

GUIDED THERAPEUTICS INC
Form DEF 14A
February 03, 2010

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934
(Amendment No. ____)

Filed by the Registrant
Filed by a Party other than the Registrant

Check the appropriate box:

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

Guided Therapeutics, Inc.
(Name of Registrant as Specified in Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

- 1) Title of each class of securities to which transaction applies:
- 2) Aggregate number of securities to which transaction applies:
- 3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (Set forth the amount on which the filing fee is calculated and state how it was determined):
- 4) Proposed maximum aggregate value of transaction:
- 5) Total fee paid:

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

- 1) Amount Previously Paid:
- 2) Form, Schedule or Registration Statement No.:

- 3) Filing Party:
 - 4) Date Filed:
-

GUIDED THERAPEUTICS, INC.

NOTICE OF SPECIAL MEETING OF STOCKHOLDERS
TO BE HELD ON FEBRUARY 26, 2010

TO THE STOCKHOLDERS:

Notice is hereby given that a special meeting of stockholders of Guided Therapeutics, Inc., a Delaware corporation (the "Company"), will be held on February 26, 2010 at 10:00 a.m., local time, at the Company's headquarters, located at 5835 Peachtree Corners East, Suite D, Norcross, Georgia 30092, for the following purpose:

To approve an amendment to the Company's Restated Certificate of Incorporation, as amended, to reclassify the series A convertible preferred stock into common stock and warrants to purchase shares of common stock.

This matter is more fully described in the proxy statement accompanying this notice.

Only stockholders of record at the close of business on January 11, 2010 are entitled to notice of and to vote at the special meeting.

All stockholders are cordially invited to attend the meeting in person. However, to assure your representation at the meeting, you are urged to sign and return the enclosed proxy as promptly as possible in the postage-prepaid envelope enclosed for that purpose. Any stockholder attending the meeting may vote in person, even if the stockholder has returned a proxy.

Important Notice Regarding the Availability of Proxy Materials for the Stockholder Meeting
to be

Held on February 26, 2010

The proxy statement and our 2008 annual report are available at
<http://www.edocumentview.com/GTHP>

By Order of the Board of
Directors

Mark L. Faupel, Ph.D.
President and Chief
Executive Officer,
Director

Norcross, Georgia
February 3, 2010.

GUIDED THERAPEUTICS, INC.

PROXY STATEMENT

SPECIAL MEETING OF STOCKHOLDERS

INFORMATION CONCERNING SOLICITATION AND VOTING

General

We are soliciting proxies for use at a special meeting of stockholders, to be held February 26, 2010 at 10:00 a.m., local time, or at any adjournment of the special meeting, for the purposes listed in this proxy statement and in the accompanying notice of special meeting of stockholders. We are holding the special meeting at our corporate headquarters, located at 5835 Peachtree Corners East, Suite D, Norcross, GA 30092. Our office telephone number is (770) 242-8723.

We are first sending this proxy statement and the accompanying form of proxy to our stockholders on or about February 3, 2010.

Record Date and Voting Securities

Stockholders of record of our common stock at the close of business on January 11, 2010, which is referred to as the record date, are entitled to notice of and to vote at the special meeting. Each stockholder is entitled to one vote for each share of common stock held as of the record date. As of the record date, we had 19,614,975 shares of our common stock issued and outstanding and held of record by 151 registered stockholders.

Stockholders of record of our series A convertible preferred stock, referred to as the series A preferred stock, at the close of business on the record date are entitled to notice of and to vote at the special meeting. As of the record date, we had 242,576 shares of our series A preferred stock, representing approximately 7,973,809 voting shares of common stock, issued and outstanding and held of record by 13 stockholders.

The holders of our common stock and series A preferred stock will vote together on the matter listed in this proxy statement. In addition, the holders of the series A preferred stock will vote separately as a class.

Revocability of Proxies

You may revoke your proxy given pursuant to this solicitation at any time before its use by delivering to our corporate secretary a written notice of revocation or a duly executed proxy bearing a later date, or by attending the special meeting and voting in person.

Solicitation

We will pay the cost of soliciting proxies. In addition, we may reimburse brokerage firms and other persons representing beneficial owners of shares for their reasonable expenses in forwarding solicitation material to those beneficial owners. Our officers, directors and employees may also solicit proxies, without additional compensation, personally or by telephone or facsimile.

Quorum; Abstentions and Broker Non-Votes

The inspector of elections will tabulate the votes cast by proxy or in person at the special meeting. Our stock transfer agent may serve as inspector, or may assist the inspector. The inspector will also determine whether or not a quorum is present. Delaware law provides that a quorum consists of a majority of shares that are entitled to vote and present or represented by proxy at the meeting.

The inspector will treat shares that are voted "ABSTAIN," or proxies required to be treated as "non-votes," as being present and entitled to vote for purposes of determining the presence of a quorum. A "non-vote" occurs if a broker indicates on the enclosed proxy or its substitute that it does not have discretionary authority as to some shares to vote on a particular matter. "Non-votes" will be considered as present for purposes of determining the number of votes required for a proposal to be approved. Shares voted "ABSTAIN" or "non-votes," however, will not be treated as votes in favor of approving any matter submitted to the stockholders for a vote and, therefore, will have the same effect as a vote against the proposal.

Proxies that are properly executed and returned will be voted at the special meeting in accordance with the instructions on the proxy. Any properly executed proxy on which there are no instructions indicated about a specified proposal will be voted FOR the amendment to our certificate of incorporation, referred to as our charter, to reclassify the series A preferred stock into common stock and warrants to purchase shares of common stock.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires our directors and executive officers and persons who beneficially own more than 10% of a registered class of our equity securities to file reports of ownership and reports of changes in ownership with the Securities and Exchange Commission, or SEC. These persons are required, by regulations of the SEC, to furnish us with copies of all Section 16(a) forms they file.

Based solely on our review of the copies of these forms received by us, we believe that, with respect to fiscal year 2009, our officers, directors, with the exception of director John Imhoff, who is delinquent in filing his Forms 3 and 13, and 10% stockholders were in compliance with all applicable filing requirements.

SHARE OWNERSHIP OF DIRECTORS, OFFICERS AND CERTAIN BENEFICIAL OWNERS

The following table lists information regarding the beneficial ownership of our common stock as of January 11, 2010 by (i) each person whom we know to beneficially own more than 5% of the outstanding shares of our common stock (a "5% stockholder"), (ii) each director, (iii) each officer named in the summary compensation table below, and (iv) all directors and executive officers as a group. Unless otherwise indicated, the address of each officer and director is 5835 Peachtree Corners East, Suite D, Norcross, Georgia 30092.

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership (1)	Percent of Class (2)	
Dr. John Imhoff (3)	10,060,460	13.12	%
Dolores Maloof (4) 2669 Mercedes Drive Atlanta, GA 30345	5,336,834	6.96	%
Michael C. James (5)	3,288,818	4.29	%
Kuekenhof Equity Fund, LLP (6) 51 Gloria Drive Allendale, NJ 07401	3,227,032	4.21	%
Ronald Hart (7)	1,205,170	1.57	%
Ronald W. Allen (8)	837,151	1.09	%
Richard L. Fowler (9)	479,336	*	
Mark L. Faupel (10)	465,556	*	
Shabbir Bambot (11)	354,389	*	
William E. Zachary, Jr. (12)	340,628	*	
All directors and executive officers as a group (8 persons) (13)	17,031,508	22.21	%

(*) Less than 1%.

(1) Except as otherwise indicated in the footnotes to this table and pursuant to applicable community property laws, the persons named in the table have sole voting and investment power with respect to all shares of common stock.

(2) Percentage ownership is based on 19,614,975 shares of common stock outstanding as of January 11, 2010. Beneficial ownership is determined in accordance with the rules of the SEC, based on factors that include voting and investment power with respect to shares. Shares of common stock subject to currently exercisable options, warrants, convertible preferred stock or convertible notes, or any such securities exercisable within 60 days after January 11, 2010, are deemed outstanding for purposes of computing the percentage ownership of the person holding those options, but are not deemed outstanding for purposes of computing the percentage ownership of any other person.

(3)

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Consists of 3,077,717 common shares, 33,333 preferred shares convertible into 992,400 common shares, warrants to purchase 4,097,398 common shares, \$1,205,343 in 13% notes convertible into 1,854,374 common shares and 38,571 shares subject to stock options. Dr. Imhoff is on the board of directors.

(4) Consists of 272,500 common shares, warrants to purchase 4,012,439 common shares and \$683,732 in 13% notes convertible into 1,051,895 common shares.

(5) Consists of the securities held by Kuekenhof Equity Fund, LP listed in note 6, plus 61,786 shares subject to stock options held by Michael C. James personally. Mr. James is on the Board of Directors.

- (6) Consists of warrants to purchase 1,742,409 common shares and \$965,005 in 13% notes convertible into 1,484,623 common shares held by Kuekenhof Equity Fund, LP, for which Michael C. James is Managing Partner (see note 5).
- (7) Consists of warrants to purchase 218,879 common shares, \$148,288 in 13% notes convertible into 228,136 common shares and 758,155 shares subject to stock options held by Hart Management, LLC, Ronald Hart, owner. Dr. Hart is on the Board of Directors.
- (8) Consists of warrants to purchase 244,792 common shares, \$47,962 in 13% notes convertible into 73,788 common shares and 518,571 shares subject to stock options held by Ronald Allen. Mr. Allen is on the Board of Directors.
- (9) Consists of 9,476 common shares, warrants to purchase 56,120 common shares, \$50,125 in a 13% note convertible into 77,115 common shares and 336,625 shares subject to stock options.
- (10) Consists of 465,556 shares subject to stock options.
- (11) Consists of 354,389 shares subject to stock options.
- (12) Consists of 12,963 common shares, warrants to purchase 65,033 common shares, \$10,481, 13% note to purchase 16,124 common shares and 246,509 shares subject to stock options held by William Zachary. Mr. Zachary is on our Board of Directors.
- (13) Consists of 3,087,193 common shares, 33,333 preferred shares convertible into 992,400 common shares, warrants to purchase 6,424,630 common shares, \$2,427,204, 13% notes convertible into 3,734,160 common shares and 2,780,162 shares subject to stock options.

PROPOSAL NO. 1:

APPROVAL OF AN AMENDMENT TO OUR CHARTER TO RECLASSIFY THE SERIES A CONVERTIBLE PREFERRED STOCK INTO COMMON STOCK AND WARRANTS TO PURCHASE SHARES OF COMMON STOCK

We are asking our stockholders to approve an amendment to our charter to reclassify the series A preferred stock into a combination of shares of our common stock and warrants to purchase shares of our common stock.

Background

Acting on a desire to simplify our capital structure for the reasons set forth below, between September and October 2009 Mark Faupel, our Chief Executive Officer and our Chairman, William Zachary, began discussions with Francisco Garcia, the elected representative of the holders of the series A preferred stock, to explore the willingness of the series A preferred stockholders to convert their shares into shares of common stock. Given that the warrants issued along with the series A preferred shares in 2004 had expired in March 2009, Mr. Garcia indicated in these communications that the series A preferred stockholders would be willing to explore such conversion into common stock, in exchange for new warrants.

Given preliminary indications of interest on the part of the series A preferred stockholders, Dr. Faupel then approached, in mid-September 2009, the agents for the 2007 noteholders, Jamie Halegoua and Richard Blumberg. Board members Ronald Hart and Mike James joined in the negotiations with the 2007 noteholders, which took place from mid-September to early October 2009, and on November 3, 2009, the 2007 noteholders agreed to amend the agreement governing the 2007 Notes to provide for automatic conversion into shares of common stock in exchange for amended warrants, as further described under the caption “—Treatment of the 2007 Notes in the Recapitalization Plan.”

The board discussed the recapitalization plan in two meetings, on September 29, 2009 and October 5, 2009, and approved the plan on October 6, 2009. As approved by our board, we have determined to pursue a recapitalization plan that will simplify our capital structure. The recapitalization plan consists of two components, as follows:

(1) as described in more detail under “—Treatment of the Series A Preferred Stock in the Recapitalization Plan,” reclassification of our outstanding shares of series A preferred stock into a combination of shares of our common stock and warrants to purchase shares of our common stock; and

(2) as described in more detail under “—Treatment of the 2007 Notes in the Recapitalization Plan,” contemporaneously with this reclassification of the series A preferred stock, automatic conversion of all amounts outstanding (including both principal and accrued but unpaid interest) under our outstanding 13% Senior Secured Convertible Notes (referred to as the 2007 Notes) into a number of shares of common stock equal to the outstanding amounts being so converted divided by the current conversion price of \$0.65.

The board believes that simplification of our capital structure is critical to obtaining financing for our business needs going forward. At the same time, the board believes that the recapitalization plan ensures that our current constituents will maintain the ability to participate in our future success.

The recapitalization plan would eliminate substantial debt and remove the current lien on our assets in favor of the holders of the 2007 Notes. In addition, the recapitalization plan would eliminate preferences held by the holders of the 2007 Notes and the series A preferred stock, such as anti-dilution protections, that greatly hinder our efforts to raise

new capital. We believe potential investors are confused by our current complex capitalization, and the recapitalization plan would provide a more understandable structure by which investors can evaluate an investment in us, a structure consisting solely of shares of common stock and warrants (and options) to purchase shares of common stock. The material terms of the plan, specifically the conversion ratios that determine the number of shares of common stock and warrants entitled to each holder of shares of series A preferred stock or 2007 Notes, were based largely on the existing terms of the series A preferred stock and the 2007 Notes, both of which already provide for voluntary conversion into shares of common stock at specified conversion ratios.

Treatment of the Series A Preferred Stock in the Recapitalization Plan

Under the recapitalization plan, the 242,576 outstanding shares of series A preferred stock would be reclassified into:

(1) approximately 7,973,809 shares of common stock, which is the number of shares of common stock into which the series A preferred stock is currently convertible under the terms of the series A preferred set forth in our charter (i.e., a number of shares of common stock equal to the initial invested amount per share of series A preferred stock of \$15.00, plus accrued but unpaid dividends on the series A preferred stock, divided by the current conversion price of \$0.65 and, for each holder, rounded up to the nearest whole share); and

(2) warrants to purchase, in the aggregate for all holders of series A preferred stock, approximately 2,799,327 shares of common stock (i.e., a warrant for one-half of a share of common stock for each share of common stock issued under paragraph (1) immediately above in respect of the initial \$15.00 invested amount per share, but not in respect of accrued but unpaid dividends and, for each holder, rounded down to the closest number of whole shares of common stock), with such warrants having an exercise price of \$0.65 per share of common stock and expiring thirty months from the date of their issuance. See “—The Warrants” and Annex 1 for more information about the terms and conditions of the Warrants.

Following reclassification of the series A preferred shares as described above, we will offer the former holders of series A preferred stock certain rights to participate in our future debt and equity financings, as described under “—Participation Rights,” below.

Reclassification of the series A preferred stock as described above requires an amendment to our charter. Specifically, the amendment would add the following paragraph as the last paragraph of Article IV of our charter:

“Effective upon the filing with the Secretary of State of the State of Delaware of this Certificate of Amendment (the “Effective Time”), each outstanding share of Series A Convertible Preferred Stock, par value \$.001 per share, of the Corporation (the “Series A Preferred”) shall, without any action on the part of the holder thereof, be reclassified as, and converted into: (i) the number of fully paid and nonassessable shares of Common Stock (for each holder, rounded up to the closest number of whole shares) into which such share of Series A Preferred is then convertible pursuant to Section (c) of the Certificate of Designations, Preferences and Rights of Series A Convertible Preferred Stock (the “Series A Designations”) filed in connection with the initial issuance of the Series A Preferred (as in effect immediately prior to the Effective Time); and (ii) a warrant to purchase a number of Common Shares (for each holder, rounded down to the closest number of whole shares) equal to one half of one share of Common Stock for each share of Common Stock issued pursuant to clause (i) in respect of the Invested Amount (as defined in the Series A Designations) per share of Series A Preferred, but not in respect of accrued but unpaid dividends on such share of Series A Preferred, with each such warrant to be substantially in the form of Warrant included with the Corporation’s proxy statement on Schedule 14A, filed with the Securities and Exchange Commission on October 14, 2009.”

The Warrants

For each share of series A preferred stock reclassified, the holder will receive warrants to purchase one-half of a share of common stock for each share of common stock issued pursuant to the reclassification of the series A preferred stock in respect of the initial \$15.00 invested amount per share, but not in respect of accrued but unpaid dividends. For each holder, the number of shares of common stock for which its warrant is exercisable, as so calculated, will be rounded down to the nearest whole share of common stock. The warrants will be immediately exercisable, have an exercise price of \$0.65 per share of common stock and will expire 30 months from the date of their issuance. The warrants will have appropriate adjustments for stock splits, stock dividends, etc.

This summary of the material terms of the warrants is qualified in its entirety by the terms of the form of warrant included as Annex 1 to this proxy statement.

Participation Rights

In connection with the recapitalization plan, the holders of the series A preferred stock will, with respect to the shares of common stock they receive in the recapitalization plan, be eligible to become parties to a participation rights agreement, a form of which is attached as Annex 2 to this proxy statement. Pursuant to the participation rights agreement, these stockholders will have the right to participate on the same terms as other investors, to the extent of the percentage of such offering that equals their percentage ownership represented by the common stock issued to them in the recapitalization, in any future equity or debt refinancing with gross proceeds exceeding \$100,000 that we undertake in the 18 months after the reclassification, at which point the rights terminate. The right to participate in equity financings will terminate early if we complete equity financings with aggregate gross proceeds of \$10 million or more. The right to participate in debt financings will terminate early if we complete equity or debt financings with aggregate gross proceeds of \$10 million or more.

Certain transactions are excluded from the definitions of debt financings and equity financings, including the issuance of debt or equity securities in change-of-control transactions or other strategic transactions, the issuance of shares pursuant to stock option or other employee benefit plans, and the issuance of shares upon the exercise of warrants.

This summary of the material terms of the participation rights agreement is qualified in its entirety by the terms of the participation rights agreement included as Annex 2 to this proxy statement.

Material Differences between the Series A Preferred Stock and the Common Stock

Under our current charter, the holders of the series A preferred stock, in any liquidation or sale or merger, are entitled to a liquidation preference equal to the greater of: (1) \$15.00 per share (as adjusted for changes in the series A preferred stock by stock split, stock dividend, and the like, referred to as the invested amount), plus accrued but unpaid dividends on the series A preferred stock, and (2) the amount the holders of series A preferred stock would have received if they had converted such shares to common stock immediately prior to such liquidation or sale or merger. The holders of series A preferred stock are also entitled to cumulative dividends at an special rate of 5.0% per share, payable quarterly in cash or shares of common stock. The holders of the series A preferred stock have the right to vote on an as-converted basis with the holders of the common stock, with each share of series A preferred stock receiving a number of votes equal to the number of shares of common stock into which it is then convertible, together as a single class, on all matters submitted to a vote of our stockholders. The holders of series A preferred stock also have the right to vote as a separate class, as required by Delaware law, and for certain other matters specified in our charter, and have the right, voting separately as a class, to elect two directors.

Each share of series A preferred stock is convertible into the number of shares of common stock equal to the quotient obtained by dividing (a) the sum of the invested amount plus all declared or accrued but unpaid dividends, by (b) the conversion price per share (currently \$0.65). The conversion price is subject to adjustment under certain circumstances to protect the holders of series A preferred stock from dilution relative to certain issuances of common stock, or securities convertible into or exercisable for common stock.

Holders of the series A preferred stock also have preemptive rights to purchase a proportionate share of new shares of common stock or preferred stock, or securities convertible into or exercisable for such shares, that we may, from time to time, propose to sell and issue, subject to certain exceptions.

Under the proposed amendment to our charter, all outstanding shares of series A preferred stock would be reclassified into shares of common stock and warrants to purchase shares of common stock, as described in “—Treatment of the series A Preferred Stock in the Recapitalization Plan.” As a result, the holders of the series A preferred stock would lose their liquidation preference and their special cumulative dividend of 5.0% per share. The relative as-converted voting power of the holders of the series A preferred stock would not be affected by the charter amendment, although upon conversion of the 2007 Notes into shares of common stock, all of our existing stockholders would experience dilution of their voting power, and the holders of series A preferred stock would no longer vote separately as a class as to any matter, including election of directors. See “—Effects of the Recapitalization Plan.”

Treatment of the 2007 Notes in the Recapitalization Plan

In order to further simplify our capital structure, in addition to the reclassification of the series A preferred stock into common stock, we believe we need to convert the 2007 Notes into common stock. Although the original agreement governing the 2007 Notes provides several methods by which the 2007 Notes convert into common stock, in order to ensure such conversion by all holders of 2007 Notes in the event the series A preferred stock converts, we amended the agreement governing the 2007 Notes to provide for automatic conversion into common stock upon reclassification of the series A preferred stock into common stock and warrants.

If all of the 2007 Notes are so converted into shares of common stock, then:

- (1) the exercise price per shares of common stock under warrants previously issued in connection with sale of the 2007 Notes will be reduced from \$0.78 to \$0.65 and the term of such warrants will be extended for an additional year to expire on March 1, 2013 (rather than March 1, 2012); and
- (2) the former holders of 2007 Notes will maintain certain rights to participate in our future equity and debt financings, similar to the participation rights we will offer to holders of the series A preferred stock upon reclassification, as described under “—Participation Rights.”

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On an aggregate basis, the holders of the 2007 Notes will receive 14,473,674 shares of common stock upon conversion, calculated by dividing the aggregate principal amount outstanding, plus accrued interest, by \$0.65 per share, the conversion price. The warrants associated with the 2007 Notes would continue to be exercisable for an aggregate of 26,445,848 shares of common stock, notwithstanding the reduction in exercise price.

Effects of the Recapitalization Plan

The following table shows our pro forma fully diluted capitalization after giving effect to the recapitalization plan, including reclassification of the series A preferred stock into common stock and warrants, as well as conversion of all amounts outstanding under the 2007 Notes to common stock, all as described above and all as of the record date.

Class	Shares ¹	Percent Shares	Percent Derivatives
Other Common Total Shares Outstanding	19,614,975	46.6%	25.6%
Common Shares in respect of 2004 Series A Preferred Shares, plus dividend converted @ \$0.65	7,973,809	19.0%	10.4%
Common Shares in respect of 2007 Notes, plus interest converted @ \$0.65	14,473,674	34.4%	18.9%
Total	22,447,483		
Common TSO - Post Financing	42,062,458		
2007 Convertible Note Warrants	25,258,710	72.9%	32.9%
Other warrants	1,187,138	2.7%	1.4%
Total Warrants outstanding	26,445,848		
2004 Series A Preferred shares Warrants for Common Shares - To be issued	2,799,327	8.1%	3.7%
Total Warrants to be issued	2,799,327		
Options	5,382,500	15.5%	7.0%
Sub-Total Derivatives	34,627,675		
Total	76,690,133		

¹ All amounts as of January 11, 2010.

Unaudited Pro Forma Condensed Combined Financial Statements

The following unaudited pro forma condensed combined consolidated financial statements are based on our historical financial statements after giving effect to the recapitalization plan and the assumptions, reclassifications and adjustments described in the accompanying notes to the unaudited pro forma condensed combined financial statements.

The unaudited pro forma condensed combined balance sheet as of September 30, 2009 and the statements of operations for the nine months ended September 30, 2009, and year ended December 31, 2008, are presented as if the recapitalization had occurred on January 1, 2008, with recurring recapitalization-related adjustments reflected in each of the periods.

The unaudited pro forma condensed combined financial statements are prepared for illustrative purposes only and are not necessarily indicative of or intended to represent the results that would have been achieved had the recapitalization plan been consummated as of the dates indicated or that may be achieved in the future.

The unaudited pro forma condensed combined financial statements should be read in conjunction with our historical consolidated financial statements and accompanying notes included in our Amendment No. 1 to Annual Report on Form 10-K for the year ended December 31, 2008 and our Quarterly Report on Form 10-Q for the quarter ended September 30, 2009, each incorporated by reference in this proxy statement. See “Where You Can Find More Information.”

(Continued on next page)

GUIDED THERAPEUTICS, INC. (FORMERLY SPECTRX, INC.) AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In Thousands Except Per Share Data)

		ADJUSTMENTS	PRO-FORMA AS IF CONVERTED
ASSETS	September 30, 2009 (Unaudited)		September 30, 2009 (Unaudited)
CURRENT ASSETS:			
Cash and cash equivalents	\$ 301	\$ -	\$ 301
Accounts receivable, net of allowance for doubtful accounts of \$25 at December 31, 2008 and September 30, 2009	635	-	635
Other current assets	70	-	70
Total current assets	1,006	-	1,006
Property and equipment, net	20	-	20
Deferred debt issuance costs, net	231	-	231
Capitalized cost of internally developed software	77	-	77
Other assets	51	-	51
Total noncurrent assets	379	-	379
TOTAL ASSETS	\$ 1,385	\$ -	\$ 1,385
LIABILITIES AND CAPITAL DEFICIT			
CURRENT LIABILITIES:			
Short term notes payable	74	-	74
Notes payable – past due	429	-	429
Accounts payable	1,291	-	1,291
Accrued liabilities	779	-	779
Deferred revenue	438	-	438
Dividends payable – Series A	1,778	(1,778)	B -
Advances payable – Roche	381	-	381
Convertible notes payable, including accrued interest and net of debt discount and unfunded subscriptions of \$4.6 million and \$2.3 million, at December 31, 2008 and September 30, 2009 respectively, to former debt holders-related parties	7,420	(7,420)	C -
Total current liabilities	12,590	(9,198)	3,392
OTHER LIABILITIES:			

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3rd Party Investment in Subsidiary	104	-		104
TOTAL LIABILITIES	\$ 12,694	\$ (9,198)		\$ 3,496
COMMITMENTS & CONTINGENCIES				
CAPITAL DEFICIT:				
Series A convertible preferred stock, \$.001 par value; 5,000 shares authorized, 336 and 306 shares issued and outstanding as of December 31, 2008 and September 30, 2009, respectively (liquidation preference \$7,755 and \$7,073 as of December 31, 2008 and September 30, 2009, respectively)	2,725	(2,725)	D	-
Common stock, \$.001 par value; 100,000 shares authorized, 15,623 and 17,192 shares issued and outstanding as of December 31, 2008 and September 30, 2009, respectively.	17	2	B	43
Common stock, \$.001 par value; 100,000 shares authorized, 15,623 and 17,192 shares issued and outstanding as of December 31, 2008 and September 30, 2009, respectively.	-	15	C	-
Common stock, \$.001 par value; 100,000 shares authorized, 15,623 and 17,192 shares issued and outstanding as of December 31, 2008 and September 30, 2009, respectively.	-	9	D	-
Additional paid-in capital	60,208	-		73,805
Additional paid-in capital	-	1,700	A	
Additional paid-in capital	-	1,776	B	
Additional paid-in capital	-	(796)	C	
Additional paid-in capital	-	8,201	C	
Additional paid-in capital	-	2,716	D	
Treasury stock, at cost	(104)	-		(104)
Accumulated deficit	(74,155)	-		(75,855)
Accumulated deficit	-	(1,700)	A	-
TOTAL CAPITAL (DEFICIT) / SURPLUS	(11,309)	9,198		(2,111)
TOTAL LIABILITIES AND CAPITAL DEFICIT	\$ 1,385	\$ -		\$ 1,385

NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS

GUIDED THERAPEUTICS INC. (FORMERLY SPECTRX, INC.) AND SUBSIDIARIES
 UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS
 (In Thousands Except Per Share Data)

	FOR THE TWELVE MONTHS ENDED			FOR THE NINE MONTHS ENDED		
	DECEMBER 31, 2008	PRO-FORMA ADJUSTMENTS	PRO-FORMA AS IF CONVERTED 2008	SEPTEMBER 30, 2009	PRO-FORMA ADJUSTMENTS	PRO-FORMA AS IF CONVERTED 2009
	(Audited)		(Unaudited)	(Unaudited)		(Unaudited)
REVENUE:						
Service revenue	\$ 1,115	\$ -	\$ 1,115	\$ 1,000	\$ -	\$ 1,000
COSTS AND EXPENSES:						
Research and development	1,591		1,591	1,007		1,007
Sales and Marketing	32		32	42		42
General and administrative	1,896		1,896	1,299		1,299
Total	3,519		3,519	2,348		2,348
Operating loss	(2,404)		(2,404)	(1,348)		(1,348)
LOSS ON DEBT FORGIVENESS	-		-	(782)		(782)
OTHER INCOME / (INTEREST EXPENSE), net	(1,168)		(1,168)	(2,640)		(2,640)
LOSS INCOME FROM CONTINUING OPERATIONS	(3,572)		(3,572)	(4,770)		(4,770)
NONRECURRING CHARGES - WRITE OFF OF UNAMORTIZED DEBT DISCOUNT	-		-	-		-
PROVISION FOR INCOME TAXES	-		-	-		-
NET LOSS	(3,572)		(3,572)	(4,770)		(4,770)
PREFERRED STOCK DIVIDENDS	(211)		(211)	(178)		(178)
	\$ (3,783)	\$ -	\$ (3,783)	\$ (4,948)	\$ -	\$ (4,948)

NET LOSS
ATTRIBUTABLE TO
COMMON
STOCKHOLDERS

BASIC AND DILUTED NET (LOSS) PER SHARE
ATTRIBUTABLE TO COMMON STOCKHOLDERS,
FROM CONTINUING OPERATIONS

\$(0.27) \$ - \$ (0.04) \$(0.30) \$ - \$ (0.06)

WEIGHTED AVERAGE SHARES OUTSTANDING	14,155	-	85,602	16,424	-	85,602
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NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS

GUIDED THERAPEUTICS, INC. (FORMERLY SPECTRX, INC.) AND SUBSIDIARIES
 NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS

		In "000		
A	Debit	Retained Deficit	1,700	
	Credit	APIC		1,700
				To record issuance of 2,799,327 warrants associated
				conversion to common stock
				with Series A Preferred stock

B	Debit	Dividend Payable on Series A Preferred Stock	1,778	
	Credit	APIC		1,776
	Credit	Common Stock		2
				To convert unpaid
				dividends on Series A preferred into common stock

C	Debit	Notes Payable	8,216	
	Debit	APIC	796	
	Credit	Unamortized Debt Discount		796
	Credit	Common Stock		15
	Credit	APIC		8,201
				To record conversion of
				Notes payable and Unamortized Discount to common stock

D	Debit	Series A Preferred Stock	2,725	
	Credit	Commons Stock		9
	Credit	APIC		2,716
				To record conversion of 287,876 shares
				of Series A Preferred stock
				to 9,121,729 shares
				of common stock

E
 NEW WARRANTS TO BE
 ISSUED FOR THE SERIES A
 CONVERSION

In conjunction with the reclassification of the series A convertible preferred stock into common stock and warrants to purchase shares of common stock, current holders of our series A preferred stock will receive warrants to purchase approximately 2,799,327 shares of common stock, with such warrants having an exercise price of \$0.65 per share of common stock and expiring thirty months from the date of their issuance. These warrants represent consideration given for the purpose of inducing conversion, or reclassification, of the series A preferred stock into common stock. The fair value of the warrants

issued will be calculated at the date of issuance determined by using the Black-Scholes valuation model. Using the closing stock price as of January 11, 2010, the fair value of the warrants was approximately \$1.7 million.

Related to the conversion of the notes payable to common stock, the Company will recognize an expense to recognize the write-off the unamortized debt discount associated with the outstanding balance of the notes payable. This cost for the write-off of the unamortized debt discount of approximately \$1.7 million will be recognized in the income statement at the date of conversion of the notes payable to common stock.

Interests of Certain Officers, Directors and Stockholders

Certain of our officers and directors, and 5% stockholders, hold shares of series A preferred stock or 2007 Notes and, therefore, if the amendment to our charter is adopted and the recapitalization plan is effected, their shares of series A preferred stock or 2007 Notes will be converted into shares of common stock and warrants to purchase common stock, and they will receive the participation rights described above with respect to those shares of common stock on the same basis as other holders of such securities.

The following table sets forth, for each of our officers and directors, and 5% stockholders, their respective holdings of 2007 Notes, series A preferred stock, warrants and common stock, both as of January 11, 2010 and on a pro forma basis as if we had completed the recapitalization as of that date. In separate table we have set forth, for each such person, the voting power, on a percentage basis, both as of January 11, 2010 and on a pro forma basis as if we had completed the recapitalization as of that date.

Name	Principal Amount of 2007 Notes (\$000)	Before Completion of Recapitalization					Common Stock (number of shares) Currently Owned	Beneficiary Ownership Total	Percentage of Beneficiary Ownership Total
		2007 Notes convertible into Common Stock (number of shares)	Series A Preferred Stock (number of shares)	Series A, convertible into Common Stock (number of shares)	Warrants, Currently Owned (number of shares of common stock)	Options (number of shares of common stock)			
Dr. John Imhoff	1,205	1,854,374	33,333	992,400	4,097,398	38,571	3,077,717	10,060,460	13.12 %
Dolores Maloof	684	1,051,895	-	-	4,012,439	-	272,500	5,336,834	6.96 %
Michael C. James	965	1,484,623	-	-	1,742,409	61,786	-	3,288,818	4.29 %
Kuekenhof Equity Fund, LLP	965	1,484,623	-	-	1,742,409	-	-	3,227,032	4.21 %
Ronald Hart	148	228,136	-	-	218,879	758,155	-	1,205,170	1.57 %
Ronald W. Allen	48	73,788	-	-	244,792	518,571	-	837,151	1.09 %
Richard L. Fowler	50	77,115	-	-	56,120	336,625	9,476	479,336	0.63 %
Mark L. Faupel	-	-	-	-	-	465,556	-	465,556	0.61 %
Shabbir Bambot	-	-	-	-	-	354,389	-	354,389	0.46 %
William E. Zachary, Jr.	10	16,124	-	-	65,033	246,509	12,963	340,629	0.44 %

Total	\$4,075	6,270,678	33,333	992,400	12,179,479	2,780,162	3,372,656	25,595,375	33.38 %
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(1) Assumes full conversion of all 2007 Notes and shares of series A preferred stock, as well as exercise of all warrants and options

(2) Assumes full conversion or exercise, as discussed in Note (1), by all holders of such securities

Name	After Completion of Recapitalization				Warrants, Currently Owned (number of underlying shares of common stock)	Options (number of underlying shares of common stock)	Common Stock (number of shares) Currently Owned	Beneficiary Ownership Total	Percentage of Beneficiary Ownership Total
	2007 Notes Principal Amount of 2007 Notes (\$000)	2007 Notes convertible into Common Stock (number of shares)	Series A, Preferred Stock (number of shares)	Series convertible into Common Stock (number of shares)					
Dr. John Imhoff	-	-	-	-	4,482,061	38,571	4,070,117	10,445,123	13.62 %
Dolores Maloof	-	-	-	-	4,012,439	-	272,500	5,336,834	6.96 %
Michael C. James	-	-	-	-	1,742,409	61,786	-	3,288,818	4.29 %
Kuekenhof Equity Fund, LLP	-	-	-	-	1,742,409	-	-	3,227,032	4.21 %
Ronald Hart	-	-	-	-	218,879	758,155	-	1,25,170	1.57 %
Ronald W. Allen	-	-	-	-	244,792	518,571	-	837,151	1.09 %
Richard L. Fowler	-	-	-	-	56,120	336,625	9,476	479,336	0.63 %
Mark L. Faupel	-	-	-	-	-	465,556	-	465,556	0.61 %
Shabbir Bambot	-	-	-	-	-	354,389	-	354,389	0.46 %
William E. Zachary, Jr.	-	-	-	-	65,033	246,509	12,963	340,629	0.44 %
Total	\$ -	-	-	-	12,564,142	2,780,162	4,365,056	25,980,038	33.86 %

Vote Required

The affirmative vote of (1) a majority of the votes entitled to be cast by the holders of the outstanding shares of common stock and series A preferred stock, with the series A preferred stock voting together with the common stock on an as-converted basis; and (2) holders of a majority of the outstanding shares of the series A preferred stock, voting separately as a class; will be required to approve the amendment to our charter to reclassify the series A preferred

stock into a combination of shares of our common stock and warrants to purchase shares of our common stock.

Recommendation

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT THE STOCKHOLDERS VOTE “FOR” APPROVAL OF THE AMENDMENT TO OUR CHARTER.

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WHERE YOU CAN FIND MORE INFORMATION

We file annual, quarterly and current reports, proxy statements and other information with the SEC. You may read and copy any document we file at the SEC public reference room located at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. Our SEC filings are also available to the public at the SEC website at www.sec.gov. You also may obtain free copies of the documents we file with the SEC, including this proxy statement, by going to the Investors page of our corporate website at www.guidedinc.com. The information provided on our website, other than copies of the documents listed below that have been filed with the SEC, is not part of this proxy statement, and therefore is not incorporated herein by reference.

The SEC allows us to “incorporate by reference” into this proxy statement documents we file with the SEC. This means that we can disclose important information to you by referring you to those documents. The information incorporated by reference is considered to be a part of this proxy statement. We incorporate by reference, and this proxy statement is accompanied by a copy of, each of the following documents:

Amendment No. 1 to Annual Report on Form 10-K, for the fiscal year ended December 31, 2008 (filed with the SEC on July 28, 2009)

Quarterly Report on Form 10-Q for the fiscal quarter ended September 30, 2009 (filed with the SEC on November 12, 2009)

Statements contained in this proxy statement, or in any document incorporated by reference in this proxy statement regarding the contents of any contract or other document, are not necessarily complete and each such statement is qualified in its entirety by reference to that contract or other document filed as an exhibit with the SEC.

THE BOARD OF DIRECTORS

Dated: February 3, 2010

ANNEX 1
FORM OF WARRANT

THIS WARRANT AND THE SHARES OF COMMON STOCK ISSUABLE UPON EXERCISE OF THIS WARRANT HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 OR ANY STATE SECURITIES LAWS. THEY MAY NOT BE SOLD OR OFFERED FOR SALE, PLEDGED OR HYPOTHECATED IN THE ABSENCE OF A REGISTRATION STATEMENT AS TO THE WARRANT AND THE SHARES OF COMMON STOCK UNDER SAID ACT OR AN OPINION OF COUNSEL SATISFACTORY TO THE COMPANY THAT SUCH REGISTRATION IS NOT REQUIRED OR UNLESS SOLD PURSUANT TO RULE 144 OF SAID ACT.

GUIDED THERAPEUTICS, INC.
COMMON STOCK WARRANT

_____ shares of Common Stock

No. _____, 2010

GUIDED THERAPEUTICS, INC., a Delaware corporation (the "Company"), for value received, hereby certifies that _____ or its registered assigns (the "Holder") is entitled, subject to the provisions hereof, to purchase from the Company, at any time or from time to time during the Exercise Period (as defined in Section 5), _____ duly authorized, validly issued, fully paid and nonassessable shares of Common Stock (as defined in Section 5) of the Company (the "Warrant Shares") at a purchase price of \$0.65 per share (the "Warrant Price"), all subject to the terms, conditions and adjustments set forth below in this warrant (this warrant, and any new warrant issued pursuant to the terms hereof, being referred to herein as a "Warrant"). This Warrant is one of a series of warrants (the "Warrants") issued pursuant to the reclassification of the issued and outstanding shares of Series A Preferred Stock, par value \$.001, of the Company pursuant to the Certificate of Amendment to the Company's Restated Certificate of Incorporation, as amended, dated February __, 2010.

1. 1. Exercise of Warrant.

1.1 Manner of Exercise. This Warrant may be exercised by the Holder, in whole or in part, during normal business hours on any Business Day by delivering at the principal executive office of the Company the Warrant and a subscription notice in the form of Schedule I duly executed by such Holder accompanied by payment in cash or by certified or official bank check payable to the order of the Company or by wire transfer in the amount obtained by multiplying (a) the number of Warrant Shares designated in such subscription by (b) the Warrant Price.

1.2 When Exercise Effective. Each exercise of this Warrant shall be deemed to have been effected immediately prior to the close of business on the Business Day on which this Warrant shall have been surrendered to the Company as provided in Section 1.1. At such time, the Person or Persons in whose name or names any certificate or certificates for Warrant Shares shall be issuable upon such exercise as provided in Section 1.3 shall be deemed to have become the stockholder(s) of record thereof.

1.3 Delivery of Stock Certificates, etc. As soon as practicable after the exercise of this Warrant, in whole or in part, and in any event within five Business Days thereafter, the Company at its expense will cause to be issued to and delivered or registered in the name of the Holder hereof or, subject to Section 3, as such Holder (upon payment by such Holder of any applicable transfer taxes) may direct, the number of duly authorized, validly issued, fully paid and

nonassessable Warrant Shares to which such Holder shall be entitled upon such exercise plus, in lieu of any fractional share to which such Holder would otherwise be entitled, cash in an amount equal to the same fraction of the Market Price (as defined in Section 5) per share on the Business Day next preceding the date of such exercise. If the Company's transfer agent is participating in the Depository Trust Company ("DTC") Fast Automated Securities Transfer program and the Warrant Shares may be issued as book-entry shares pursuant to such program, the Company shall cause its transfer agent to electronically transmit the Warrant Shares so purchased to the Holder by crediting the account of the Holder with DTC through its Deposit Withdrawal Agent Commission system ("DTC Transfer"). If the aforementioned conditions to a DTC Transfer are not satisfied, the Company shall deliver to the Holder physical certificates representing the Warrant Shares so purchased. Further, the Holder may instruct the Company to deliver to the Holder physical certificates representing the Warrant Shares so purchased in lieu of delivering such shares by way of DTC Transfer. Any certificates so delivered shall be in such denominations as may be reasonably requested by the Holder hereof, shall be registered in the name of such Holder and shall bear a restrictive legend. If this Warrant shall have been exercised only in part, then the Company shall, at its expense, at the time of delivery of such certificates, deliver to the Holder a new Warrant or Warrants of like tenor, calling in the aggregate on the face or faces thereof for issuance of the number of Warrant Shares equal (without giving effect to any adjustment therein) to the number of such shares called for on the face of this Warrant minus the number of such shares so designated by such Holder upon such exercise as provided in Section 1.1.

1.4 Representations of the Company. The Company represents, warrants and acknowledges to the Holder that:

- (a) it is a corporation duly formed and validly existing in the State of Delaware;
- (b) it will at all times reserve and keep available, solely for issuance and delivery upon the exercise of this Warrant, the number of Warrant Shares (or Other Securities) from time to time issuable upon the exercise of the Warrant at the time outstanding. All such securities shall be duly authorized and, when issued upon such exercise, shall be validly issued and, in the case of shares, fully paid and nonassessable with no liability on the part of the holders thereof.
- (c) this Warrant has been duly authorized and approved by all requisite action of the Company, and constitutes a valid and binding agreement of the Company; and
- (d) when issued in accordance with the terms of this Warrant, the Warrant Shares will be duly authorized and validly issued, fully paid and nonassessable.

2. 2. Warrant Adjustments.

2.1 **Reclassification, Exchange, and Substitution.** If the Warrant Shares shall be changed into the same or a different number of shares of the same or any other class or classes of stock or other securities of the Company, including any such reclassification in connection with a consolidation or merger in which the Company is the surviving entity, whether by capital reorganization, reclassification, or otherwise, the Holder shall, on its exercise, be entitled to receive the kind and number of shares of Common Stock or Other Securities that the Holder would have owned or been entitled to receive had such Warrant been exercised in full immediately prior to the happening of such reclassification, exchange or substitution for the same aggregate consideration. If the Company shall at any time change its Common Stock or Other Securities, as the case may be, into the same or a different number of shares of the same or any other class or classes of stock or Other Securities, as the case may be, the Warrant Price then in effect immediately before that reclassification, exchange or substitution shall be adjusted by multiplying the Warrant Price by a fraction, the numerator of which shall be the number of shares of Common Stock or Other Securities, as the case may be, purchasable upon the exercise of this Warrant immediately prior to such adjustment and the denominator of which shall be the number of shares of Common Stock or Other Securities, as the case may be, purchasable immediately thereafter. An adjustment made pursuant to this Section 2.1 shall become effective immediately after the effective date of such event. Such adjustment shall be made successively whenever such an event occurs.

2.2 **Reorganization, Mergers or Consolidations.** In the event of a reorganization, merger or consolidation of the Company with or into another entity, then, as part of such reorganization, merger or consolidation, lawful provision shall be made so that the Holder shall thereafter be entitled to receive upon exercise of this Warrant, at any time prior to the end of the Exercise Period and upon payment of the Warrant Price then in effect, the number of shares of Common Stock or Other Securities or property of the Company, or of the successor corporation resulting from such merger or consolidation, to which the Holder would have been entitled in such reorganization, merger, or consolidation if this Warrant had been exercised immediately before that reorganization, merger or consolidation. In any such case, appropriate adjustment (as determined in good faith by the Company's Board of Directors) shall be made in the application of the provisions of this Warrant with respect to the rights and interests of the Holder after the reorganization, merger or consolidation to the end that the provisions of this Warrant (including adjustment of the Warrant Price then in effect and number of shares of Common Stock purchasable upon exercise of this Warrant) shall be applicable after that event, as near as reasonably may be, in relation to any Common Stock or Warrants or other property deliverable after that event upon exercise of this Warrant. The Company shall, within 30 days after making such adjustment, give written notice pursuant to Section 7. That notice shall set forth, in reasonable detail, the event requiring the adjustment and the method by which the adjustment was calculated and specify the Warrant Price then in effect after the adjustment and the increased or decreased number of Warrant Shares purchasable upon exercise of this

Warrant. When appropriate, that notice may be given in advance and include as part of the notice required under other provisions of this Warrant. Notwithstanding the foregoing, in the event of any transaction described in this Section 2.2 in which the consideration to be received by holders of Common Stock is payable only in cash, the Holder shall be entitled only to cash in the amount, if any, that such cash payment per share exceeds the Warrant Price.

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2.3 Form of Warrant after Adjustments. The form of this Warrant need not be changed because of any adjustments in the Warrant Price or number or kind of the shares of Common Stock purchasable pursuant to this Warrant, and Warrants theretofore or hereunder issued may continue to express the same price and number and kind of shares as are stated in this Warrant, as initially issued; provided, however, that the Company may, at any time in its sole discretion (which shall be conclusive), make any change in the form of Warrant certificate that it may deem appropriate and that does not affect the substance thereof. Any Warrant certificate thereafter issued, whether upon registration of transfer of, or in exchange or substitution for, an outstanding Warrant certificate may be in the form so changed.

3. Restrictions on Transfer.

3.1 Restrictive Legends. Except as otherwise permitted by this Section 3, each Warrant originally issued, each Warrant issued upon direct or indirect transfer, each certificate for Common Stock (or Other Securities) issued upon the exercise of any Warrant, and each certificate issued upon the direct or indirect transfer of any such Common Stock (or Other Securities), shall be stamped or otherwise imprinted with a legend in substantially the following form, if applicable:

“THESE SECURITIES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 OR ANY STATE SECURITIES LAWS. THEY MAY NOT BE SOLD OR OFFERED FOR SALE IN THE ABSENCE OF AN EFFECTIVE REGISTRATION STATEMENT AS TO THE SECURITIES UNDER SAID ACT OR EXEMPTION THEREFROM AND ANY APPLICABLE STATE SECURITIES LAWS OR EXEMPTION THEREFROM.”

3.2 Notice of Proposed Transfer; Opinions of Counsel. Prior to any transfer of any Restricted Securities that are not registered under an effective registration statement under the Securities Act (other than a transfer pursuant to Rule 144, Rule 144A or any comparable rule under such Act), the Holder thereof will give written notice to the Company of such Holder’s intention to effect such transfer and to comply in all other respects with this Section 3.2. Each such notice shall (a) describe the manner and circumstances of the proposed transfer in sufficient detail to enable counsel to render the opinion referred to below, and (b) designate counsel for the Holder giving such notice, which counsel shall be reasonably satisfactory to the Company. The Holder giving such notice will submit a copy thereof to the counsel designated in such notice. The following provisions shall then apply:

3.2.1 if in the written opinion of such counsel for the Holder, obtained at the Holder’s sole cost and expense and a copy of which shall be delivered to the Company and shall be reasonably satisfactory in form, scope and substance to the Company, the proposed transfer may be effected without registration of such Restricted Securities under the Securities Act or applicable state securities laws, such Holder shall thereupon be entitled to transfer such Restricted Securities in accordance with the terms of the notice delivered by such Holder to the Company. Each Restricted Security or certificate, if any, issued upon or in connection with such transfer shall bear the appropriate restrictive legend set forth in Section 3.1 unless, in the opinion of such counsel, such legend is no longer required to insure compliance with the Securities Act and applicable state securities laws; and

3.2.2 if the opinion of such counsel rendered pursuant to the foregoing subdivision 3.2.1 is not to the effect that the proposed transfer may legally be effected without registration of such Restricted Securities under the Securities Act or applicable state securities laws (such opinion to state the basis of the legal conclusions reached therein), such Holder shall not be entitled to transfer such Restricted Securities (other than a transfer pursuant to Rule 144, Rule 144A or any comparable rule under the Securities Act) until receipt by the Company of a further notice and a further opinion of counsel for such Holder to the effect stated in subdivision 3.2.1 above or until registration of such Restricted Securities under the Securities Act and applicable state securities laws has become effective.

3.2.3 Termination of Restrictions. The restrictions imposed by this Section 3 upon the transferability of Restricted Securities shall cease and terminate as to any particular Restricted Securities upon sale of the Restricted Securities in an offering registered under the Securities Act or when, in the opinion of counsel for the Company, such restrictions are no longer required in order to ensure compliance with the Securities Act. Whenever such restrictions shall terminate as to any Restricted Securities, the Holder thereof shall be entitled to receive from the Company, without expense (other than transfer taxes, if any), new securities of like tenor not bearing the applicable legend set forth in Section 3.1.

4. Ownership, Transfer and Substitution of Warrants. The Company may treat the Person in whose name this Warrant is registered on the register kept at the principal executive office of the Company as the owner and Holder thereof for all purposes, notwithstanding any notice to the contrary, except that, if and when any Warrant is properly assigned in blank, the Company may (but shall not be obligated to) treat the bearer thereof as the owner of such Warrant for all purposes, notwithstanding any notice to the contrary. Subject to Section 3, a Warrant, if properly assigned, may be exercised by a new Holder without first having a new Warrant issued.

5. Definitions. As used herein, unless the context otherwise requires, the following terms have the following respective meanings:

“Business Day” means any day other than a Saturday, Sunday or any other day on which U.S. Federal Reserve member banks are not open for business in Atlanta, Georgia.

“Commission” means the Securities and Exchange Commission or any other Federal agency at the time administering the Securities Act.

“Common Stock” means the common stock, par value \$.001 per share (or other common equity interest, however denominated) of the Company and any stock into which such Common Stock shall have been changed or any stock resulting from any reclassification of such Common Stock.

“Exercise Period” means the date commencing on the date of this Warrant and ending on _____, 2012.

“Market Price” means, per share of Common Stock on any date specified herein, (a) the last sale price on such date of such Common Stock or, if no such sale takes place on such date, the average of the closing bid and asked prices thereof on such date, in each case as officially reported on the principal national securities exchange on which such Common Stock is then listed or admitted to trading; or (b) if such Common Stock is not then listed or admitted to trading on any national securities exchange but is trading on either the over-the-counter market on the OTC Bulletin Board or the “Pink Sheets,” the last sale price as reported by the National Quotation Bureau; or (c) if neither (a) nor (b) is applicable, a price per share thereof equal to the fair value thereof determined in good faith by a resolution of the Board of Directors of the Company as of a date that is within 15 days of the date as of which the determination is to be made.

“Other Securities” means any stock (other than Common Stock) and other securities of the Company or any other Person (corporate or otherwise) that the Holder of the Warrant at any time shall be entitled to receive, or shall have received, upon the exercise of the Warrant, in lieu of or in addition to Common Stock, or that at any time shall be issuable or shall have been issued in exchange for or in replacement of Common Stock or Other Securities pursuant to Section 2 or otherwise.

“Person” means a corporation, an association, a partnership, an organization or business, an individual, a government or political subdivision thereof or a governmental agency.

“Restricted Securities” means (a) any Warrants bearing the applicable legend set forth in Section 3.1, (b) any Warrant Shares (or Other Securities) issued upon the exercise of Warrants that are evidenced by a certificate or certificates bearing the applicable legend set forth in such Section and (c) any Warrant Shares (or Other Securities) issued subsequent to the exercise of any of the Warrants as a dividend or other distribution with respect to, or resulting from a subdivision of the outstanding shares of Common Stock (or Other Securities) into a greater number of shares by reclassification, stock splits or otherwise, or in exchange for or in replacement of the Common Stock (or Other Securities) issued upon such exercise, that are evidenced by a certificate or certificates bearing the applicable legend set forth in such Section.

“Securities Act” means the Securities Act of 1933, or any similar Federal statute, and the rules and regulations of the Commission thereunder, all as the same shall be in effect at the time.

6. No Rights or Liabilities as Stockholder. Nothing contained in this Warrant shall be construed as conferring upon Holder hereof any rights as a stockholder of the Company or as imposing any obligation on such Holder to purchase any securities or as imposing any liabilities on the Holder as a stockholder of the Company, whether such obligation or liabilities are asserted by the Company or by creditors of the Company.

7. Notices. All notices and other communications provided for herein shall be delivered or mailed by first class mail, postage prepaid, addressed to:

If to the Holder:

If to the Company:

5835 Peachtree Corners East, Suite D

Norcross, GA 30092

The address provided in this Section 7 may be modified by the Company by providing the Holder notice in writing; provided, however, that the exercise of any Warrant shall be effective in the manner provided in Section 1.

8. Miscellaneous. This Warrant and any term hereof may be changed, waived, discharged or terminated only by an instrument in writing signed by the party against which enforcement of such change, waiver, discharge or termination is sought. Any provision of this Warrant that shall be prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction. To the extent permitted by applicable law, the Company waives any provision of law that shall render any provision hereof prohibited or unenforceable in any respect. This Warrant shall be governed by the substantive laws of the State of Georgia without reference to the choice of law rules thereof. The headings of this Warrant are inserted for convenience only and shall not be deemed to constitute a part hereof.

9. Loss, Theft, Destruction or Mutilation of Warrant. Upon receipt by the Company of evidence reasonably satisfactory to it of the loss, theft, destruction or mutilation of this Warrant, and in case of loss, theft or destruction, of indemnity or security reasonably satisfactory to it, and upon reimbursement to the Company of all reasonable expenses incidental thereto, and upon surrender and cancellation of this Warrant, if mutilated, the Company will make and deliver a new Warrant of like tenor and dated as of such cancellation, in lieu of this Warrant.

10. Saturdays, Sundays, Holidays, etc. If the last or appointed day for the taking of any action or the expiration of any right required or granted herein is not a Business Day, then such action may be taken or such right may be exercised on the next succeeding Business Day.

11. Expiration. The right to exercise this Warrant shall expire on the last day of the Exercise Period.

GUIDED THERAPEUTICS, Inc.

By:

Name:
Title:

Schedule I

Form of Subscription Note

To: GUIDED THERAPEUTICS, INC.

The undersigned irrevocably elects to purchase _____ shares of Common Stock of the Company by exercising the Warrant to which this form is attached and tenders to the Company, in immediately available funds, \$_____ representing the full Warrant Price with respect to such shares of Common Stock

The shares into which the Warrant is being exercised are referred to as the "Warrant Shares." The undersigned requests that the certificates representing the shares of Common Stock of the Company as to which the Warrant is being exercised be registered as follows:

Name:

Social Security or Employer Identification Number:

Address:

Deliver to:

Address:

___ The undersigned requests that the Company cause its transfer agent to electronically transmit the Common Stock issuable pursuant to this Subscription Form to the account of the undersigned or its nominee (which is _____) with DTC through its Deposit Withdrawal Agent Commission System ("DTC Transfer"), provided that such transfer agent participates in the DTC Fast Automated Securities Transfer program and the Common Stock issuable pursuant to this Subscription Form may be issued in book-entry form pursuant to such program.

___ In lieu of receiving the shares of Common Stock issuable pursuant to this Subscription Form by way of DTC Transfer, the undersigned hereby requests that the Company cause its transfer agent to issue and deliver to the undersigned physical certificates representing such shares of Common Stock.

The undersigned represents and warrants that it is an accredited investor within the meaning of Regulation D promulgated under the Securities Act and is purchasing the Warrant Shares for its own account for investment, and not with a view to, or for resale in connection with the distribution thereof, and has no present intention of distributing or reselling any Warrant Shares, and in making the foregoing representations, the undersigned is aware that it must bear, and is able to bear, the economic risk of such investment for an indefinite period of time. The undersigned agrees not to offer, sell, transfer or otherwise dispose of any Common Stock obtained on exercise of this Warrant except under circumstances that will not result in a violation of the Securities Act of 1933, as amended.

If the number of shares of Common Stock of the Company as to which the Warrant is being exercised are fewer than all the shares of Common Stock of the Company to which the Warrant relates, please issue a new Warrant for the balance of such shares of Common Stock registered in the name of the undersigned and deliver it to the undersigned at

the following address:

Address:

Date:

(Print Name of Warrant Holder)

(Signature)

(Title of signatory, if applicable)

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ANNEX 2
FORM OF PARTICIPATION RIGHTS AGREEMENT

This Participation Rights Agreement (this “Agreement”) is dated _____ __, 2010, and is between GUIDED THERAPEUTICS, INC., a Delaware corporation (the “Company”) and each of the persons listed as Stockholders on the signature pages to this Agreement and each other person who from time to time becomes a party to this Agreement by executing a counterpart signature page to this Agreement in the form of Exhibit A or such other form as may be designated by the Company (collectively, the “Stockholders”).

As approved by the Company’s Board of Directors, the Company determined to pursue a recapitalization plan (the “Plan”), pursuant to which, among other things, the Company asked its stockholders to approve the reclassification of the Company’s Series A Convertible Preferred Stock, par value \$.001 (the “Series A Preferred”) into a combination of shares of the Company’s common stock (“Common Shares”) and warrants to purchase Common Shares (“Warrants”).

In connection with the reclassification of the Series A Preferred as described above (the “Reclassification”), the Company determined to offer former holders of Series A Preferred certain rights to participate in future debt and equity financings.

On February __, 2010, the Company completed the Reclassification.

Therefore, the parties agree as follows:

2. PARTICIPATION RIGHTS

1.1 Participation in Equity Financings. The Company hereby grants to each Stockholder the right to purchase, on the same terms and conditions as the other investors in an Equity Financing (as defined in Section 1.4), the percentage of the total securities sold in such Equity Financing that is equal to the percentage of the Company’s fully diluted Common Shares represented by the Common Shares issued to such Stockholder pursuant to the Reclassification. The Company shall provide each Stockholder with not less than ten business days’ advance notice of any Equity Financing, which notice shall include the terms of the Equity Financing in sufficient detail to permit each Stockholder to make an informed investment decision whether to participate. The participation rights provided for in this Section 1.1 will not apply to any Equity Financing reasonably anticipated by the Company to have gross proceeds of less than \$100,000. The participation rights provided for in this Section 1.1 will expire on the earlier to occur of: (a) the date that is eighteen months (18) months after the Reclassification and (b) consummation by the Company of Equity Financings to which the participation rights provided for in this Section 1.1 apply with aggregate gross proceeds of \$10,000,000.

1.2 Participation in Debt Financings. The Company hereby grants to each Stockholder the right to purchase or loan, on the same terms and conditions as the other investors in a Debt Financing, the percentage of the total debt securities sold, or loans made, in any Debt Financing that is equal to the percentage of the Company’s fully diluted Common Shares represented by the Common Shares issued to such Stockholder pursuant to the Reclassification. The Company shall provide each Stockholder with not less than ten business days’ advance notice of any Debt Financing, which notice shall include the terms of the Debt Financing in sufficient detail to permit each Stockholder to make an informed investment decision whether to participate. The participation rights provided for in this Section 1.2 will not apply to any Debt Financing reasonably anticipated by the Company to have gross proceeds of less than \$100,000. The participation rights provided for in this Section 1.2 will expire on the earlier to occur of: (a) the date that is eighteen months (18) months after the Reclassification and (b) consummation by the Company of Debt Financings or Equity Financings, or a combination of both, to which the participation rights provided for in this Section 1 apply with

aggregate gross proceeds of \$10,000,000.

1.3 Material Non-Public Information. The Stockholders acknowledge that, in order to comply with the rights of the Stockholders provided for in this Agreement, it may be necessary for the Company to communicate material, non-public information regarding the Company to the Stockholders, including, without limitation, information regarding contemplated Debt Financings and Equity Financings, the proposed terms thereof, and other confidential information regarding the Company, its business and operations, in order to provide the Stockholders with sufficient information to decide whether to participate. No Stockholder shall disclose to any other Person any non-public information so communicated by the Company to it, and no Stockholder shall sell or purchase securities of the Company (other than from the Company pursuant to exercise of such Stockholder's rights set forth herein) while in the possession of material, non-public information regarding the Company. Any Stockholder may, upon written notice to the Company, elect to waive in advance its right to participate in Debt Financings and Equity Financings in accordance with the terms set forth herein, and to waive its right to receive advance notice of any contemplated Debt Financings and Equity Financings and other information and materials in connection therewith.

1.4 Definitions. As used in this Section 1:

“Debt Financing” means a financing of the Company in which debt securities are issued by, or loans are made to, the Company; however, a Debt Financing shall exclude (i) any financing included in the definition of Equity Financing, and (ii) the issuance of securities in connection with a business acquisition of or by the Company, whether by merger, consolidation, sale of assets, sale or exchange of stock or otherwise, or in connection with any other strategic transaction, or any financing or leasing transaction or a consulting relationship.

“Equity Financing” means a financing of the Company in which capital stock, securities convertible or exercisable into the Company’s capital stock, debt convertible into such capital stock, or debt with options or warrants exercisable into such capital stock are offered; however, an Equity Financing shall exclude (i) the grant of options, warrants or other rights to purchase Common Shares issued pursuant to a stock option plan approved by the Company’s Board of Directors and the issuance of Common Shares upon exercise thereof; (ii) the issuance of Common Shares upon the exercise of Warrants; (iii) the issuance of securities in connection with a business acquisition of or by the Company, whether by merger, consolidation, sale of assets, sale or exchange of stock or otherwise, or in connection with any other strategic transaction, or any financing or leasing transaction or a consulting relationship; (iv) securities offered pursuant to any employee benefit plan approved by the Board of Directors; and (v) Common Shares issued upon conversion of the Series A Preferred.

2. GENERAL

2.1 Joinder. Any former holder of shares of Series A Preferred who receives Common Shares pursuant to the Reclassification shall be entitled to become a party to this Agreement upon execution of a counterpart signature page to this Agreement in the form of Exhibit A or such other form as may be designated by the Company.

2.2 Notices. All notices and other communications provided for in this Agreement shall be delivered or mailed by first class mail, postage prepaid, addressed to:

If to a Stockholder, to the address set forth in the stock record book of the Company.

If to the 5835 Peachtree Corners East, Suite D
Company, Norcross, Georgia 30092
to:

2.3 Severability. In the event that any provision in this Agreement becomes or is declared by a court of competent jurisdiction to be illegal, unenforceable or void, this Agreement shall continue in full force and effect without that provision; provided that no such severability shall be effective if it materially changes the economic benefit of this Agreement to any party.

2.4 Governing Law. This Agreement is governed in all respects by the internal laws of the State of Georgia without reference to the principles of conflict of laws under Georgia law.

2.5 Counterparts. This Agreement may be executed in any number of counterparts, each executed counterpart constituting an original, but all together only one agreement.

The parties are signing this Agreement effective as of the date first written above.

GUIDED THERAPEUTICS, INC.

By: _____

Name: _____

Title: _____

THE STOCKHOLDERS:

By:

Name:

Title:

Exhibit A
Counterpart Signature Page

The undersigned hereby agrees to join, become a party to, and be bound by, as a "Stockholder," the Participation Rights Agreement, dated February __, 2010, between Guided Therapeutics, Inc. and the Stockholders party thereto, as the same may be in effect from time to time.

STOCKHOLDER

By:

Name:

Title:

Date: _____, 2010

FORM OF PROXY CARD

THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS
GUIDED THERAPEUTICS, INC.
SPECIAL MEETING OF STOCKHOLDERS
TO BE HELD FEBRUARY 26, 2010

The undersigned stockholder of GUIDED THERAPEUTICS, INC., a Delaware corporation (the "Company"), acknowledges receipt of the notice of special meeting of stockholders and proxy statement for the Special Meeting of Stockholders, and hereby appoints Mark L. Faupel, Ph.D. and Shabbir Bambot and each of them, proxies and attorneys-in-fact, with full power to each of substitution, on behalf and in the name of the undersigned, to represent the undersigned at the special meeting to be held on February 26, 2010 at 10:00 a.m. local time, at the office of Guided Therapeutics, Inc., 5835 Peachtree Corners East, Suite D, Norcross, Georgia 30092 and at any adjournment or adjournments of the special meeting, and to vote all shares of common stock which the undersigned would be entitled to vote if then and there personally present, on the following matter:

APPROVAL OF AN AMENDMENT TO THE COMPANY'S RESTATED CERTIFICATE OF INCORPORATION, AS AMENDED, TO RECLASSIFY THE SERIES A CONVERTIBLE PREFERRED STOCK INTO COMMON STOCK AND WARRANTS TO PURCHASE SHARES OF COMMON STOCK:

FOR

AGAINST

ABSTAIN

THIS PROXY WILL BE VOTED AS DIRECTED OR, IF NO CONTRARY DIRECTION IS INDICATED, WILL BE VOTED FOR THE AMENDMENT TO THE COMPANY'S CERTIFICATE OF INCORPORATION.

Dated:

_____,
2010

Signature

Signature

(This proxy should be marked, dated and signed by the stockholder(s) exactly as his or her name appears on this proxy, and returned promptly in the enclosed envelope. Persons signing in a fiduciary capacity should so indicate. If shares are held by joint tenants or as community property, both should sign.)

