
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

**Pursuant to Section 13 or 15(d) of
The Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported): July 30, 2015

PROPHASE LABS, INC.

(Exact name of Company as specified in its charter)

Delaware
(State or other jurisdiction
of incorporation)

0-21617
(Commission
File Number)

23-2577138
(I.R.S. Employer
Identification No.)

621 N. Shady Retreat Road
Doylestown, PA
(Address of principal executive offices)

18901
(Zip Code)

Company's telephone number, including area code: **(215) 345-0919**

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the Company under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 1.01. Entry Into a Material Definitive Agreement. On July 30, 2015, ProPhase Labs, Inc., a Delaware corporation (the “Company”) and Dutchess Opportunity Fund, II, LP, a Delaware limited partnership (“Dutchess”) entered into an Investment Agreement (the “Investment Agreement”) and a Registration Rights Agreement (the “Registration Rights Agreement”), each dated July 30, 2015, between the Company and Dutchess.

Pursuant to the Investment Agreement, Dutchess committed to purchase, subject to certain restrictions and conditions, up to 3,200,000 shares of the Company’s common stock, \$.0005 par value (“Common Stock”), over a period of 36 months from the effectiveness of the registration statement registering the resale of shares purchased by Dutchess pursuant to the Investment Agreement.

The Company may in its discretion draw on the facility from time to time, as and when the Company determines appropriate in accordance with the terms and conditions of the Investment Agreement. The maximum number of shares that the Company is entitled to put to Dutchess in any one draw down notice shall not exceed 500,000 shares with a purchase price calculated in accordance with the Investment Agreement. The Company may deliver a notice for a subsequent put from time to time, following the one day pricing period for the prior put.

The purchase price shall be set at ninety-five percent (95%) of the volume weighted average price (VWAP) of the Common Stock during the one trading day immediately following our put notice. The Company has the right to withdraw all or any portion of any put, except that portion of the put that has already been sold to a third party, including any portion of a put that is below the minimum acceptable price set forth on the put notice, before the closing. In the event Dutchess receives more than a five percent (5%) return on the net sales for a specific put, Dutchess must remit such excess proceeds to the Company; however, in the event Dutchess receives less than a five percent (5%) return on the net sales for a specific put, Dutchess will have the right to deduct from the proceeds of the put amount on the applicable closing date so Investor’s return will equal five percent (5%).

There are put restrictions applied on days between the draw down notice date and the closing date with respect to that particular put. During such time, the Company shall not be entitled to deliver another draw down notice. In addition, Dutchess will not be obligated to purchase shares if Dutchess’ total number of shares beneficially held at that time would exceed 4.99% of the number of shares of Common Stock as determined in accordance with Rule 13d-1(j) of the Securities Exchange Act of 1934, as amended. In addition, the Company is not permitted to draw on the facility unless there is an effective registration statement to cover the resale of the shares.

The Investment Agreement also contains customary representations and warranties of each of the parties. The assertions embodied in those representations and warranties were made for purposes of the Investment Agreement and are subject to qualifications and limitations agreed to by the parties in connection with negotiating the terms of the Investment Agreement. The Investment Agreement further provides that the Company and Dutchess are each entitled to customary indemnification from the other for, among other things, any losses or liabilities they may suffer as a result of any breach by the other party of any provisions of the Investment Agreement or Registration Rights Agreement (as defined below). Investors should read the Investment Agreement together with the other information concerning the Company that the Company publicly files in reports and statements with the Securities and Exchange Commission (the “SEC”).

Pursuant to the terms of the Registration Rights Agreement, the Company is obligated to file one or more registrations statements with the SEC to register the resale by Dutchess of the shares of Common Stock issued or issuable under the Investment Agreement. In addition, the Company is obligated to use all commercially reasonable efforts to have the registration statement declared effective by the SEC within 90 days after the registration statement is filed.

In connection with the preparation of the Investment Agreement and the Registration Rights Agreement, the Company paid Dutchess a document preparation fee in the amount of \$5,000.

The foregoing description of the Investment Agreement and the Registration Rights Agreement is qualified in its entirety by reference to the full text of the Investment Agreement and the Registration Rights Agreement, respectively, which are filed as Exhibits 10.1 and 10.2 to this Current Report on Form 8-K and incorporated herein by reference. The Company issued a press release on July 30, 2015 regarding entry into the Investment Agreement, which is attached as Exhibit 99.1.

Item 3.02. Unregistered Sales of Equity Securities. As described in Item 1.01, which is incorporated herein by reference, on July 30, 2015, the Company agreed to issue and sell up to 3,200,000 shares of Common Stock to Dutchess. The 3,200,000 shares represent 19.6% of the shares of Common Stock outstanding on a pre-issuance basis.

The purchase price shall be ninety-five percent (95%) of the volume weighted average price (VWAP) of the Common Stock during the one trading day immediately following the Company's put notice. Except as described above, in the event that Dutchess receives less than a five percent (5%) return on the net sales, no other commission or fee is payable to Dutchess with respect to the issuances of the shares.

The sales of the shares will be deemed to be exempt from registration under the Securities Act of 1933, as amended (the "Act") in reliance upon Section 4(2) of the Act (or Regulation D promulgated thereunder).

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits

| <u>No.</u> | <u>Description</u> |
|------------|---|
| 10.1 | Investment Agreement by and between ProPhase Labs, Inc. and Dutchess Opportunity Fund, II, LP, dated as of July 30, 2015 (incorporated by reference to Exhibit 4.1 of Form S-3 filed with the SEC on August 5, 2015) |
| 10.2 | Registration Rights Agreement by and between ProPhase Labs, Inc. and Dutchess Opportunity Fund, II, LP, dated as of July 30, 2015 (incorporated by reference to Exhibit 4.1 of Form S-3 filed with the SEC on August 5, 2015) |
| 99.1 | Press Release issued August 5, 2015 |

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

ProPhase Labs, Inc.

By: /s/ Robert V. Cuddihy, Jr.
Robert V. Cuddihy, Jr.
Chief Operating Officer and
Chief Financial Officer

Date: August 5, 2015

INDEX TO EXHIBITS

| Number | Description |
|--------|-------------------------------------|
| 99.1 | Press Release issued August 5, 2015 |

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ProPhase Establishes 3.2 Million Share Equity Line

DOYLESTOWN, PA—(Marketwire – August 5, 2015) - ProPhase Labs, Inc. (NASDAQ: PRPH) (www.ProPhaseLabs.com) announced today that as of July 30, 2015, it entered into an Investment Agreement (the “Investment Agreement”) with Dutchess Opportunity Fund, II, LP, a Delaware limited partnership (“Dutchess”). Pursuant to the Investment Agreement, Dutchess committed to purchase, subject to certain restrictions and conditions, up to 3,200,000 shares of the Company’s common stock, over a period of 36 months from the first trading day following the effectiveness of the registration statement registering the resale of shares purchased by Dutchess pursuant to the Investment Agreement.

The Company may in its discretion draw on the facility from time to time, as and when the Company determines appropriate in accordance with the terms and conditions of the Investment Agreement. The maximum number of shares that the Company is entitled to put to Dutchess in any one draw down notice shall not exceed 500,000 shares with a purchase price calculated in accordance with the Investment Agreement.

Ted Karkus, Chairman and Chief Executive Officer of the Company, stated: “The availability of this equity line enables the Company to raise capital as needed in a highly efficient manner. The combination of litigation expenses, new product development, enhanced marketing and brand building activities, and other corporate projects makes clear that setting up this equity line is prudent. There are no options, warrants or convertible debt associated with the equity line. We will seek to use the equity line, to the extent needed, at such times as are appropriate in view of market and other conditions.”

A registration statement relating to these securities has been filed with the Securities and Exchange Commission but has not yet become effective. These securities may not be sold nor may offers to buy be accepted prior to the time the registration statement becomes effective. Potential investors may obtain these documents for free by visiting EDGAR on the SEC’s website at www.sec.gov.

Dutchess is the agent for offering the shares pursuant to the Investment Agreement.

This press release shall not constitute an offer to sell or a solicitation of an offer to buy any securities, nor shall there be any sale of these securities in any state or jurisdiction in which such an offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such state or other jurisdiction.

About ProPhase Labs

ProPhase Labs is a diversified natural health medical science company. It is a leading marketer of the Cold-EEZE[®] Cold Remedy brand as well as other cold relief products. Cold-EEZE[®] Cold Remedy zinc gluconate lozenges are clinically proven to significantly reduce the duration of the common cold. Cold-EEZE[®] Cold Remedy customers include leading national chain, regional, specialty and local retail stores. ProPhase Labs has several wholly owned subsidiaries including a manufacturing unit, which consists of an FDA registered facility to manufacture Cold-EEZE[®] Cold Remedy lozenges and fulfill other contract manufacturing opportunities. For more information visit us at www.ProPhaseLabs.com.

Except for the historical information contained herein, this document contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements involve a number of risks and uncertainties that include, among others, risks associated with the offering, risks related to the acceptance and demand for our products, the impact of competitive products and pricing, the timely development and launch of new products, and the risk factors listed in our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q and any subsequent SEC filings.

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Investor Contact

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