' s or the Company' s rights hereunder.

4.4 Date of Termination

"Date of Termination" means (a) if the Executive' s employment is terminated by reason of death, the last day of the calendar month in which the Executive' s death occurs, (b) if the Executive' s employment is terminated by reason of Total Disability, immediately upon a determination by the Company of the Executive' s Total Disability, and (c) in all other cases, five days after the date of personal delivery or mailing of the Notice of Termination. The Executive' s employment and performance of services will continue during such five-day period; provided, however, that the Company may, upon notice to the Executive and without reducing the Executive' s compensation during such period, excuse the Executive from any or all of his duties during such period.

5. TERMINATION PAYMENTS

In the event of termination of the Executive' s employment during the Term, all compensation and benefits shall terminate except as specifically provided in this Section 5.

5.1 Termination by the Company Other Than for Cause or by the Executive for Good Reason

If during the Term the Company terminates the Executive' s employment other than for Cause or the Executive terminates his employment for Good Reason, the Executive shall be entitled to:

(a) receive payment of the following accrued obligations (the "Accrued Obligations"):

(i) the Executive' s then current annual base salary through the Date of Termination to the extent not theretofore paid; and

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(ii) any compensation previously deferred by the Executive (together with accrued interest or earnings thereon, if any) and any accrued vacation pay which would be payable under the Company' s standard policy, in each case to the extent not theretofore paid;

(b) for one (1) year after the Date of Termination, the Company shall pay the Executive' s premiums for health insurance benefit continuation for Executive and his family members, if applicable, which the Company provides to the Executive under the provisions of the federal Comprehensive Omnibus Budget Reconciliation Act of 1986, as amended ("COBRA") to the extent that the Company would have paid such premiums had the Executive remained employed by the Company (such continued payment is hereinafter referred to as "COBRA Continuation"); and

(c) an amount as severance pay equal to one (1) times the Executive' s then current annual base salary for the fiscal year in which the Date of Termination occurs, subject to payment and potential reduction as set forth in Section 5.5 hereof.

5.2 Termination for Cause or Other Than for Good Reason

If during the Term the Executive' s employment shall be terminated by the Company for Cause or by the Executive for other than Good Reason, this Agreement shall terminate without further obligation on the part of the Company to the Executive, other than the Company' s obligation to pay the Executive the Accrued Obligations to the extent theretofore unpaid.

5.3 Expiration of Term

In the case of a termination of the Executive' s employment at the expiration of the Term, this Agreement shall terminate without further obligation on the part of the Company to the Executive, other than the Company' s obligation to pay the Executive the Accrued Obligations.

5.4 Termination Because of Death or Total Disability

If the Executive' s employment is terminated during the Term by reason of the Executive' s death or Total Disability, this Agreement shall terminate automatically without further obligation on the part of the Company to the Executive or his legal representatives under this Agreement, other than the Company' s obligation to pay the Executive the Accrued Obligations (which shall be paid to the

Executive' s estate or beneficiary, as applicable in the case of the Executive' s death), and to provide COBRA Continuation.

5.5 Payment Schedule and Offset for Other Earnings

All payments of Accrued Obligations, or any portion thereof payable pursuant to this Section 5, shall be made to the Executive within ten working days of the Date of Termination. Any severance payments payable to the Executive pursuant to Section 5.1(c) shall be made to the Executive in the form of salary continuation, payable at normal payroll intervals during the one (1) year period following the Date of Termination (the "Payment Period"), and subject to offset for other earnings received by the Executive as follows:

(a) The Executive shall have no affirmative duty to seek other employment or otherwise mitigate lost earnings during the Payment Period;

(b) The Executive shall disclose to the Company any earnings received (or which the Executive had the right to receive) from employment, consulting or performance of other personal services during the Payment Period, and the source(s) of such earnings; and

(c) The Company, in each payroll period that a severance payment is due, shall have the right to offset on a dollar-for-dollar basis all such earnings which the Executive received or had the right to receive during that payroll period.

5.6 Cause

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For purposes of this Agreement, "Cause" means cause given by the Executive to the Company and shall include, without limitation, the occurrence of one or more of the following events:

(a) A clear refusal to carry out any material lawful duties of the Executive or any directions of the Board or senior management of the Company reasonably consistent with those duties;

(b) Persistent failure to carry out any lawful duties of the Executive or any directions of the Board or senior management reasonably consistent with those duties, provided Executive has been given reasonable notice and opportunity to correct any such failure;

(c) Violation by the Executive of a state or federal criminal law involving the commission of a crime against the Company or any other criminal act involving moral turpitude;

(d) Current abuse by the Executive of alcohol or controlled substances; deception, fraud, misrepresentation or dishonesty by the Executive; or any incident materially compromising the Executive' s reputation or ability to represent the Company with investors, customers or the public; or

(e) Any other material violation of any provision of this Agreement by the Executive, subject to the notice and opportunity to cure requirements of Section 8.

5.7 Good Reason

For purposes of this Agreement, "Good Reason" means

(a) Reduction of the Executive' s annual base salary to a level more than fifteen percent below the level in effect on the date of this Agreement, regardless of any change in the Executive' s duties or responsibilities;

(b) The Company' s requiring the Executive to be based at any office or location more than thirty (30) miles from the Company' s current location in Kirkland, Washington;

(c) Any failure by the Company to comply with and satisfy Section 10 hereof, provided that the Company' s successor has received at least ten days' prior written notice from the Company or the Executive of the requirements of Section 10 hereof; or

(d) Any other material violation of any provision of this Agreement by the Company, subject to the notice and opportunity to cure requirements of Section 8.

5.8 Excess Parachute Limitation

If either the Company or the Executive receives confirmation from the Company' s independent tax counsel or its certified public accounting firm, or such other accounting firm retained as independent certified public accountants for the Company (the "Tax Advisor"), that any payment by the Company to the Executive under this Agreement or otherwise would be considered to be an "excess parachute payment" within the meaning of Section 280G of the Internal Revenue Code of 1986, as amended, or any successor statute then in effect (the "Code"), then the aggregate payments by the Company pursuant to this Agreement shall be reduced to the highest amount that may be paid to the Executive by the Company under this Agreement without having any portion of any amount payable to the Executive by the Company or a related entity under this Agreement or otherwise treated as such an "excess parachute payment", and, if permitted by applicable law and without adverse tax consequence, such reduction shall be made to the last payment due hereunder. Any payments made by the Company to the Executive under this Agreement which are later confirmed by the Tax Advisor to be "excess parachute payments" shall promptly be repaid by the Executive to the Company.

6. REPRESENTATIONS, WARRANTIES AND OTHER CONDITIONS

In order to induce the Company to enter into this Agreement, the Executive represents and warrants to the Company as follows:

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6.1 Health

The Executive is in good health and knows of no physical or mental disability which, with any accommodation which may be required by law and which places no undue burden on the Company, would prevent him from fulfilling his obligations hereunder. The Executive agrees, if the Company requests, to submit to reasonable periodic medical examinations by a physician or physicians designated by, paid for and arranged by the Company. The Executive agrees that the examination' s medical report shall be provided to the Company.

6.2 No Violation of Other Agreements

The Executive represents that neither the execution nor the performance of this Agreement by the Executive will violate or conflict in any way with any other agreement by which the Executive may be bound.

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7. NONDISCLOSURE; RETURN OF MATERIALS

7.1 Nondisclosure

Except as required by his employment with the Company, the Executive will not, at any time during the term of employment by the Company, or at any time thereafter, directly, indirectly or otherwise, use, communicate, disclose, disseminate, lecture upon or publish articles relating to any confidential, proprietary or trade secret information without the prior written consent of the Company. The Executive understands that the Company will be relying on this covenant in continuing the Executive' s employment, paying him compensation, granting him any promotions or raises, or entrusting him with any information which helps the Company compete with others.

7.2 Return of Materials

All documents, records, notebooks, notes, memoranda, drawings or other documents made or compiled by the Executive at any time while employed by the Company, or in his possession, including any and all copies thereof, shall be the property of the Company and shall be held by the Executive in trust and solely for the benefit of the Company, and shall be delivered to the Company by the Executive upon termination of employment or at any other time upon request by the Company.

8. NOTICE AND CURE OF BREACH

Whenever a breach of this Agreement by either party is relied upon as justification for any action taken by the other party pursuant to any provision of this Agreement, other than clause (a), (b), (c) or (d) of Section 5.6 hereof, before such action is taken, the party asserting the breach of this Agreement shall give the other party at least ten days' prior written notice of the existence and the nature of such breach before taking further action hereunder and shall give the party purportedly in breach of this Agreement the opportunity to correct such breach during the ten-day period.

9. FORM OF NOTICE

Every notice required by the terms of this Agreement shall be given in writing by serving the same upon the party to whom it was addressed personally or by registered or certified mail, return receipt requested, at the address set forth below or at such other address as may hereafter be designated by notice given in compliance with the terms hereof:

If to the Executive:	John F. Clifford
If to the Company:	ProCyte Corporation

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12040 115th Avenue N.E., Suite 210
Kirkland, Washington 98034
Attn: Corporate Secretary

With a copy to:

Perkins Coie LLP
Attn: James R. Lisbakken
1201 Third Avenue, 40th Floor
Seattle, WA 98101-3099

or such other address as shall be provided in accordance with the terms hereof. Except as set forth in Section 4.4 hereof, if notice is mailed, such notice shall be effective upon mailing.

10. ASSIGNMENT

This Agreement is personal to the Executive and shall not be assignable by the Executive.

The Company shall assign to and require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all the business and/or assets of the Company to assume expressly and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. As used in this Agreement, "Company" shall mean ProCyte Corporation and any affiliated company or successor to its business and/or assets as aforesaid which assumes and agrees to perform this Agreement by contract, operation of law, or otherwise; and as long as such successor assumes and agrees to perform this Agreement, the termination of Executive' s employment by one such entity and the immediate hiring and continuation of the Executive' s employment by the succeeding entity shall not be deemed to constitute a termination or trigger any severance obligation under this Agreement. All the terms and provisions of this Agreement shall be binding upon and inure to the benefit of and be enforceable by the parties hereto and their respective successors and permitted assigns.

11. WAIVERS

No delay or failure by any party hereto in exercising, protecting or enforcing any of its rights, titles, interests or remedies hereunder, and no course of dealing or performance with respect thereto, shall constitute a waiver thereof. The express waiver by a party hereto of any right, title, interest or remedy in a particular instance or circumstance shall not constitute a waiver thereof in any other instance or circumstance. All rights and remedies shall be cumulative and not exclusive of any other rights or remedies.

12. AMENDMENTS IN WRITING

No amendment, modification, waiver, termination or discharge of any provision of this Agreement, nor consent to any departure therefrom by either party hereto, shall in any event be effective unless the same shall be in writing, specifically identifying this Agreement and the provision intended to be amended, modified, waived, terminated or discharged and signed by the Company and the Executive, and each such amendment, modification, waiver, termination or discharge shall be effective only in the specific instance and for the specific purpose for which given. No provision of this Agreement shall be varied, contradicted or explained by any oral agreement, course of dealing or performance or any other matter not set forth in an agreement in writing and signed by the Company and the Executive.

13. APPLICABLE LAW

This Agreement shall in all respects, including all matters of construction, validity and performance, be governed by, and construed and enforced in accordance with, the laws of the State of Washington, without regard to any rules governing conflicts of laws.

14. ARBITRATION; ATTORNEYS' FEES

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Except in connection with enforcing Section 7 of this Agreement, for which legal and equitable remedies may be sought in a court of law, any dispute arising under this Agreement shall be subject to arbitration. The arbitration proceeding shall be conducted in accordance with the Commercial

Arbitration Rules of the American Arbitration Association then in effect, conducted by one arbitrator either mutually agreed upon or selected in accordance with the AAA Rules. The arbitration shall be conducted in King County, Washington under the jurisdiction of the Seattle office of the American Arbitration Association. The arbitrator shall have authority only to interpret and apply the provisions of this Agreement, and shall have no authority to add to, subtract from, or otherwise modify the terms of this Agreement. Any demand for arbitration must be made within sixty (60) days of the event(s) giving rise to the claim that this Agreement has been breached. The arbitrator' s decision shall be final and binding, and each party agrees to be bound to by arbitrator' s award subject only to an appeal therefrom in accordance with the laws of the State of Washington. Either party may obtain judgment upon the arbitrator' s award in the Superior Court of King, County, Washington.

If it becomes necessary to pursue or defend any legal proceeding, whether in arbitration or court, in order to resolve a dispute arising under this Agreement, the prevailing party in any such proceeding shall be entitled to recover its reasonable costs and attorneys' fees.

15. SEVERABILITY

If any provision of this Agreement shall be held invalid, illegal or unenforceable in any jurisdiction, for any reason, including, without limitation, the duration of such provision, its geographical scope or the extent of the activities prohibited or required by it, then, to the full extent permitted by law, (a) all other provisions hereof shall remain in full force and effect in such jurisdiction and shall be liberally construed in order to carry out the intent of the parties hereto as nearly as may be possible, (b) such invalidity, illegality or unenforceability shall not affect the validity, legality or enforceability of any other provision hereof, and (c) any court or arbitrator having jurisdiction thereover shall have the power to reform such provision to the extent necessary for such provision to be enforceable under applicable law.

16. COORDINATION WITH CHANGE OF CONTROL AGREEMENT

The Company and the Executive are contemporaneously entering into a Change of Control Agreement dated as of the date hereof (the "Change of Control Agreement"), which agreement provides for certain forms of severance and benefit payments in the event of termination of Executive' s employment under certain defined circumstances. This Agreement is in addition to the Change of Control Agreement, providing certain assurances to the Executive in circumstances that the Change of Control Agreement does not cover, and in no way supersedes or nullifies the Change of Control Agreement. Nevertheless, it is possible that a termination of employment by the Company or by the Executive may fall within the scope of both agreements. In such event, payments made to Executive under Section 5.1 hereof shall be coordinated with payments made to Executive under Section 8.1 of the Change of Control Agreement as follows:

(a) Accrued Obligations under this Agreement need not be paid if already paid as Accrued Obligations under the Change of Control Agreement;

(b) COBRA Continuation under this Agreement need not be provided if COBRA Continuation is provided for at least as long a period of time under the Change of Control Agreement; and

(c) The severance payment required under Section 5.1(c) of this Agreement need not be paid if a severance payment is made under Section 8.1(c) of the Change of Control Agreement.

17. ENTIRE AGREEMENT

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Except as described in Section 16 hereof, this Agreement constitutes the entire agreement between the Company and the Executive with respect to the subject matter hereof, and all prior or contemporaneous oral or written communications, understandings or agreements between the Company and the Executive with respect to such subject matter, including, but not limited to, that certain Key Executive Severance Agreement between the Company and the Executive dated as of February 19, 1997 and all amendments thereto, are hereby superseded and nullified in their entireties; provided, however, that the Proprietary Information and Invention Agreement between the Executive and the Company shall continue in full force and effect to the extent not superseded by Section 10 hereof.

18. WITHHOLDING

The Company may withhold from any amounts payable under this Agreement such federal, state or local taxes as shall be required to be withheld pursuant to any applicable law or regulation.

19. COUNTERPARTS

This Agreement may be executed in counterparts, each of which counterpart shall be deemed an original, but all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties have executed and entered into this Agreement effective on the date first set forth above.

PROCYTE CORPORATION

By: /s/ Matt L. Leavitt

Name: Matt L. Leavitt
Chair of Compensation Committee

EXECUTIVE

/s/ John F. Clifford

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Exhibit 10.18

PROCYTE CORPORATION
2004 STOCK OPTION PLAN

SECTION 1. PURPOSE

The purpose of this ProCyte Corporation 2004 Stock Option Plan (the "Plan") is to attract, retain and motivate employees, officers, directors, consultants, agents, advisors and independent contractors of ProCyte Corporation, a Washington corporation (the "Company") and its Related Companies (individually or collectively, "Employer") by providing them the opportunity to acquire a proprietary interest in the Company and to align their interests and efforts to the interests of the Company' s shareholders.

SECTION 2. DEFINITIONS

Certain terms used in this Plan have the meanings set forth in Appendix I.

SECTION 3. ELIGIBILITY

An Award may be granted to any employee, officer or director of the Company or a Related Company whom the Plan Administrator from time to time selects. An Award may also be granted to any consultant, agent, advisor or independent contractor for bona fide services rendered to the Company or any Related Company that (a) are not in connection with the offer and sale of the Company' s securities in a capital-raising transaction and (b) do not directly or indirectly promote or maintain a market for the Company' s securities.

SECTION 4. SHARES SUBJECT TO THE PLAN

4.1 Authorized Number of Shares

Subject to adjustment from time to time as provided in Section 11.1, a maximum of 2,000,000 shares of Common Stock shall be available for issuance under the Plan. Shares issued under the Plan shall be drawn from authorized and unissued shares or shares now held or subsequently acquired by the Company.

4.2 Limitations

Subject to adjustment from time to time as provided in Section 11.1, not more than 300,000 shares of Common Stock may be made subject to Awards under the Plan to any individual Participant in the aggregate in any one fiscal year of the Company; except that the Company may make additional one-time grants of up to 500,000 shares to any newly hired Participant. The limitation in the preceding sentence shall be applied in a manner consistent with the requirements of, and only to the extent required for compliance with, the exclusion from the limitation on deductibility of compensation under Section 162(m) of the Code.

Subject to adjustment as provided in Section 11.1, the maximum number of shares of Common Stock that may be issued upon the exercise of Incentive Stock Options shall equal the aggregate share number stated in Section 4.1.

4.3 Share Usage

Shares of Common Stock covered by an Award shall not be counted as used unless and until they are actually issued and delivered to a Participant. If any Award lapses, expires, terminates or is canceled prior to the issuance of shares of Common Stock hereunder or if shares of Common Stock are issued under this Plan to a Participant and thereafter are forfeited to or otherwise reacquired by the Company, the shares of Common Stock subject to such Awards and the forfeited or reacquired shares of Common Stock shall again be available for issuance under

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the Plan. Any shares of Common Stock not issued because they were (i) tendered by a Participant or retained by the Company as full or partial payment to the Company for the exercise of an Option or to satisfy tax withholding obligations in connection with an Award or (ii) covered by an Award that is settled in cash or in a manner such that some or all of the shares of Common Stock covered by the Award are not issued to a Participant shall be available for Awards under the Plan.

The Plan Administrator may grant Substitute Awards under this Plan. Substitute Awards shall not reduce the number of shares authorized for issuance under the Plan. In the event that an Acquired Entity has shares available for awards or grants under one or more preexisting plans not adopted in contemplation of such acquisition or combination, then, to the extent determined by the Board or the Plan Administrator, the shares available for grant pursuant to the terms of such preexisting plan (as adjusted, to the extent appropriate, using the exchange ratio or other adjustment or valuation ratio or formula used in such acquisition or combination to determine the consideration payable to holders of common stock of the entities are parties to such acquisition or combination) may be used for Awards under the Plan and shall not reduce the number of shares of Common Stock authorized for issuance under the Plan; provided, however, that Awards using such available shares of Common Stock shall not be made after the date awards or grants could have been made under the terms of such preexisting plans, absent the acquisition or combination, and shall only be made to individuals who were not employees or non-employee directors of the Employer prior to such acquisition or combination. In the event that a written agreement between the Company and an Acquired Entity pursuant to which a merger or consolidation is contemplated is approved by the Board and said agreement sets forth the terms and conditions of the substitution for or assumption of outstanding awards of the Acquired Entity, said terms and conditions shall be deemed to be the action of the Plan Administrator without any further action by the Plan Administrator, except as may be required for compliance with Rule 16b-3 under the Exchange Act, and the persons holding such awards shall be deemed to be Participants.

SECTION 5. AWARDS

5.1 Form, Grant and Settlement of Awards

The Plan Administrator shall have the authority, in its sole discretion, to determine the type or types of Awards to be granted under this Plan. Such Awards may consist of Incentive Stock Options or Nonqualified Stock Options. Awards may be granted singly or in combination. Any Award settlement may be subject to such conditions, restrictions and contingencies, as the Plan Administrator shall determine.

5.2 Evidence of Awards

Awards granted under the Plan shall be evidenced by a written (including electronic) instrument that shall contain such terms, conditions, limitations and restrictions as the Plan Administrator shall deem advisable and that are not inconsistent with this Plan.

SECTION 6. OPTIONS

6.1 Grant of Options

The Plan Administrator may grant Options designated as Incentive Stock Options or Nonqualified Stock Options.

6.2 Option Exercise Price

The exercise price for shares purchased under an Option shall be as determined by the Plan Administrator, but shall not be less than 100% of the Fair Market Value of the Common Stock on the Grant Date with respect to Incentive Stock Options and not less than 85% of the Fair Market Value of the Common Stock on the Grant Date with respect to Nonqualified Stock Options, except in the case of Substitute Awards. With respect to Incentive Stock Options granted to a Ten Percent Shareholder, the exercise price shall be as required by Section 7.3.

6.3 Term of Options

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Subject to earlier termination in accordance with the terms of the Plan and the instrument evidencing the Option, the maximum term of an Option shall be as established for that Option by the Plan Administrator or, if not so established, shall be ten years from the Grant Date. For Incentive Stock Options, the Option Term shall be as specified in Section 7.4.

6.4 Exercise of Options

The Plan Administrator shall establish and set forth in each instrument that evidences an Option the time at which, or the installments in which, the Option shall vest and become exercisable, any of which provisions may be waived or modified by the Plan Administrator at any time. If not so established in the instrument evidencing the Option, the Option will become exercisable according to the following schedule, which may be waived or modified by the Plan Administrator at any time:

Period of Participant's Continuous Employment or Service With the Company or Its Related Companies From the Option Grant Date	Percent of Total Option That Is Exercisable
After 1 year	1/3
After 2 years	2/3
After 3 years	100%

Unless the Plan Administrator determines otherwise, the vesting schedule of an Option shall be adjusted proportionately to the extent the Participant works less than "full time" as that term is defined by the Plan Administrator.

To the extent an Option has vested and becomes exercisable, the Option may be exercised in whole or from time to time in part by delivery to the Company of a properly executed stock option exercise agreement or notice, in a form and in accordance with procedures established by the Plan Administrator, setting forth the number of shares with respect to which the Option is being exercised, such representations and agreements as may be required by the Plan Administrator and accompanied by

payment as described in Section 6.5. An Option may be exercised only for whole shares and may not be exercised for less than a reasonable number of shares at any one time, as determined by the Plan Administrator.

6.5 Payment of Exercise Price

The exercise price for shares purchased under an Option shall be paid in full to the Company by delivery of consideration equal to the product of the Option exercise price and the number of shares purchased. Such consideration must be in a form or a combination of forms acceptable to the Plan Administrator for that purchase, which forms may include: (a) cash; (b) check or wire transfer; (c) tendering (either actually or, if and so long as the Common Stock is registered under Section 12(b) or 12(g) of the Exchange Act, by attestation) shares of Common Stock already owned by the Participant, which have a Fair Market Value equal to the aggregate exercise price of the shares being purchased under the Option (such shares must have been owned by the Participant for at least six months or such other period established by generally accepted accounting principles necessary to avoid adverse accounting consequences); (d) if and as long as the Common Stock is registered under Section 12(b) or 12(g) of the Exchange Act, and to the extent permitted by law, delivery of a properly executed exercise agreement or notice, together with irrevocable instructions to a brokerage firm designated or approved by the Company to deliver promptly to the Company the amount of proceeds to pay the Option exercise price and withholding tax obligations that may arise in connection with the exercise, all in accordance with the regulations of the Federal Reserve Board; or (e) such other consideration as the Plan Administrator may permit.

6.6 Effect of Termination of Service

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The Plan Administrator shall establish and set forth in each instrument that evidences an Option whether the Option shall continue to be exercisable, and the terms and conditions of such exercise, after a Termination of Service, any of which provisions may be waived or modified by the Plan Administrator at any time. If not so established in the instrument evidencing the Option, the Option shall be exercisable according to the following terms and conditions, which may be waived or modified by the Plan Administrator at any time:

(a) Any portion of an Option that is not vested and exercisable on the date of a Participant' s Termination of Service shall expire on such date.

(b) Any portion of an Option that is vested and exercisable on the date of a Participant' s Termination of Service shall expire on the earliest to occur of:

(a) if the Participant' s Termination of Service occurs for reasons other than Cause, Disability or death, the date that is three months after such Termination of Service;
(b) if the Participant' s Termination of Service occurs by reason of Disability or death, the one-year anniversary of such Termination of Service; and
(c) the last day of the Option Term.

Notwithstanding the foregoing, if a Participant dies after the Participant' s Termination of Service but while an Option is otherwise exercisable, the portion of the Option that is vested and exercisable on the date of such Termination of Service shall expire upon the earlier to occur of (a) the Option Expiration Date and (b) the one-year anniversary of the date of death, unless the Plan Administrator determines otherwise.

Also notwithstanding the foregoing, in case a Participant' s Termination of Service occurs for Cause, all Options granted to the Participant shall automatically expire upon first notification to the Participant of such termination, unless the Plan Administrator determines otherwise. If a Participant' s employment or service relationship with the Company is suspended pending an investigation of whether the Participant shall be terminated for Cause, all the Participant' s rights under any Option shall likewise be suspended during the period of investigation. If any facts that would constitute termination for Cause are discovered after a Participant' s Termination of Service, any Option then held by the Participant may be immediately terminated by the Plan Administrator, in its sole discretion.

Any change of relationship with the Employer shall not constitute a termination of the Participant' s relationship with the Employer for purposes of this Section 6.6 so long as the Participant continues to be an employee, officer, director or, pursuant to a written agreement with the Employer, an agent, consultant, advisor or independent contractor of the Employer. The Plan Administrator, in its absolute discretion, may determine all questions of whether particular leaves of absence constitute a termination of services; provided, however, that with respect to Incentive Stock Options, such determination shall be subject to any requirements contained in the Code. The foregoing notwithstanding, with respect to Incentive Stock Options, employment shall not be deemed to continue beyond the first 90 days of such leave, unless the Participant' s reemployment rights are guaranteed by statute or by contract.

SECTION 7. INCENTIVE STOCK OPTION LIMITATIONS

Notwithstanding any other provisions of the Plan, to the extent required by Section 422 of the Code, Incentive Stock Options shall be subject to the following additional terms and conditions:

7.1 Dollar Limitation

To the extent the aggregate fair market value (determined as of the Grant Date) of Common Stock with respect to which a Participant' s Incentive Stock Options become exercisable for the first time during any calendar year (under the Plan and all other stock option plans of the Company and its parent and subsidiary corporations) exceeds $100,000, such portion in excess of $100,000 shall be treated as a Nonqualified Stock Option. In the event the Participant holds two or more such Options that become exercisable for the first time in the same calendar year, such limitation shall be applied on the basis of the order in which such Options are granted.

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7.2 Eligible Employees

Individuals who are not employees of the Company or one of its parent or subsidiary corporations may not be granted Incentive Stock Options.

7.3 Exercise Price

The exercise price of an Incentive Stock Option shall be at least 100% of the fair market value of the Common Stock on the grant date, and in the case of an Incentive Stock Option granted to a Ten Percent Stockholder, shall not be less than 110% of the fair market value of the Common Stock on the grant date.

7.4 Option Term

Subject to earlier termination in accordance with the terms of the Plan and the instrument evidencing the Option, the maximum term of an Incentive Stock Option shall not exceed ten years, and in the case of an Incentive Stock Option granted to a Ten Percent Stockholder, shall not exceed five years.

7.5 Exercisability

An Option designated as an Incentive Stock Option shall cease to qualify for favorable tax treatment as an Incentive Stock Option to the extent it is exercised (if permitted by the terms of the Option) (a) more than three months after the date of a Participant' s Termination of Service if termination was for reasons other than death or Disability, (b) more than one year after the date of a Participant' s Termination of Service if termination was by reason of Disability, or (c) after the Participant has been on leave of absence for more than 90 days, unless the Participant' s reemployment rights are guaranteed by statute or contract.

7.6 Holding Periods and Taxation of Incentive Stock Options

In order to obtain certain tax benefits afforded to Incentive Stock Options under Section 422 of the Code, the Participant must hold the shares acquired upon the exercise of an Incentive Stock Option for two years after the Grant Date and one year after the date of exercise. The Participant shall give the Company prompt notice of any disposition of shares acquired on the exercise of an Incentive Stock Option prior to the expiration of such holding periods.

7.7 Compliance with Laws and Regulations

In interpreting and applying the provisions of the Plan, any Option granted as an Incentive Stock Option pursuant to the Plan shall, to the extent permitted by law, be construed as an "incentive stock option" within the meaning of Section 422 of the Code. For purposes of this Section 7, "disability," "parent corporation" and "subsidiary corporations" shall have the meanings attributed to those terms for purposes of Section 422 of the Code.

SECTION 8. ADMINISTRATION

8.1 Plan Administration

This Plan shall be administered by the Board or a committee or committees (which term includes subcommittees) appointed by, and consisting of two or more members of, the Board. If and so long as the Common Stock is registered under Section 12(b) or 12(g) of the Exchange Act, the Board shall consider, in selecting the Plan Administrator and the membership of any committee acting as Plan Administrator of this Plan with respect to any persons subject or likely to become subject to Section 16 under the Exchange Act, the provisions regarding (a) "outside directors," as contemplated by Section 162(m) of the Code, and (b) "nonemployee directors," as contemplated by Rule 16b-3 under the Exchange Act. The Board may delegate the responsibility for administering this Plan with respect to

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designated classes of eligible participants to different committees, subject to such limitations as the Board deems appropriate. Committee members shall serve for such term as the Board may determine, subject to removal by the Board at any time. To the extent consistent with applicable law, the Board may authorize one or more senior executive officers of the Company to grant Awards, within limits specifically prescribed by the Board.

8.2 Procedures

The Board shall designate one of the members of the Plan Administrator as chairman. The Plan Administrator may hold meetings at such times and places as it shall determine. The acts of a majority of the members of the Plan Administrator present at meetings at which a quorum exists, or acts reduced to or approved in writing by all Plan Administrator members, shall be valid acts of the Plan Administrator.

8.3 Administration and Interpretation by the Plan Administrator

Except for the terms and conditions explicitly set forth in the Plan, the Plan Administrator shall have exclusive authority, in its discretion, to determine all matters relating to Awards under the Plan, including the selection of individuals to be granted Awards, the type of Awards, the number of shares of Common Stock subject to an Award, all terms, conditions, restrictions and limitations, if any, of an Award and the terms of any instrument that evidences the Award. The Plan Administrator shall also have exclusive authority to interpret the Plan and may from time to time adopt, and change, rules and regulations of general application for the Plan' s administration. The Plan Administrator' s interpretation of the Plan and its rules and regulations, and all actions taken and determinations made by the Plan Administrator pursuant to the Plan, shall be conclusive and binding on all parties involved or affected.

SECTION 9. WITHHOLDING

The Employer may require the Participant to pay to the Employer the amount of (a) any taxes that the Employer is required by applicable federal, state, local or foreign law to withhold with respect to the grant, vesting or exercise of an Award ("tax withholding obligations") and (b) any amounts due from the Participant to the Employer ("other obligations"). The Company shall not be required to issue any shares of Common Stock or otherwise settle an Award under the Plan until such tax withholding obligations and other obligations are satisfied.

The Plan Administrator may permit or require a Participant to satisfy all or part of the Participant' s tax withholding obligations and other obligations by (a) paying cash to the Employer, (b) having the Employer withhold an amount from any cash amounts otherwise due or to become due from the Employer to the Participant, (c) having the Employer withhold a number of shares of Common Stock that would otherwise be issued to the Participant (or become vested in the case of Restricted Stock) having a Fair Market Value equal to the tax withholding obligations and other obligations, or (d) surrendering a number of shares of Common Stock the Participant already owns having a value equal to the tax withholding obligations and other obligations. The value of the shares of Common Stock so withheld may not exceed the employer' s minimum required tax withholding obligation, and the value of the shares of Common Stock so tendered may not exceed such obligation to the extent the Participant has owned the tendered shares for less than six months if such limitation is necessary to avoid a charge to the Company for financial reporting purposes.

SECTION 10. ASSIGNABILITY

No Award or interest in an Award may be sold, assigned, pledged (as collateral for a loan or as security for the performance of an obligation or for any other purpose) or transferred by a Participant or made subject to attachment or similar proceedings otherwise than by will or by the applicable laws of descent and distribution, except to the extent the Participant designates one or more beneficiaries on a Company-approved form who may exercise the Award or receive payment under the Award after the Participant' s death. During a Participant' s lifetime, an Award may be exercised only by the Participant. Notwithstanding the foregoing and to the extent permitted by Section 422 of the Code, the Plan Administrator, in its sole discretion, may permit a Participant to assign or transfer an Award; provided, however, that any Award so assigned or transferred shall be subject to all the terms and conditions of the Plan and the instrument evidencing the Award.

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SECTION 11. ADJUSTMENTS

11.1 Adjustment of Shares

In the event, at any time or from time to time, a stock dividend, stock split, spin-off, combination or exchange of shares, recapitalization, merger, consolidation, distribution to stockholders other than a normal cash dividend, or other change in the Company' s corporate or capital structure results in (a) the outstanding shares of Common Stock, or any securities exchanged therefore or received in their place, being exchanged for a different number or kind of securities of the Company or any other company or (b) new, different or additional securities of the Company or any other company being received by the Participants of shares of Common Stock, then the Plan Administrator, in its sole discretion, shall make such adjustments as it shall deem appropriate in the circumstances in (i) the maximum number and kind of securities available for issuance under the Plan; (ii) the maximum number and kind of securities that may be made subject to Awards to any individual Participant or issuable as Incentive Stock Options as set forth in Section 4.2; and (iii) the number and kind of securities that are subject to any outstanding Award and the per share price of such securities, without any change in the aggregate price to be paid therefore. The determination by the Plan Administrator as to the terms of any of the foregoing adjustments shall be conclusive and binding.

Notwithstanding the foregoing, the issuance by the Company of shares of stock of any class, or securities convertible into shares of stock of any class, for cash or property, or for labor or services rendered, or for other valid consideration, either upon direct sale or upon the exercise of rights or warrants to subscribe therefore, or upon conversion of shares or obligations of the Company convertible into such shares or other securities, shall not affect, and no adjustment by reason thereof shall be made with respect to, outstanding Awards. Also notwithstanding the foregoing, a dissolution or liquidation of the Company shall not be governed by this Section 11.1 but shall be governed by the remaining provisions of this Section 11.

11.2 Corporate Transaction

Except as otherwise provided in the instrument that evidences the Award, in the event of any Corporate Transaction, each Award that is at the time outstanding shall automatically accelerate so that each such Award shall, immediately prior to the specified effective date for the Corporate Transaction, become 100% vested. Such Award shall not so accelerate, however, if and to the extent that (a) such Award is, in connection with the Corporate Transaction, either to be assumed by the successor entity or parent thereof (the "Successor Corporation") or to be replaced with a comparable award for the purchase of shares of the capital stock or equity of the Successor Corporation or (b) such Award is to be replaced with a cash incentive program of the Successor Corporation that preserves the spread existing at the time of the Corporate Transaction and provides for subsequent payout in accordance with the same vesting schedule applicable to such Award. The determination of Award comparability under clause (a) above shall be made by the Plan Administrator, and its determination shall be conclusive and binding. All such Awards shall terminate and cease to remain outstanding immediately following the consummation of the Corporate Transaction, except to the extent assumed by the Successor Corporation. Any such Awards that are assumed or replaced in the Corporate Transaction and do not otherwise accelerate at that time shall be accelerated in the event the Participant' s employment or services should subsequently terminate within two years following such Corporate Transaction, unless such employment or services are terminated by the Successor Corporation for Cause or by the Participant voluntarily without Good Reason.

Without limitation on the foregoing, the Plan Administrator may, but shall not be obligated to, make provision in connection with a Corporate Transaction for a cash payment to each holder of Awards

in consideration for the cancellation of such Awards which may equal the excess, if any, of the value of the consideration to be paid in the transaction to holders of the same number of shares of Common Stock subject to such Awards (or if no consideration is paid in any such transaction, the fair market value of shares of Common Stock subject to such Awards) over the aggregate Option exercise price, if any, of such Awards.

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11.3 Dissolution or Liquidation

To the extent not previously exercised or settled, and unless otherwise determined by the Plan Administrator in its sole discretion, Options, shall terminate immediately prior to the dissolution or liquidation of the Company.

11.4 Further Adjustment of Awards

Subject to Section 11.2, the Plan Administrator shall have the discretion, exercisable at any time before a sale, merger, consolidation, reorganization, liquidation, dissolution or change in control of the Company, as defined by the Plan Administrator, to take such further action as it determines to be necessary or advisable with respect to Awards. Such authorized action may include (but shall not be limited to) establishing, amending or waiving the type, terms, conditions or duration of, or restrictions on, Awards so as to provide for earlier, later, extended or additional time for exercise, lifting restrictions and other modifications, and the Plan Administrator may take such actions with respect to all Participants, to certain categories of Participants or only to individual Participants. The Plan Administrator may take such action before or after granting Awards to which the action relates and before or after any public announcement with respect to such sale, merger, consolidation, reorganization, liquidation, dissolution or change in control that is the reason for such action.

11.5 No Limitations

The grant of Awards shall in no way affect the Company' s right to adjust, reclassify, reorganize or otherwise change its capital or business structure or to merge, consolidate, dissolve, liquidate or sell or transfer all or any part of its business or assets.

SECTION 12. AMENDMENT AND TERMINATION

12.1 Amendment, Suspension or Termination

Subject to Section 12.3 The Board may amend, suspend or terminate the Plan or any portion of the Plan at any time and in such respects as it shall deem advisable; provided, however, that, to the extent required for compliance with Section 422 of the Code or by applicable law, regulation or stock exchange rule, stockholder approval shall be required for any amendment to the Plan. Subject to Section 12.3, the Board may amend the terms of any outstanding Award, prospectively or retroactively.

12.2 Term of the Plan

Unless sooner terminated by the Board, this Plan shall terminate ten years from the date on which this Plan is adopted by the Board. No Award may be granted after such termination or during any suspension of this Plan.

12.3 Consent of Participant

The amendment, suspension or termination of the Plan or a portion thereof or the amendment of an outstanding Award shall not, without the Participant' s consent, materially adversely affect any rights under any Award theretofore granted to the Participant under the Plan. Any change or adjustment to an outstanding Incentive Stock Option shall not, without the consent of the Participant, be made in a manner

so as to constitute a "modification" that would cause such Incentive Stock Option to fail to continue to qualify as an Incentive Stock Option. Notwithstanding the foregoing, any adjustments made pursuant to Sections 11.2 and 11.3 shall not be subject to these restrictions.

SECTION 13. GENERAL

13.1 No Individual Rights

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No individual or Participant shall have any claim to be granted any Award under the Plan, and the Company has no obligation for uniformity of treatment of Participants under the Plan.

Furthermore, nothing in the Plan or any Award granted under the Plan shall be deemed to constitute an employment contract or confer or be deemed to confer on any Participant any right to continue in the employ of, or to continue any other relationship with, the Company or any Related Company or limit in any way the right of the Company or any Related Company to terminate a Participant' s employment or other relationship at any time, with or without cause.

13.2 Issuance of Shares

Notwithstanding any other provision of the Plan, the Company shall have no obligation to issue or deliver any shares of Common Stock under the Plan or make any other distribution of benefits under the Plan unless, in the opinion of the Company' s counsel, such issuance, delivery or distribution would comply with all applicable laws (including, without limitation, the requirements of the Securities Act or the laws of any state or foreign jurisdiction) and the applicable requirements of any securities exchange or similar entity.

The Company shall be under no obligation to any Participant to register for offering or resale or to qualify for exemption under the Securities Act, or to register or qualify under the laws of any state or foreign jurisdiction, any shares of Common Stock, security or interest in a security paid or issued under, or created by, the Plan, or to continue in effect any such registrations or qualifications if made.

As a condition to the exercise of an Option or any other receipt of Common Stock pursuant to an Award under the Plan, the Company may require (a) the Participant to represent and warrant at the time of any such exercise or receipt that such shares are being purchased or received only for the Participant' s own account and without any present intention to sell or distribute such shares and (b) such other action or agreement by the Participant as may from time to time be necessary to comply with the federal, state and foreign securities laws. At the option of the Company, a stop-transfer order against any such shares may be placed on the official stock books and records of the Company, and a legend indicating that such shares may not be pledged, sold or otherwise transferred, unless an opinion of counsel is provided (concurred in by counsel for the Company) stating that such transfer is not in violation of any applicable law or regulation, may be stamped on stock certificates to ensure exemption from registration. The Plan Administrator may also require the Participant to execute and deliver to the Company a purchase agreement or such other agreement as may be in use by the Company at such time that describes certain terms and conditions applicable to the shares.

To the extent the Plan or any instrument evidencing an Award provides for issuance of stock certificates to reflect the issuance of shares of Common Stock, the issuance may be effected on a noncertificated basis, to the extent not prohibited by applicable law or the applicable rules of any stock exchange.

13.3 Indemnification

Each person who is or shall have been a member of the Board, or a committee appointed by the Board to whom authority was delegated in accordance with Section 8 shall be indemnified and held harmless by the Company against and from any loss, cost, liability or expense that may be imposed upon or reasonably incurred by such person in connection with or resulting from any claim, action, suit or proceeding to which such person may be a party or in which such person may be involved by reason of any action taken or failure to act under the Plan and against and from any and all amounts paid by such person in settlement thereof, with the Company' s approval, or paid by such person in satisfaction of any judgment in any such claim, action, suit or proceeding against such person; provided, however, that such person shall give the Company an opportunity, at its own expense, to handle and defend the same before such person undertakes to handle and defend it on such person' s own behalf, unless such loss, cost, liability or expense is a result of such person' s own willful misconduct or except as expressly provided by statute.

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The foregoing right of indemnification shall not be exclusive of any other rights of indemnification to which such person may be entitled under the Company' s certificate of incorporation or bylaws, as a matter of law, or otherwise, or of any power that the Company may have to indemnify such person or hold such person harmless.

13.4 No Rights as a Stockholder

No Award shall entitle the Participant to any dividend, voting or other right of a stockholder unless and until the date of issuance under the Plan of the shares that are the subject of such Award, free of all applicable restrictions.

13.5 Compliance with Laws and Regulations

The granting of Awards and the issuance of shares of Common Stock under the Plan is subject to all applicable laws, rules and regulations, and to such approvals by any governmental agencies or national securities exchanges as may be required.

In interpreting and applying the provisions of the Plan, any Option granted as an Incentive Stock Option pursuant to the Plan shall, to the extent permitted by law, be construed as an "incentive stock option" within the meaning of Section 422 of the Code.

13.6 Participants in Other Countries

The Plan Administrator shall have the authority to adopt such modifications, procedures and subplans as may be necessary or desirable to comply with provisions of the laws of any countries in which the Company or any Related Company may operate to ensure the viability of the benefits from Awards granted to Participants employed in such countries, to meet the requirements of local law that permit the Plan to operate in a qualified or tax-efficient manner, to comply with applicable foreign laws and to meet the objectives of the Plan.

13.7 No Trust or Fund

The Plan is intended to constitute an "unfunded" plan. Nothing contained herein shall require the Company to segregate any monies or other property, or shares of Common Stock, or to create any trusts, or to make any special deposits for any immediate or deferred amounts payable to any Participant, and no Participant shall have any rights that are greater than those of a general unsecured creditor of the Company.

13.8 Successors

All obligations of the Company under the Plan with respect to Awards shall be binding on any successor to the Company, whether the existence of such successor is the result of a direct or indirect purchase, merger, consolidation, or otherwise, of all or substantially all the business and/or assets of the Company.

13.9 Severability

If any provision of the Plan or any Award is determined to be invalid, illegal or unenforceable in any jurisdiction, or as to any person, or would disqualify the Plan or any Award under any law deemed applicable by the Plan Administrator, such provision shall be construed or deemed amended to conform to applicable laws, or, if it cannot be so construed or deemed amended without, in the Plan Administrator' s determination, materially altering the intent of the Plan or the Award, such provision shall be stricken as to such jurisdiction, person or Award, and the remainder of the Plan and any such Award shall remain in full force and effect.

13.10 Choice of Law and Venue

The Plan, all Awards granted thereunder and all determinations made and actions taken pursuant hereto, to the extent not otherwise governed by the laws of the United States, shall be governed by the laws of the State of Washington without giving effect to principles of

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conflicts of law. Participants irrevocably consent to the nonexclusive jurisdiction and venue of the state and federal courts located in the State of Washington.

SECTION 14. EFFECTIVE DATE

The effective date is the date on which the Plan is adopted by the Board. If the stockholders of the Company do not approve the Plan within 12 months after the Board' s adoption of the Plan, any Incentive Stock Options granted under the Plan will be treated as Nonqualified Stock Options.

APPENDIX I

"**Acquired Entity**" means any entity acquired by the Company or a Related Company or with which the Company or a Related Company merges or combines.

"**Award**" means any award or grant made to a Participant pursuant to the Plan, including awards or grants of Incentive Stock Options and Nonqualified Stock Options or any combination thereof.

"**Board**" means the Board of Directors of the Company.

"**Cause**" shall have the meaning defined in the instrument evidencing the Award or otherwise shall have the meaning assigned to such term in any individual Participant' s written employment service or other agreement with the Company or any Related Company, and additionally, in any event shall include (or in the absence of any such written employment arrangement shall mean) dishonesty, fraud, misconduct, unauthorized use or disclosure of confidential information or trade secrets, conduct prohibited by criminal law (except minor violations), in each case as determined by the Company' s chief human resources officer or other person performing that function or, in the case of directors and executive officers, the Board, each of whose determination shall be conclusive and binding.

"**Code**" means the Internal Revenue Code of 1986, as it may be amended from time to time.

"**Common Stock**" means the common stock of the Company, or, in the event that the outstanding shares of Common Stock are after the date this Plan is approved by the shareholders of the Company, recapitalized, converted into or exchanged for different stock or securities of the Company, such other stock or securities.

"**Company**" means ProCyte Corporation, a Washington corporation.

"**Corporate Transaction**" means any of the following events:

(a) Consummation of any merger or consolidation of the Company in which the Company is not the continuing or surviving corporation, or pursuant to which shares of the Common Stock are converted into cash, securities or other property, if following such merger or consolidation the Participants of the Company' s outstanding voting securities immediately prior to such merger or consolidation own less than 66-2/3% of the outstanding voting securities of the surviving corporation;

(b) Consummation of any sale, lease, exchange or other transfer in one transaction or a series of related transactions of all or substantially all of the Company' s assets other than a transfer of the Company' s assets to a Related Company;

(c) Approval by the Participants of the Common Stock of any plan or proposal for the liquidation or dissolution of the Company;

(d) Acquisition by a person, within the meaning of Section 3(a)(9) or of Section 13(d)(3) (as in effect on the date of adoption of the Plan) of the Exchange Act of a majority or more of the Company' s outstanding voting securities (whether directly or indirectly, beneficially or of record); or

(e) Ownership of voting securities shall take into account and shall include ownership as determined by applying Rule 13d-3(d)(1)(i) (as in effect on the date of adoption of the Plan) pursuant to the Exchange Act.

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“**Disability**” means disability as that term is defined for purposes of Section 22(e)(3) of the Code.

“**Employer**” means individually or collectively the Company or its Related Companies.

“**Effective Date**” has the meaning set forth in Section 14.

“**Eligible Person**” means any person eligible to receive an Award as set forth in Section 3.

“**Exchange Act**” means the Securities Exchange Act of 1934, as amended from time to time.

“**Fair Market Value**” means the per share fair market value of the Common Stock as established in good faith by the Plan Administrator.

“**Good Reason**” means the occurrence of any of the following events or conditions and the failure of the Successor Corporation to cure such event or condition within 30 days after receipt of written notice by the Participant:

(a) a change in the Participant’ s status, title, position or responsibilities (including reporting responsibilities) that, in the Participant’ s reasonable judgment, represents a substantial reduction in the status, title, position or responsibilities as in effect immediately prior thereto; the assignment to the Participant of any duties or responsibilities that, in the Participant’ s reasonable judgment, are materially inconsistent with such status, title, position or responsibilities; or any removal of the Participant from or failure to reappoint or reelect the Participant to any of such positions, except in connection with the termination of the Participant’ s employment for Cause, for Disability or as a result of his or her death, or by the Participant other than for Good Reason;

(b) a reduction in the Participant’ s annual base salary;

(c) the Successor Corporation’ s requiring the Participant (without the Participant’ s consent) to be based at any place outside a 35-mile radius of his or her place of employment prior to a Corporate Transaction, except for reasonably required travel on the Successor Corporation’ s business that is not materially greater than such travel requirements prior to the Corporate Transaction;

(d) the Successor Corporation’ s failure to (i) continue in effect any material compensation or benefit plan (or the substantial equivalent thereof) in which the Participant was participating at the time of a Corporate Transaction, including, but not limited to, the Plan, or (ii) provide the Participant with compensation and benefits substantially equivalent (in terms of benefit levels and/or reward opportunities) to those provided for under each material employee benefit plan, program and practice as in effect immediately prior to the Corporate Transaction;

(e) any material breach by the Successor Corporation of its obligations to the Participant under the Plan or any substantially equivalent plan of the Successor Corporation; or

(f) any purported termination of the Participant’ s employment or service for Cause by the Successor Corporation that does not comply with the terms of the Plan or any substantially equivalent plan of the Successor Corporation.

“**Grant Date**” means the later of (a) the date on which the Plan Administrator completes the corporate action authorizing the grant of an Award or such later date specified by the Plan Administrator or (b) the date on which all conditions precedent to the Award have been satisfied, provided that conditions to the exercisability or vesting of Awards shall not defer the Grant Date.

“**Incentive Stock Option**” means an Option granted with the intention that it qualifies as an “incentive stock option” as that term is defined in Section 422 of the Code or any successor provision.

“**Nonqualified Stock Option**” means an Option other than an Incentive Stock Option.

“**Option**” means a right to purchase Common Stock granted under Section 6.

“**Option Expiration Date**” means the last day of the Option Term.

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“**Option Term**” means the maximum term of an Option as set forth in Section 6.3.

“**Participant**” means any Eligible Person to whom an Award is granted.

“**Plan**” means the ProCyte Corporation 2004 Stock Option Plan.

“**Plan Administrator**” has the meaning set forth in Section 8.

“**Related Company**” means any entity that, directly or indirectly, is in control of, is controlled by or is under common control with the Company, or in which the Company has a significant ownership interest, as determined by the Plan Administrator.

“**Securities Act**” means the Securities Act of 1933, as amended from time to time.

“**Substitute Awards**” means Awards granted or shares of Common Stock issued by the Company in assumption of, or in substitution or exchange for, awards previously granted by an Acquired Entity.

“**Successor Corporation**” means an entity described in Section 11.2.

“**Ten Percent Shareholder**” means an employee who owns more than 10% of the total combined voting power of all classes of stock of the Company or any Related Corporation. The determination of more than 10% ownership shall be made in accordance with Section 422 of the Code.

“**Termination of Service**” means a termination of employment or service relationship with the Company or a Related Company for any reason, whether voluntary or involuntary, including by reason of death or Disability. Any question as to whether and when there has been a Termination of Service for the purposes of an Award and the cause of such Termination of Service shall be determined by the Company’ s chief human resources officer or other person performing that function or, in the case of directors and executive officers, the Board, each of whose determination shall be conclusive and binding. Transfer of a Participant’ s employment or service relationship between the Company and any Related Company shall not be considered a Termination of Service for purposes of an Award. Unless the Board determines otherwise, a Termination of Service shall be deemed to occur if the Participant’ s employment or service relationship is with an entity that has ceased to be a Related Company.

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Exhibit 31.1

CERTIFICATION

I, John F. Clifford, certify that:

1. I have reviewed this quarterly report on Form 10-Q of ProCyte Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

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

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

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

   b) Evaluated the effectiveness of the registrant' s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based upon such evaluations; and

   c) Disclosed in the report any change in the registrant' s internal control over financial reporting that occurred during the registrants most recent fiscal quarter (the registrant' s fourth quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant' s internal control over financial reporting; and

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

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant' s ability to record, process, summarize and report financial information ; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant' s internal control over financial reporting.

Date: August 12, 2004:

By: /s/ John F. Clifford

John F. Clifford, Chairman and CEO,
ProCyte Corporation

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Exhibit 31.2

CERTIFICATION

I, Robert W. Benson, certify that:

1. I have reviewed this quarterly report on Form 10-Q of ProCyte Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

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

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

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

b) Evaluated the effectiveness of the registrant' s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based upon such evaluations; and

c) Disclosed in the report any change in the registrant' s internal control over financial reporting that occurred during the registrants most recent fiscal quarter (the registrant' s fourth quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant' s internal control over financial reporting; and

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

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant' s ability to record, process, summarize and report financial information ; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant' s internal control over financial reporting.

Date: August 12, 2004

By: /s/ Robert W. Benson

Robert W. Benson, Chief Financial Officer,
ProCyte Corporation

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EXHIBIT 32.1

Certification of Quarterly Report

I, John F. Clifford, Chairman, Chairman and Chief Executive Officer of ProCyte Corporation, (the "Company"), hereby certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that:

(1) the Quarterly Report on Form 10-Q for the Company for the quarter ended June 30, 2004 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (12 U.S.C. 78m or 78o(d)); and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: August 12, 2004

/s/ John F. Clifford
John F. Clifford
Chairman and Chief Executive Officer

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EXHIBIT 32.2

Certification of Quarterly Report

I, Robert W. Benson, Chief Financial Officer of ProCyte Corporation, (the "Company"), hereby certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that:

(1) the Quarterly Report on Form 10-Q for the Company for the quarter ended June 30, 2004 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (12 U.S.C. 78m or 78o(d)); and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: August 12, 2004

/s/ Robert W. Benson
Robert W. Benson
Chief Financial Officer

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