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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**  
Washington, DC 20549

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**SCHEDULE 14A**  
(Rule 14a-101)

**INFORMATION REQUIRED IN PROXY STATEMENT  
SCHEDULE 14A INFORMATION  
Proxy Statement Pursuant to Section 14(a)  
of the Securities Exchange Act of 1934**

Filed by the Registrant  [X]

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))

[X] Definitive Proxy Statement

[ ] Definitive Additional Materials

[ ] Soliciting Material Pursuant to §240.14a-12

**PROPHASE LABS, INC.**

(Name of Registrant as Specified in Its Charter)

Payment of Filing Fee (Check the appropriate box):

[X] 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: \_\_\_\_\_
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April 20, 2017

Dear Stockholder:

You are invited to attend ProPhase Labs, Inc.'s Annual Meeting of Stockholders (the "Annual Meeting") on Thursday, May 18, 2017, at 4:00 p.m. Eastern Time, at Reed Smith LLP, 599 Lexington Avenue, 22<sup>nd</sup> Floor, New York, NY 10022. The meeting will start promptly at 4:00 p.m.

Whether or not you plan to attend the Annual Meeting in person, your vote is important. Please complete, date, sign and return the enclosed proxy or voting instruction form. A return envelope (which is postage prepaid if mailed in the United States) has been provided for your convenience. Even if you have voted by proxy, you may still vote in person if you attend the Annual Meeting. Please note, however, that if your shares are held of record by a bank, broker or similar institution and you wish to vote at the Annual Meeting, you must obtain a proxy issued in your name from that record holder.

Details of the business to be conducted at the Annual Meeting are included in the attached Notice of 2017 Annual Meeting of Stockholders and Proxy Statement.

Very truly yours,

*/s/ Ted Karkus*

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Ted Karkus

*Chairman of the Board of Directors  
and Chief Executive Officer*

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ProPhase Labs, Inc.  
621 N. Shady Retreat Road  
Doylestown, PA 18901

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**NOTICE OF 2017 ANNUAL MEETING OF STOCKHOLDERS  
to be held May 18, 2017**

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**TO THE STOCKHOLDERS OF PROPHASE LABS, INC.:**

NOTICE IS HEREBY GIVEN that the 2017 Annual Meeting of Stockholders (the "Annual Meeting") of ProPhase Labs, Inc. (the "Company"), a Delaware corporation, will be held at Reed Smith LLP, 599 Lexington Avenue, 22<sup>nd</sup> Floor, New York, NY 10022, on Thursday, May 18, 2017, at 4:00 p.m., Eastern Time, for the following purposes:

- (1) To elect as directors the five nominees named in the proxy statement to serve as our board of directors for the ensuing year until the next Annual Meeting of Stockholders and until their respective successors have been duly elected and qualified;
- (2) To ratify the appointment of EisnerAmper LLP as our independent registered public accounting firm for the year ending December 31, 2017; and
- (3) To transact such other business as may properly come before the Annual Meeting and any adjournments or postponements thereof.

These items of business are more fully described in the proxy statement accompanying this Notice.

YOUR BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE FOR EACH OF THE DIRECTOR NOMINEES AND IN FAVOR OF THE OTHER PROPOSAL DESCRIBED ABOVE AND IN THE ACCOMPANYING PROXY STATEMENT.

The record date for the Annual Meeting is April 18, 2017. Only stockholders of record at the close of business on that date may vote at the meeting or any adjournment or postponement thereof.

By Order of the Board of Directors

*/s/ Ted Karkus*

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Ted Karkus  
Chairman of the Board of Directors  
and Chief Executive Officer

Doylestown, PA  
April 20, 2017

**IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE STOCKHOLDERS' MEETING TO BE HELD ON MAY  
18, 2017**

The proxy statement and 2016 annual report to stockholders are available at:

<http://www.astproxyportal.com/ast/07814>

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ProPhase Labs, Inc.  
621 N. Shady Retreat Road  
Doylestown, PA 18901

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PROXY STATEMENT  
ANNUAL MEETING OF STOCKHOLDERS  
to be held May 18, 2017

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PROXY STATEMENT

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QUESTIONS AND ANSWERS ABOUT THESE PROXY MATERIALS AND THE 2017 ANNUAL MEETING OF STOCKHOLDERS

***Q: Why am I receiving these materials?***

**A:** The Board of Directors (the “Board”) of ProPhase Labs, Inc. (the “Company,” “we,” “our,” or “us,” as the context requires) is providing this proxy statement (this “Proxy Statement”) to solicit your proxy in connection with the Company’s 2017 Annual Meeting of Stockholders (the “Annual Meeting”), which will take place on Thursday, May 18, 2017. The Board is requesting your vote on the proposals described in this Proxy Statement. This Proxy Statement and the accompanying proxy card, or voting instruction form, as applicable, are being distributed on or about April 20, 2017.

***Q: Who is soliciting the proxies?***

**A:** We are soliciting proxies in the form enclosed on behalf of the Board. Our Board has selected the persons named on the enclosed proxy card (the “Named Proxies”) to vote all shares for which the Company has been appointed to act as proxy at the Annual Meeting. The Named Proxies will vote any properly executed proxy, if received in time and not revoked, at the Annual Meeting in accordance with your directions. The Named Proxies will vote any signed proxy that fails to specify a choice on any proposal to be acted upon at the Annual Meeting in accordance with the Board’s voting recommendations (as described below in “What are the Board’s voting recommendations?”), and, in the Named Proxies’ discretion, FOR or AGAINST such other business as may properly come before the Annual Meeting or any adjournment or adjournments thereof.

***Q: What information is contained in these materials?***

**A:** This Proxy Statement contains information related to the proposals to be voted on at the Annual Meeting, the voting process, the compensation of the Company’s executive officers and directors, and other required information. We have also enclosed for your review the Company’s Annual Report on Form 10-K for the fiscal year ending December 31, 2016 (the “2016 Annual Report”), which contains financial and other information about our business during our last fiscal year.

***Q: What proposals will be voted on at the Annual Meeting?***

**A:** There are two matters on which a vote is scheduled at the Annual Meeting:

- The election of the five director nominees named in this Proxy Statement to the Board (Proposal 1); and
- The ratification of the appointment of EisnerAmper LLP as the Company’s independent registered public accounting firm for the fiscal year ending December 31, 2017 (Proposal 2).

We will also consider and vote upon any other business properly brought before the Annual Meeting, or any adjournment or postponement thereof. However, our Secretary has not received timely and proper notice from any stockholder of any other matter to be presented at the meeting.

***Q: What are the Board's voting recommendations?***

**A:** The Board recommends that you vote your shares:

- FOR the election of each of the five director nominees named in this Proxy Statement to the Board (Proposal 1); and
- FOR the ratification of the appointment of EisnerAmper LLP as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2017 (Proposal 2).

***Q: What shares may I vote?***

**A:** You may vote all shares of the Company's Common Stock, par value \$0.0005 per share ("Common Stock"), that you owned as of the close of business on April 18, 2017 (the "Record Date"). These shares include:

1. those held directly in your name as the stockholder of record; and
2. those held for you as the beneficial owner through a bank, broker, or similar institution at the close of business on the Record Date.

Each share of Common Stock is entitled to one vote. On the Record Date, there were 17,080,776 shares of Common Stock issued and outstanding. There was no other class of voting securities of the Company outstanding on the Record Date.

***Q: What is the difference between holding shares as a stockholder of record and as a beneficial owner?***

**A:** Most Company stockholders hold their shares through a bank, broker or similar institution rather than directly in their own name. As summarized below, there are some distinctions between shares held of record and those owned beneficially.

***Stockholder of Record***

If your shares are registered directly in your name with the Company's transfer agent, American Stock Transfer & Trust Company LLC (the "Transfer Agent"), you are considered, with respect to those shares, the stockholder of record and we are sending these proxy materials directly to you. As the stockholder of record, you have the right to vote your shares in person at the Annual Meeting or grant a proxy to vote your shares to the Company or any other person who will appear in person at the Annual Meeting, and any adjournment and postponement thereof, and vote your shares on your behalf. Stockholders of record are requested to complete, date, sign and return (in the prepaid envelope provided for this purpose) the enclosed form of proxy for your shares, giving the Company the right to vote your shares for you at the Annual Meeting, as you direct.

***Beneficial Owner***

If you hold shares in a stock brokerage account or through a bank or similar institution, you are considered the beneficial owner of shares held in street name, and your bank, broker or nominee is forwarding these proxy materials to you. Your bank, broker, or nominee is considered, with respect to those shares, the stockholder of record. As the beneficial owner, you have the right to direct your bank, broker, or other nominee on how to vote your shares, but because you are not the stockholder of record, you may not vote these shares in person at the Annual Meeting unless you obtain a signed proxy from the record holder giving you the right to vote the shares. As a beneficial owner, you are, however, welcome to attend the Annual Meeting. Your bank, broker, or nominee has enclosed a voting instruction form for you to use.

***Q: May I attend the Annual Meeting in person?***

A: You are invited to attend the Annual Meeting and we encourage all stockholders of the Company to attend the Annual Meeting.

All stockholders attending the Annual Meeting will be asked to present a form of photo identification, such as a driver's license, in order to be admitted to the meeting. All bags or packages permitted in the meeting room will be subject to inspection. No cameras, computers, recording equipment, other similar electronic devices, signs, placards, briefcases, backpacks, large bags, or packages will be permitted in the Annual Meeting. The use of mobile phones, tablets, laptops and similar electronic devices during the Annual Meeting is prohibited, and such devices must be turned off and put away before entering the meeting room. By attending the Annual Meeting, stockholders agree to abide by the agenda and procedures for the Annual Meeting, copies of which will be distributed to attendees at the meeting.

***Q: How can I vote my shares in person at the Annual Meeting?***

A: You may vote shares you hold directly in your name as the stockholder of record in person at the Annual Meeting. If you choose to do so, please bring the enclosed proxy card. Voting in person at the Annual Meeting will revoke any proxy you submitted earlier.

If you are the beneficial owner of shares held in street name and your bank, broker, or nominee is forwarding these proxy materials to you, you may vote the shares in person at the Annual Meeting only if you have obtained a signed proxy from your bank, broker, or nominee (i.e., the record holder) giving you the right to vote the shares.

Even if you plan to attend the Annual Meeting, we recommend that you also submit your proxy as described below so that your vote will be counted if you later decide not to attend the Annual Meeting. Submitting your proxy now will not prevent you from voting your shares in person at the Annual Meeting if you desire to do so, as your proxy is revocable at your option.

***Q: How can I vote my shares without attending the Annual Meeting?***

A: Whether you hold shares directly as the stockholder of record or beneficially in street name, you may direct your vote without attending the Annual Meeting. If you hold your shares directly, you may vote by granting a proxy. If you hold your shares in street name, you may submit voting instructions to your bank, broker, or other nominee. Please refer to the summary instructions below and those included on your proxy card or, for shares held in street name, the voting instruction form included by your broker or nominee.

***By Mail***—You may vote by mail by signing your proxy card or, for shares held in street name, the voting instruction card provided by your bank, broker or nominee, and mailing it in the enclosed, postage prepaid and addressed envelope. If you provide specific voting instructions, your shares will be voted as you instruct at the Annual Meeting. If you sign but do not provide instructions, your shares will be voted as described below in “How are votes counted?”

***On the Internet***—If you hold your shares in street name and the firm that holds your shares offers online voting, your broker voting instruction form will contain instructions on how to vote online. If you vote online, you do not need to mail in your proxy card. If you hold your shares directly in your name as the stockholder of record you may not vote online.

***By Telephone***—If you hold your shares in street name and the firm that holds your shares offers voting by telephone, your broker voting instruction form will contain instructions on how to vote by telephone. If you vote by telephone, you do not need to mail in your proxy card. If you hold your shares directly in your name as the stockholder of record you may not vote by telephone.

***Q: May I change or revoke my vote?***

**A:** Yes, you may change or revoke your proxy instructions at any time prior to the vote at the Annual Meeting.

If you hold your shares directly and returned your proxy by mail, you must (a) provide written notice of revocation to the Secretary of the Company, (b) timely deliver a valid, later-dated proxy, or (c) vote in person at the Annual Meeting. Your attendance at the Annual Meeting will not by itself revoke your previously granted proxy unless you give written notice of revocation to the Secretary of the Company before the Annual Meeting or you vote at the Annual Meeting. Any proxy submitted by a stockholder of record may be revoked at any time prior to its exercise at the Annual Meeting.

For shares you own beneficially, you may change your vote by submitting new voting instructions to your bank, broker or nominee. If you voted on the Internet or by telephone, you may change your vote by following the instructions for voting by either method until the cut-off time stated in the proxy instructions.

***Q: How are votes counted?***

**A:** For Proposal 1 (the election of directors), you may vote “FOR ALL NOMINEES,” “WITHHOLD AUTHORITY FOR ALL NOMINEES,” or “FOR ALL EXCEPT” one or more of the nominees. Votes that are withheld will not be included in the vote tally for the election of directors (Proposal 1) and will not affect the results of that vote.

For Proposal 2 (the ratification of our independent public accounting firm for the fiscal year ending December 31, 2017), you may vote “FOR”, “AGAINST” or “ABSTAIN.” For abstentions, see “What happens if I abstain from voting?” below.

If you specify a voting choice, the shares will be voted in accordance with that choice. If you vote your shares, but do not indicate your voting preferences, the Named Proxies will vote your shares in accordance with the recommendations of the board of directors.

If you are a beneficial owner and you have not provided voting instructions to your broker, your broker may exercise discretion to vote your shares only with respect to the ratification of our independent registered public accounting firm (Proposal 2). Your broker does not have discretionary authority to vote your shares in the election of directors (Proposal 1), resulting in a “broker-non-vote” with respect to this proposal. See “What is a broker non-vote?” for more information.

***Q: What is the quorum requirement for the Annual Meeting?***

**A:** The quorum requirement for holding the Annual Meeting and transacting business is a majority of the outstanding shares of Common Stock (the “Shares”). The Shares may be present in person or represented by proxy at the Annual Meeting. Abstentions and “broker non-votes” (described below) will be counted as present and entitled to vote for purposes of determining a quorum at the Annual Meeting.

***Q: What is the voting requirement to approve each of the proposals?***

**A:** In the election of directors (Proposal 1), the five nominees for director who receive the highest number of votes “FOR” their election will be elected as directors. This is called a plurality vote.

Approval of the ratification of our independent registered public accounting firm (Proposal 2) will require the affirmative vote of a majority of the votes cast on such proposal by the Shares present in person or represented by proxy at the Annual Meeting and entitled to vote thereon.

In each case, a quorum must be present at the Annual Meeting for a valid vote.



***Q: What happens if I abstain from voting?***

**A:** If an executed proxy card is returned and the stockholder has explicitly abstained from voting on any proposal, the Shares represented by the proxy will be considered present at the Annual Meeting for the purpose of determining a quorum. Abstentions will not be counted as votes cast and therefore they will have no effect on the outcome of any proposal.

***Q: What is a “broker non-vote”?***

**A:** A “broker non-vote” occurs when a broker submits a proxy that does not indicate a vote for one or more of the proposals because the broker has not received instructions from the beneficial owner on how to vote on such proposal(s) and does not have discretionary authority to vote in the absence of instructions. Brokers have discretionary authority to vote on matters that are deemed “routine,” such as the ratification of our independent registered public accounting firm (Proposal 2). Brokers do not have discretionary authority to vote on matters that are deemed “non-routine,” such as the election of directors (Proposal 1). Broker non-votes will be counted for the purposes of determining whether a quorum exists at the Annual Meeting, but because they are not votes that are cast, they will have no effect on the outcome of Proposal 1.

***Q: Will I have dissenters’ rights?***

**A:** No dissenters’ rights are available under the General Corporation Law of the State of Delaware, our certificate of incorporation, or our bylaws to any stockholder with respect to any of the proposals.

***Q: What does it mean if I receive more than one proxy card or voting instruction form?***

**A:** It means your Shares are registered differently or are held in more than one account. Please provide voting instructions for all proxy cards and voting instruction forms you receive.

***Q: Where can I find the voting results of the Annual Meeting?***

**A:** We will announce preliminary voting results at the Annual Meeting and publish final results in a Current Report on Form 8-K following the Annual Meeting.

## PROPOSAL 1 - ELECTION OF BOARD OF DIRECTORS

The directors of the Company are elected annually and hold office for the ensuing year until the next Annual Meeting of Stockholders and until their successors have been duly elected and qualified. The directors are elected by a plurality of the votes cast by stockholders. The Company's Bylaws state that the number of directors constituting the entire Board will be determined by resolution of the Board. The number of directors currently fixed by the Board is six. James McCubbin will not stand for reelection at the Annual Meeting.

No proxy may be voted for more people than the number of nominees listed below. Shares represented by all proxies received by the Board and not marked to vote against or to withhold authority to vote for any individual director will be voted "FOR" the election of all the nominees named below (unless one or more nominees becomes unable or unwilling to serve). All of the nominees have indicated their willingness to serve if elected, but if any should become unable or unwilling to stand for election, proxies may be voted for a substitute nominee designated by the Board. No nominations for directors were received from stockholders and no other candidates are eligible for election as directors at the Annual Meeting.

The following table and the paragraphs following the table set forth information regarding the current ages, positions, and business experience of the five nominees for election to the Board:

<b>Name</b>	<b>Position</b>	<b>Age</b>	<b>Initial Year in Office</b>
Ted Karkus	Chairman of the Board and Chief Executive Officer	57	2009
Jason Barr	Director	37	2015
Mark Burnett	Director	57	2009
Louis Gleckel, MD	Director	61	2009
Mark Leventhal	Director	68	2009

**TED KARKUS** has been the Chairman of the Board and the Chief Executive Officer of the Company since June 2009. Mr. Karkus was formerly the managing member of Forrester Financial, LLC, a management consulting firm founded by Mr. Karkus in 2001. Forrester Financial LLC provided a wide range of services to emerging-growth companies, including the structuring and raising of working capital as well as assisting management in developing operational, marketing and financial strategies. Mr. Karkus was instrumental in assisting the turnaround of ID Biomedical, an influenza vaccine manufacturer, which in 2005 was sold to GlaxoSmithKline plc for over \$1.4 billion. Mr. Karkus has twenty-five years of experience in securities and capital markets including two years with Fahnestock & Co. Inc., a full-service brokerage firm, where he was Senior Vice President, Director of Institutional Equities, and four years at S.G. Warburg, an investment bank, where he was an institutional equity salesman and developed a large network of institutional investors. Mr. Karkus graduated with an MBA from Columbia University Graduate School of Business in 1984 where he received Beta Gamma Sigma honors. He graduated Magna Cum Laude from Tufts University in 1981.

Mr. Karkus brings extensive financial structuring as well as operational and marketing strategy experience to our Board, including successful restructuring and turnaround scenarios in the pharmaceutical industry. These skills, as well as Mr. Karkus' experience as our Chairman and Chief Executive Officer, along with his deep knowledge of and genuine interest in our Company, management skills and business savvy, and his performance as a Board member of the Company, led the Board to conclude that he should be nominated to serve another term as a director.

**JASON M. BARR** has been a member of our Board since June 2015 and currently serves as a member of the Governance and Nominating Committee and as the chairman of the Compensation Committee. Mr. Barr has served as the General Counsel of LiveStyle, Inc. (f/k/a SFX Entertainment, Inc. ("LiveStyle")), a producer of live events, media and entertainment content focused on electronic music, since December 2016, and previously served as its Senior Deputy General Counsel, Senior Vice President & Corporate Secretary from 2013 to November 2016. Prior to his role at LiveStyle, Mr. Barr was a corporate and securities attorney at Reed Smith LLP in New York City, from 2007 to 2013, where he represented LiveStyle in its formation and initial public offering and served as the Company's outside counsel for approximately two years. Mr. Barr graduated from Suffolk University Law School in 2007 and received his bachelor's degree from Dickinson College in 2002.

Mr. Barr brings to our Board knowledge and expertise with corporate finance, commercial law, regulatory matters including reporting compliance with the Securities and Exchange Commission (the "SEC"), corporate governance, and mergers and acquisitions. This legal background, business experience, independence, and his knowledge of the Company from his experience as its counsel, and his performance as a Board member, chairman of the Compensation Committee and member of the Governance and Nominating Committee, led the Board to conclude that he should be nominated to serve as a director.

**MARK BURNETT** has been a member of our Board since June 2009 and currently serves as a member of our Compensation Committee and chairman of the Audit Committee. Mr. Burnett is the Executive Vice President and Chief Executive Officer for MercBloc, LLC, which he co-founded in 2007. MercBloc, LLC is a financial services administrator that has raised more than \$500 million for investment from over 70 high net-worth individuals. Mr. Burnett is also the managing member of Fuse Capital, LLC, which is a private securities trading and investment company. He is also the founder and managing member of nTech5, LLC, a company dedicated to sales in the media communications services industry. Since 1996, Mr. Burnett has also been in the business of building residential homes in the Nassau County region of Long Island, New York. For over 25 years, he has maintained a seat on the New York Mercantile Exchange, having started his career trading heating oil and crude oil futures contracts. Mr. Burnett graduated from the State University of New York at Stony Brook in 1981.

Mr. Burnett brings to our Board financial expertise including financial structuring, capital raising and investment experience as well as experience in running a company. This financial background, business experience, independence, and his performance as a Board member and the chairman of the Audit Committee and member of the Compensation Committee, led the Board to conclude that he should be nominated to serve another term as a director.

**LOUIS GLECKEL, MD**, has been a member of our Board since June 2009 and currently serves as a member of our Compensation Committee and chairman of our Governance and Nominating Committee. In 1997, Dr. Gleckel co-founded ProHealth Care Associates, a comprehensive state of the art multi-specialty physician group practice with offices in Long Island and Bronx, New York. At ProHealth, he is the Division Chief of Cardiology and Internal Medicine specializing in Preventative Cardiology, Metabolic Syndrome and Internal Medicine with particular emphasis on high-risk patients with complications from diabetes and heart disease. He was named to New York Magazine's Best Doctors list for three years, New York Metro Area Best Doctors list for fourteen years and the 2008 Nassau County Best Doctors list. For over ten years Dr. Gleckel has been a team physician for the New York Jets and New York Islanders as well as for the tennis players at the US Open. Dr. Gleckel also served as Chairman of the Board of Invicta Corporation, a development stage company that designed, manufactured and marketed photochromic eyeglass lenses, for approximately four years until his resignation in February 2005.

Dr. Gleckel brings to the Board extensive knowledge of the medical, pharmaceutical and related industries as a distinguished doctor, as well as experience in successful business development and board service. This experience, as well as his independence and his performance as a Board member, member of our Compensation Committee, and chairman of our Governance and Nominating Committee, led the Board to conclude that he should be nominated to serve another term as a director.

**MARK LEVENTHAL** has been a member of our Board since June 2009 and currently serves as a member of both the Audit Committee and the Governance and Nominating Committee. In 1972, he joined The Beacon Companies, LLP, a family business that developed office buildings, hotels, retail and multi-family housing throughout the United States. Some of his projects in the Boston area included: Rowes Wharf consisting of 100 luxury condos, 400,000 square feet of office space, a 230 room hotel, and a marina; One Post Office Square consisting of 750,000 square feet of office space; three additional hotels including the Meridian Hotel; and over 2,500 multifamily housing units in and around Boston. Many of these properties formed the foundation for Beacon Properties, a REIT which was listed on the New York Stock Exchange in 1994. Beacon Properties was subsequently sold to Equity Office Properties, an owner and operator of a national portfolio of office buildings, for approximately \$4.4 billion in 1997. Since that time, Mr. Leventhal has continued to invest in real estate in Massachusetts, Rhode Island and Connecticut. Mr. Leventhal holds a Bachelor's degree in Civil Engineering from Northeastern University.

Mr. Leventhal brings to the Board more than thirty years of business and financial expertise. This experience, as well as his independence and his performance as a Board member and member of our Audit and Governance and Nominating Committees, led the Board to conclude that he should be nominated to serve another term as a director.

**Required Vote**

Directors are elected by a plurality of the votes cast, in person or by proxy, at the Annual Meeting.

**Recommendation of the Board of Directors**

**THE BOARD OF DIRECTORS RECOMMENDS A VOTE “FOR” THE ELECTION OF EACH OF THE FIVE DIRECTOR NOMINEES NAMED IN THIS PROXY STATEMENT. PROXIES SOLICITED BY THE BOARD WILL BE VOTED “FOR” EACH NOMINEE UNLESS STOCKHOLDERS SPECIFY A CONTRARY VOTE.**

## CORPORATE GOVERNANCE

### Director Independence

As required by NASDAQ listing standards, a majority of the members of our Board must qualify as “independent,” as affirmatively determined by our Board. Our Board consults with our legal counsel to ensure that its determinations are consistent with all relevant securities and other laws and regulations regarding the definition of “independent,” including those set forth in the applicable NASDAQ listing standards.

Based on these standards, upon the recommendation of our Governance and Nominating Committee, the Board has affirmatively determined that each of our current non-employee directors is “independent,” as defined by the applicable listing standards of NASDAQ. Thus, five of our six current directors are independent under the listing standards of NASDAQ. Mr. Karkus is not considered independent because he is an employee of the Company. Additionally, our Board has affirmatively determined that each of Mark Burnett, James McCubbin, Mark Leventhal, and Jason Barr, who will replace Mr. McCubbin on the Audit Committee following the Annual Meeting, is independent under SEC rules regarding audit committee independence.

Our independent directors have executive sessions at which only independent directors are present in connection with regularly scheduled board meetings, and no less than twice a year.

### Board of Directors Leadership Structure

Our governance structure combines the roles of principal executive officer and Board Chairman. Mr. Karkus has served as both Chairman and CEO of the Company since June 2009. The Board believes there are important advantages to Mr. Karkus serving in both roles at this time, and may revisit this structure at its discretion in the future. Mr. Karkus is the director most familiar with our Company’s business and industry and is best situated to propose the Board’s agendas and lead Board discussions on important matters. Mr. Karkus provides a strong link between management and the Board, which promotes clear communication and enhances strategic planning and implementation of corporate strategies. Another advantage is the clarity of leadership provided by one person representing the Company to employees, stockholders and other stakeholders. The Board has not named a lead independent director.

### Risk Oversight

Our Board is actively involved in oversight of risks that could affect us. This oversight is conducted primarily by our full Board of Directors, which has responsibility for general oversight of risks, and through delegation to the Audit Committee. Our Board of Directors satisfies this responsibility through full reports by each committee chair regarding the committee’s considerations and actions, as well as through regular reports directly from officers responsible for oversight of particular risks within our Company. The Board believes that full and open communication between management and the Board is essential for effective risk management and oversight.

In addition, our Board monitors our exposure to a variety of risks through our Audit Committee. Our Audit Committee Charter gives the Audit Committee responsibilities and duties that include discussing with management, the internal audit department and the independent auditors, our major financial risk exposures and the steps management has taken to monitor and control such exposures, including our risk assessment and risk management policies. Pursuant to the Audit Committee Charter, such discussions should also include our exposure to counterparties or other institutions which we believe are at risk of significant financial distress.

### Committees of the Board of Directors

The Board has established three committees: the Audit Committee, the Compensation Committee, and the Governance and Nominating Committee (the “Nominating Committee”).

### ***Audit Committee***

The current members of the Audit Committee are Mark Burnett, James McCubbin, and Mark Leventhal. The Audit Committee has been established in accordance with Section 3(a)(58)(A) of the Exchange Act. Mr. Burnett serves as Chairman of the Audit Committee. The Board has determined that all of the current members of the Audit Committee meet the independence requirements of the NASDAQ listing standards and that Mr. McCubbin and Mr. Burnett each qualify as an “audit committee financial expert” as defined by the rules of the SEC. Additionally, our Board has affirmatively determined that each of Mark Burnett, James McCubbin, and Mark Leventhal is “independent” as defined by the applicable SEC rules regarding audit committee independence. The Audit Committee reviews, analyzes and makes recommendations to the Board with respect to the Company’s accounting policies, internal controls and financial statements, consults with the Company’s independent registered public accountants, and reviews filings containing financial information of the Company to be made with the SEC. The Audit Committee met 5 times during 2016. The Audit Committee operates under a written charter adopted by the Board which is available on our website at [www.ProPhaseLabs.com](http://www.ProPhaseLabs.com) under “*Investor Relations — Corporate Governance and Policies — Audit Committee Charter.*”

As noted above, Mr. McCubbin will not stand for reelection at the Annual Meeting. The Board has appointed Mr. Barr to replace Mr. McCubbin on the Audit Committee following the Annual Meeting. Our Board has affirmatively determined that Mr. Barr meets the independence requirements of the NASDAQ listing standards and is “independent” as defined by the applicable SEC rules regarding audit committee independence.

### ***Compensation Committee***

The members of the Compensation Committee are Jason Barr, Dr. Louis Gleckel, and Mark Burnett. Mr. Barr serves as chairman of the Compensation Committee. The Board has determined that the Compensation Committee consists entirely of directors who meet the independence requirements of the NASDAQ listing standards for Compensation Committee members. The Compensation Committee reviews and approves the salary and all other compensation of officers of the Company, including non-cash benefits, incentive-based awards and equity-based awards. The Compensation Committee also administers the Company’s Amended and Restated 2010 Equity Compensation Plan and the 2010 Directors’ Equity Compensation Plan. The Compensation Committee may form subcommittees and delegate authority to such subcommittees or to one or more of its members when appropriate. The Compensation Committee has the authority to engage consultants. The Compensation Committee met 2 times during 2016. The Compensation Committee operates under a written charter adopted by the Board which is available on our website at [www.ProPhaseLabs.com](http://www.ProPhaseLabs.com) under “*Investor Relations — Corporate Governance and Policies — Compensation Committee Charter.*”

### ***Nominating Committee***

The members of the Nominating Committee are Mark Leventhal, Dr. Louis Gleckel, and Jason Barr. Dr. Gleckel serves as chairman of the Nominating Committee. The Board has determined that the Nominating Committee consists entirely of directors who meet the independence requirements of the NASDAQ listing standards. The Nominating Committee is responsible for developing and recommending criteria for selecting new directors and oversees evaluations of the Board and committees of the Board. The Nominating Committee has the responsibility to oversee the Company’s Corporate Governance Guidelines and propose changes to such guidelines from time to time as may be appropriate. The Nominating Committee met one time during 2016. The Nominating Committee operates under a written charter adopted by the Board which is available on our website at [www.ProPhaseLabs.com](http://www.ProPhaseLabs.com) under “*Investor Relations — Corporate Governance and Policies — Governance and Nominating Committee Charter.*”

## Meetings of the Board of Directors in 2016

For the fiscal year ended December 31, 2016, there were 6 meetings of the Board. Each of the directors attended, in person or by telephone, more than 75% of the meetings of the Board and the committees on which he served.

The independent members of the Board met in executive session twice during 2016.

Each director is expected to make reasonable efforts to attend Board meetings, meetings of committees of which such director is a member and the Annual Meeting of Stockholders. Five of our six directors attended the 2016 Annual Meeting of Stockholders in person.

## Director Nominations

In selecting candidates for appointment or re-election to the board of directors, the Nominating Committee considers the following criteria:

- Personal and professional ethics and integrity, including a reputation for integrity and honesty in the business community.
- Experience as an executive officer of companies or as a senior leader of complex organizations, including scientific, government, educational, or large not-for-profit organizations. The Nominating Committee may also seek directors who are widely recognized as leaders in the fields of medicine or the biological sciences and manufacturing or business generally, including those who have received awards and honors in their field.
- Financial knowledge, including an understanding of finance, accounting, the financial reporting process, and company measures for operating and strategic performance.
- Possess the fundamental qualities of intelligence, perceptiveness, fairness, and responsibility.
- Ability to critically and independently evaluate business issues, contributing a diverse perspectives or viewpoints, and making practical and mature judgments.
- A genuine interest in the Company, and the ability to spend the time required to make substantial contributions as a director.
- No conflict of interest or legal impediment that would interfere with the duty of loyalty to the Company and its stockholders.
- Current ownership of Common Stock of the Company, or a willingness to acquire shares of Common Stock, to further align the interests of non-employee directors with the interests of the Company's stockholders.

Directors should have varied educational and professional experiences and backgrounds that, collectively, provide meaningful guidance and counsel to management. Diversity of background, including gender, race, ethnic or national origin, age, and experience in business, government, education, international experience and other areas relevant to the Company's business are factors in the selection process. As a company, we are committed to creating and sustaining a culture of inclusion and fairness. In addition, the Nominating Committee reviews the qualifications of the directors to be appointed to serve as members of the Audit Committee to ensure that they meet the financial literacy and sophistication requirements under applicable NASDAQ rules and that at least one of them qualifies as an "audit committee financial expert" under the applicable SEC rules.

The Nominating Committee will consider written proposals from stockholders for nominees for director. Any such nominations must be submitted to the Nominating Committee in accordance with Article 2.14 of the Company's Bylaws to the Secretary at the Company's principal executive office. For a stockholder to make any nomination of a person or persons for election to the Board at an annual meeting, the stockholder must provide timely notice and certain information about the stockholder and the nominee. To be timely, a stockholder's notice must be delivered to, or mailed and received at, the principal executive office of the Company not less than ninety (90) days nor more than one hundred twenty (120) days prior to the one-year anniversary of the preceding year's annual meeting; provided, however, that if the date of the annual meeting is more than thirty (30) days before or more than sixty (60) days after such anniversary date, notice by the stockholder to be timely must be so delivered, or mailed and received, not later than the ninetieth (90th) day prior to such annual meeting, or, if such meeting is announced later than the ninetieth (90th) day prior to the date of such meeting, not later than the tenth (10<sup>th</sup>) day following the day on which public disclosure (as defined in Article 2.14 of the Bylaws) of the date of such annual meeting was first made.

Information must be provided for (i) the stockholder providing the notice of the nomination proposed to be made at the meeting, (ii) the beneficial owner or beneficial owners, if different, on whose behalf the notice of the nomination proposed to be made at the meeting is made, (iii) any affiliate or associate of such stockholder or beneficial owner, and (iv) any other person with whom such stockholder or such beneficial owner (or any of their respective affiliates or associates) is acting in concert. Each such person must provide (A) the name and address of such person (including, if applicable, the name and address that appear on the Company's books and records); and (B) the class or series and number of shares of the Company that are, directly or indirectly, owned of record or beneficially owned (within the meaning of Rule 13d-3 under the Securities Exchange Act of 1934, as amended (the "Exchange Act")), by such person, except that such person shall in all events be deemed to beneficially own any shares of any class or series of the Company as to which such person has a right to acquire beneficial ownership at any time in the future. In addition, each person must provide information relating to their derivative and short positions in the Company's securities, as set out in the Company's Bylaws.

In addition, each director nominee must provide the same information, as well as all information relating to such proposed nominee that is required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for election of directors in a contested election pursuant to Section 14(a) under the Exchange Act (including such proposed nominee's written consent to being named in the proxy statement as a nominee and to serving as a director if elected), a description of all direct and indirect compensation and other material monetary agreements, arrangements and understandings during the past three years, and any other material relationships, between or among any nominating stockholder, on the one hand, and each proposed nominee, his or her respective affiliates and associates and any other persons with whom such proposed nominee (or any of his or her respective affiliates and associates) is acting in concert, on the other hand, including, without limitation, all information that would be required to be disclosed pursuant to Item 404 under Regulation S-K if such nominating stockholder were the "registrant" for purposes of such rule and the proposed nominee were a director or executive officer of such registrant, and a completed and signed questionnaire, provided by the Company's Secretary relating to any voting commitments. The Company may require any proposed nominee to furnish such other information (A) as may reasonably be required by the Company to determine the eligibility of such proposed nominee to serve as an independent director of the Company or (B) that could be material to a reasonable stockholder's understanding of the independence or lack of independence of such proposed nominee.

## **Governance Policies and Procedures**

### ***Code of Conduct***

We have adopted a code of conduct that applies to all members of our Board and all employees of the Company, including the Chief Executive Officer, Chief Financial Officer, and other senior financial officers. The Code of Conduct is available on our website at [www.ProPhaseLabs.com](http://www.ProPhaseLabs.com) under "Investor Relations — Corporate Governance and Policies — Code of Conduct." We have not granted any waivers under this policy to any of our directors or executive officers. Any waiver will be disclosed in accordance with NASDAQ requirements.



### ***Corporate Governance Guidelines***

The Board has adopted Corporate Governance Guidelines to promote effective governance of the Company. The Corporate Governance Guidelines are available on our website at [www.ProPhaseLabs.com](http://www.ProPhaseLabs.com) under “Investor Relations — Corporate Governance and Policies — Governance Overview.”

### ***Whistleblower Policy***

The Company has established a whistleblower policy by which confidential complaints may be raised anonymously within the Company. Employees that wish to submit complaints confidentially should submit an anonymous written complaint directly to Compliance Officer, Jason Barr. Complaints submitted through this confidential process that involve the Company’s accounting, auditing, and internal auditing controls and disclosure practices will be presented to the Audit Committee. The policy is available on our website at [www.ProPhaseLabs.com](http://www.ProPhaseLabs.com) under “Investor Relations — Corporate Governance and Policies — Whistleblower Policy”.

### ***Insider Trading Policy***

The Company maintains an insider trading policy that provides that the Company’s personnel may not buy, sell or engage in other transactions in the Company’s stock while aware of material non-public information and that restricts trading in Company securities for a limited group of Company employees (including executive officers and directors) to defined window periods that follow our quarterly earnings releases. The policy is available on our website at [www.ProPhaseLabs.com](http://www.ProPhaseLabs.com) under “Investor Relations — Corporate Governance and Policies — Securities Trades.”

### ***Procedures for Contacting Directors***

The Company has adopted a procedure by which stockholders may send communications to one or more members of the Board by writing to such director(s) or to the whole Board, care of the Corporate Secretary, ProPhase Labs, Inc., 621 N. Shady Retreat Road, Doylestown, PA 18901. The mailing envelope should contain a clear notation indicating that the enclosed letter is a “Board Communication” or “Director Communication.” All such letters must clearly state whether the intended recipients are all members of the Board or just certain specified individual directors. The Secretary will make copies of all such letters and circulate them to the appropriate director or directors.

### ***Certain Relationships and Related Transactions***

In accordance with the terms of the charter of our Audit Committee, the Audit Committee must review and approve the terms and conditions of all related party transactions. “Related party transactions,” as described in Item 404(a) of Regulation S-K promulgated by the SEC generally refer to any transaction, arrangement or other relationship, or any series of similar transactions, arrangements or relationships in which we were or are to be a participant, where the amount involved exceeds the lesser of (i) \$120,000 and (ii) one percent (1%) of the average of our total assets at year end for the prior two fiscal years (which was \$138,000), and in which any director, executive officer or holder of more than five percent (5%) of our voting securities (or affiliates or immediate family members of such persons) had or will have a material interest.

We have not entered into any transactions with related parties since the start of 2015 that would require disclosure under Item 404(a) of Regulation S-K.

## EXECUTIVE OFFICERS

The following table and the paragraphs following the table set forth information regarding the current ages, positions, and business experience of the current executive officers of the Company:

<u>Name</u>	<u>Position</u>	<u>Age</u>
Ted Karkus	Chairman of the Board and Chief Executive Officer	57
Robert V. Cuddihy, Jr.	Executive Vice President, Chief Operating Officer and Chief Financial Officer	57

**TED KARKUS** has been the Chairman of the Board and the Chief Executive Officer of the Company since June 2009. Mr. Karkus was formerly the managing member of Forrester Financial, LLC, a management consulting firm founded by Mr. Karkus in 2001. Forrester Financial LLC provided a wide range of services to emerging-growth companies, including the structuring and raising of working capital as well as assisting management in developing operational, marketing and financial strategies. Mr. Karkus was instrumental in assisting the turnaround of ID Biomedical, an influenza vaccine manufacturer, which in 2005 was sold to GlaxoSmithKline plc for over \$1.4 billion. Mr. Karkus has twenty-five years of experience in securities and capital markets including two years with Fahnestock & Co. Inc., a full-service brokerage firm, where he was Senior Vice President, Director of Institutional Equities, and four years at S.G. Warburg, an investment bank, where he was an institutional equity salesman and developed a large network of institutional investors. Mr. Karkus graduated with an MBA from Columbia University Graduate School of Business in 1984 where he received Beta Gamma Sigma honors. He graduated Magna Cum Laude from Tufts University in 1981.

**ROBERT V. CUDDIHY, JR.** has over twenty years of experience as the Chief Operating Officer and/or Chief Financial Officer of three public companies, including iDNA Inc., which focused on corporate communications, and HMG Worldwide Corporation, which focused on retail, planning and merchandising. Mr. Cuddihy has been the Chief Operating Officer of the Company since July 2009 and the Chief Financial Officer of the Company since April 2011. He served as Chief Financial Officer and Treasurer of iDNA Inc. from September 2001 through February 2009 and Secretary from January 2003 through February 2009. From July 1987 to March 2001, Mr. Cuddihy was the Chief Financial Officer and Chief Operating Officer of HMG Worldwide Corporation, and also served as a director of such entity from February 1998 to May 2001. During 2009 and 2010, Mr. Cuddihy served as the President of Shannon Hill Associates, providing due diligence, financial structuring, operational analysis and transaction negotiation services for M&A, restructurings and divestitures. From July 1981 to July 1987, Mr. Cuddihy was with KPMG Peat Marwick, Certified Public Accountants, where he last served as a senior audit manager. Mr. Cuddihy graduated with a bachelor's degree in accounting from Franklin and Marshall College in 1981.

## EXECUTIVE COMPENSATION

The following summary compensation table sets forth the total compensation paid or accrued for the years ended December 31, 2016 and 2015 to our CEO and our other most highly compensated executive officer who was serving as an executive officer on December 31, 2016. We refer to these officers as our “named executive officers.”

### Summary Compensation Table (2016 and 2015)

Name and Principal Position	Year	Salary(\$)	Bonus (1)(\$)	All Other Compensation (2) (\$)	Total(\$)
Ted Karkus Chairman of the Board and Chief Executive Officer	2016	675,000	150,000	25,600	850,600
	2015	675,000	160,000	25,600	860,600
Robert V. Cuddihy, Jr. Chief Financial Officer, Executive Vice President and Chief Operating Officer	2016	350,000	75,000	25,600	450,600
	2015	350,000	85,000	25,600	460,600

- (1) Bonuses earned in recognition of services rendered for the applicable year. With respect to the 2016 bonuses, in light of the potential sale of the Company’s Cold - EEZE<sup>®</sup> brand that was pending at 2016 fiscal year end, the Compensation Committee elected to defer its assessment of 2016 performance until 2017. The 2016 bonuses were determined and approved by our Compensation Committee in April 2017, following the successful closing of the sale of the Company’s Cold - EEZE<sup>®</sup> brand on March 29, 2017, and will be paid in April 2017 and recorded as an expense in fiscal 2017, in accordance with generally accepted accounting principals.
- (2) The value of attributable personal benefits for each named executive officer of the Company, including vehicle allowances, and matching contributions in the Company’s 401(k) defined contribution plan.

### Compensation Philosophy

Our Compensation Committee believes that the most effective compensation program should:

- attract and retain talented executives who will lead us through the challenges that we may face and put us in a position to grow and succeed;
- motivate our executives to achieve short-term, medium-term and long-term financial and strategic goals;
- reward our executives for the achievement of individual and corporate objectives; and
- align the interests of management with those of the stockholders by providing incentives for superior performance that improves shareholder value.

There is no pre-established policy or target for the allocation between either cash and non-cash or short-term, medium-term and long-term incentive compensation. This approach provides our Compensation Committee the ability to evaluate the compensation package from year to year with the flexibility to configure allocations and amounts in a manner that aligns closely with stockholder interests. The Compensation Committee considers our corporate performance, individual performance, and the economic environment in general and in our industry when it makes compensation decisions. The Compensation Committee uses these factors, in conjunction with its overall compensation philosophy, when it determines compensation to be awarded to the named executive officers during a fiscal year.

While we do not have any policy for the proportion of compensation that should be allocated as cash or non-cash, or short or long-term, we have historically paid our named executive officers a greater percentage of their total compensation as base salary. This is due to market factors in our industry and the specific situations facing our Company. It is important for us to retain the services of our talented and experienced executive team through market fluctuations. In addition, our named executive officers were hired during a difficult time for our Company – our net sales had been on the decline for a number of years, and we were in the process of initiating litigation against certain former officers and directors of the Company. It has been important, as our named executive officers have steered the Company through these difficulties, to provide a certain amount of fixed compensation that would give some assurances as to the level of compensation that they would earn. We have utilized annual bonus awards to reward results or extraordinary efforts, which motivates the named executive officers to produce positive short-term results. We grant stock options and other stock-based awards which align the long-term interests of our named executive officers to the interests of our shareholders by making our named executive officers stakeholders and tying their long-term interests to our success.

In 2009, the Company hired a compensation consultant to review and recommend compensation for our named executive officers. Since then, our Compensation Committee has not used a third-party compensation consultant, and has not specifically benchmarked the compensation of our executives to the pay of other executives in companies of similar size in our industry, given the unique challenges that are faced by other companies of our size in our industry. However, we have historically compared the level of our executives' compensation against the compensation of other companies in our industry in general, and believe that the level of compensation our executives receive is within the range of compensation paid to other executives in our industry. We use these compensation checks to ensure that our executives are being appropriately rewarded and to discourage a move to a competitor during a challenging time.

Regarding most compensation matters, the Chief Executive Officer's responsibility is to provide recommendations to the Compensation Committee based on an analysis of market standards and trends and an evaluation of the contribution of each executive officer to the Company's performance. Our Compensation Committee considers, but retains the right to accept, reject or modify such recommendations. Neither the Chief Executive Officer nor any other member of management is present during executive sessions of the Compensation Committee. Moreover, the Chief Executive Officer is not present when decisions with respect to his compensation are made.

In April 2017, the Compensation Committee retained the services of Bond & Pecaro, Inc. to advise the committee on a going forward basis on executive compensation matters.

#### **Consideration of 2016 Advisory Stockholder Vote on Executive Compensation**

On May 24, 2016, at our annual meeting of stockholders, our stockholders overwhelmingly approved, on a non-binding advisory basis, the compensation of the Company's named executive officers, including the Company's compensation practices and principles and their implementation, as discussed and disclosed in the compensation tables and related narrative disclosure contained in our 2016 Proxy Statement (the "Say on Pay Vote"). The Compensation Committee appreciates and values the views of our stockholders. In light of the strong level of support of the overall pay practices, and of the general effectiveness of our long standing compensation policies, the Board and the Compensation Committee did not make any specific changes to our executive compensation program for 2016.

At the annual meeting on May 6, 2013, our stockholders expressed a preference that our Say on Pay Vote occur every three years. In accordance with the results of this vote, the Board of Directors determined to implement a Say on Pay Vote every three years. Therefore, the next Say on Pay Vote will be held at our 2019 annual meeting of stockholders. The next required vote on the frequency of Say on Pay Votes will also be held at our 2019 annual meeting of stockholders.

#### **Elements of Compensation**

Subject to variation where appropriate, the elements of compensation to our named executive officers include:

- base salary, which is determined on an annual basis and is generally set forth in employment agreements with our executives;
- annual cash incentive compensation, which is awarded by our Compensation Committee on a discretionary basis, determined based on the Company and individual performance in the applicable fiscal year; and
- long-term incentive compensation in the form of options and other stock-based awards.

#### ***Base Salary and Annual Bonus***

Cash compensation for our named executive officers consists of base salary and an annual bonus pursuant to the terms of their respective employment agreements. Base salaries are an integral component of our total compensation program, and setting base salaries at competitive levels helps us to attract and retain senior executives. Base salary is the only fixed component of compensation for our executives. The base salaries for our executive officers are set in their employment agreements, which were determined based on the Compensation Committee's evaluation of the competitive marketplace, the salaries of our other executives, and the scope of each executive's responsibilities. The base salaries of our named executive officers were set at the level deemed necessary to secure their employment for an extended period and to appropriately reward them for the multiple roles that they play in our Company; our named executive officers are our Company's only two executive officers, and as such, each holds more than one title and is responsible for multiple parts of our business.

Our annual bonus opportunity is intended to incentivize the achievement of our short-term goals. On an annual basis, generally in mid-December, our Compensation Committee assesses the individual performance of each of our named executive officers and the performance of the Company and determines the appropriate annual bonus award, if any, for our named executive officers. We do not use pre-established targets for the annual bonus award because market factors that affect our Company's performance are unpredictable, and thus it would be difficult to set goals at the beginning of the fiscal year that would appropriately motivate our named executive officers throughout the year. By basing the annual incentive on assessments made at the end of the year of the performance of the individual executives and the Company, and occasionally making mid-year determinations where the circumstances warrant an immediate reward, we can take all market factors into account and reward our named executive officers appropriately for their performance.

#### ***Equity-Based Awards.***

Our Compensation Committee believes that equity-based participation provides the named executive officers a strong economic interest in maximizing stock price appreciation over the long term and aligns their interests with the interests of our stockholders. Equity-based awards are made pursuant to the Company's equity incentive plans. Our primary stock-based employee compensation plan, the Amended and Restated 2010 Equity Compensation Plan (the "2010 Plan"), authorizes us to issued up to 3,200,000 shares of Common Stock (subject to adjustments described in the 2010 Plan) to eligible employees, directors, consultants, advisors and other service providers of the Company or any of our affiliates.

We regard the 2010 Plan as a key retention tool. Retention serves as a very important factor in our determination of the type of award to grant and the number of underlying shares that are granted in connection with that award. In addition, our Compensation Committee considers cost to the Company in determining the form of award, as well as our desire to have equity awards drive and reward performance over an extended period of time in order to promote long-term value for our stockholders, and to be an integral part of a competitive compensation program. Our Compensation Committee believes that stock options, restricted shares and stock grants are the best forms of award to achieve these goals, as stock options are designed to deliver value to executives only if our stock price increases over the value at the time of grant, and restricted shares and stock grants provide compensation that fluctuates with our stock price.

In determining the size of an option, restricted stock or stock grant to a named executive officer, both upon initial hire and on an ongoing basis, our Compensation Committee considers competitive market factors, the size of the equity incentive plan pool, cost to the Company, the level of equity held by the executive and by other officers, and individual contribution to corporate performance. In particular, the Compensation Committee considers the level of grant it deems necessary to appropriately reward the named executive officers for the multiple roles that they play in our Company; as noted above, our named executive officers are our Company's only two executive officers, and as such, each holds more than one title and is responsible for multiple parts of our business. Although there is no set target level for holding options or stock ownership, our Compensation Committee recognizes that the equity-based component ensures additional focus by the named executive officers on stock price performance, enhances executive retention, and aligns the interests of the named executive officers with the interests of our stockholders. Accordingly, the exercise price of stock options is tied to the fair market value of our Common Stock on the date of grant. A grant of stock options typically will vest over a two to three year period, although the Compensation Committee may at times determine that a fully vested award is appropriate.

There is no set formula for the granting of awards to individual executives or employees. The number of options awarded may vary up or down from prior year awards, based on the Compensation Committee's review and consideration of the above-listed goals and factors. Neither Mr. Karkus nor Mr. Cuddihy were awarded incentive stock options as compensation for 2016.

In keeping with our executive compensation program and philosophy for incentivizing the performance of our named executive officers, as noted above, our Compensation Committee has used grants of stock, including restricted stock. Such grants are intended to reinforce the alignment of interests of our named executive officers with those of our stockholders, as the value of the awards granted thereunder is linked to the value of our Common Stock, which, in turn, is indirectly attributable to the individual performance of our named executive officers. In fiscal 2016, we did not grant any stock options, restricted stock awards or stock grants to Mr. Karkus or Mr. Cuddihy.

#### ***Defined Contribution Plan***

In 1999, the Company implemented a 401(k) defined contribution plan for its employees. The 401(k) plan is the Company's primary retirement benefit for its employees, including its executives. For executive officers, as well as all other employees, the Company makes a contribution to the plan annually based on the amount of the employee's 401(k) plan contributions and compensation. The contribution to the plan by the Company consists of a 50% match of the employee's contribution, up to \$10,600 per person, per annum. The Company's total contribution to the 401(k) plan in 2016 for its named executive officers, in the aggregate, was approximately \$21,200. Company contributions to the Company's 401(k) plan are included in the Summary Compensation Table as "Other Compensation."

The Company does not provide its executive officers with any type of defined benefit retirement benefit or the opportunity to defer compensation pursuant to a non-qualified deferred compensation plan.

#### ***Perquisites and Other Personal Benefits***

The Company provides executives with limited personal benefits. The Compensation Committee reviews annually the levels of personal benefits provided to the executives. Medical and dental insurance is provided to each executive, along with all other eligible employees, subject to the same terms and conditions, including premium payments, that apply to all other eligible employees. Life and disability insurance is provided to each executive at no cost to the executive. All such welfare benefits terminate at the time each executive is no longer employed with the Company or as otherwise provided in the applicable employment agreement (except as otherwise required by continuation coverage laws).

## **Employment Agreements**

On May 29, 2015, the Company entered into new employment agreements with each of Ted Karkus, Chairman and Chief Executive Officer of the Company, and Robert V. Cuddihy, Jr., Chief Financial Officer and Chief Operating Officer of the Company. The employment agreements superseded previous employment agreements with Messrs. Karkus and Cuddihy, effective January 1, 2015. The employment agreements were modified to include voluntary decreases in the amounts payable to our executive officers in the event of termination by the Company without Cause, or a resignation by the executive for Good Reason (as such terms are defined in the Employment Agreements) and to include a provision acknowledging compliance with Section 409A of the Internal Revenue Code of 1986, as amended. Each employment agreement was approved by our Board of Directors. Copies of the employment agreements are included as Exhibits 99.1 and 99.2, respectively, to the Company's Current Report on Form 8-K, filed with the SEC on June 1, 2015.

Under his employment agreement with the Company, Mr. Karkus agreed to an annual base salary of \$675,000 as Chief Executive Officer. He is eligible to receive an annual increase in base salary and may be awarded a bonus in the sole discretion of the Compensation Committee, and also will receive regular benefits routinely provided to other senior executives of the Company.

Under his employment agreement with the Company, Mr. Cuddihy agreed to an annual base salary of \$350,000 as Chief Financial Officer and Chief Operating Officer. Mr. Cuddihy is eligible to receive an annual increase in base salary and may be awarded a bonus in the sole discretion of the Compensation Committee, and also will receive regular benefits routinely provided to other senior executives of the Company.

### ***Clawback Provision***

The amended and restated employment agreements include a clawback provision applicable to the named executive officers, which was also included in the January 2015 employment agreements. Specifically, in the event certain conditions are satisfied, namely, if:

- a mandatory restatement of the Company's financial results occurs while the Company remains publicly traded and is attributable to misconduct or wrongdoing by the individual executive;
- the executive has received payment of a cash bonus or has been issued any Company shares as a bonus within three (3) years preceding the mandatory restatement; and
- the amount of such cash bonus or share grant was calculated and awarded pursuant to a specific financial formula, and the cash bonus or share grant would have been diminished based on the restated financial results had the financial formula been applied using the restated financial results;

then the executive is required to remit to the Company the amount by which the original cash bonus or share grant would have been diminished, net of taxes originally paid. However, if the net effect of the restatement is effectively neutral to the Company over the applicable time periods, then no clawback amount will be due from the executive.

### **Payments upon Termination or Change in Control**

Our employment agreements with our named executive officers also provide for payments upon certain terminations and change in control benefits. The Compensation Committee provides our named executive officers with termination benefits in order to attract and retain talented executives in a marketplace where such benefits are commonly provided as a part of a competitive compensation package. Change in control termination benefits also ensure that the named executive officers make decisions based on the good of the stockholders, and will retain their drive and focus in the event of a change in control of the Company, even if it means that they would lose their jobs as a result. The level of severance benefits in Messrs. Karkus and Cuddihy are based on a multiple of base salary only, rather than base and bonus as is typical in the market. The Compensation Committee determined that a multiple of bonus would not be appropriate since our bonus is generally discretionary at this time and payable only on an ad hoc basis upon short-term achievements. The Compensation Committee believes that the base salary multiple is set at an appropriate level given the lack of bonus inclusion, as well as in light of our compensation program goals of retention and the provision of a competitive compensation package.

Under their employment agreements, in the event of the termination by the Company of the employment of Mr. Karkus or Mr. Cuddihy for “Cause” or due to voluntary resignation without a Good Reason (as such terms are defined in their respective employment agreements), no severance benefits become payable. If Mr. Karkus or Mr. Cuddihy are terminated by the Company for any reason other than termination for Cause or due to a voluntary resignation by either executive without Good Reason (as defined in the agreements), then Mr. Karkus will be paid a severance payment 1.5 times his base salary (decreased from 2.5 times his base salary in his prior employment agreement) (“Mr. Karkus Severance”) and Mr. Cuddihy will be paid a severance payment 1.5 times his base salary (“Mr. Cuddihy Severance”). For each of the Mr. Karkus Severance and the Mr. Cuddihy Severance, one-half of such severance payment will be paid as a lump sum in cash and the remaining one-half paid in 12 equal consecutive, monthly installments commencing on the first business day of the month following the effective date of the termination. In addition, Messrs. Karkus and Cuddihy, and their eligible dependents, will be entitled to Company-paid COBRA continuation coverage premiums under the Company welfare plans, for a period of up to 18 months. Notwithstanding the above, if termination is due to death or disability, then any cash severance payment will only be made to the extent that the proceeds are payable to the Company through a “key man” life, disability or similar insurance policy.

Additionally, if Mr. Karkus or Mr. Cuddihy, within twenty four (24) months after or within 180 days prior to, or otherwise in contemplation of, a Change in Control (as defined in the agreements) of the Company, is terminated without Cause (other than due to death or disability) or due to a voluntary resignation by him with Good Reason, then in lieu of the cash severance described above, the executive will instead receive a one-time severance payment in cash equal to the greater of (x) One Million Five Hundred Thousand Dollars (\$1,500,000) (decreased from \$2,500,000 in his prior employment agreement), for Mr. Karkus, or Nine Hundred Thousand Dollars (\$900,000) (decreased from \$1,000,000 in his prior employment agreement), for Mr. Cuddihy, and (y) 199 percent (decreased from 299 percent in the prior employment agreements) of his average annual total Form W-2 compensation for the three calendar years immediately preceding the date of termination.

In the event of termination without Cause or due to a voluntary resignation by either executive with Good Reason, stock options and/or restricted stock held by Mr. Karkus or Mr. Cuddihy, as applicable, will automatically vest concurrently with such termination of employment.

As a condition to Messrs. Karkus and Cuddihy receiving any termination or severance benefit contemplated by their respective employment agreements, each of Mr. Karkus and Mr. Cuddihy has agreed to execute and deliver to the Company a separation agreement and general release to, among other things, release and discharge the Company from claims arising out of such executive officer’s employment relationship with the Company or the termination of that relationship. In addition, neither the Company nor the executive officer may disparage to any third party the professional or personal reputation or character of the other.

#### *Excise Tax Gross-Ups Eliminated*

Prior to the January 2015 agreements, our employment agreements for Messrs. Karkus and Cuddihy provided the right to receive a tax gross-up payment in the event that payments payable or benefits provided to the named executive officer would become subject to the excise tax imposed by Section 4999 of the Internal Revenue Code.

The amended and restated employment agreements eliminate this right. We do not provide for tax reimbursement payments or gross-ups related to a change in control. If any payments payable or benefits provided to the named executive officer would become subject to the excise tax imposed by Section 4999 of the Internal Revenue Code or to any similar tax imposed by state or local law, then the aggregate amount of payments payable to the named executive officer will be reduced to the aggregate amount of payments that may be made without incurring such excise tax, provided that such reduction will only be imposed if the aggregate after-tax value of the payments retained by the executive (after giving effect to such reduction) is equal to or greater than the aggregate after-tax value (after giving effect to the excise tax) of the payments without any such reduction.



Outstanding Equity Awards at 2016 Fiscal Year End

Name	Option Awards				Stock Awards	
	Number of Securities Underlying Unexercised Options Exercisable	Equity Incentive Plan Awards Number of Securities Underlying Unexercised Options	Option Exercise Price (\$)	Option Expiration Date	Equity Incentive Plan Awards: Number of Unearned Shares That Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares That Have Not Vested (\$)
Ted Karkus	600,000(1)		1.00	12/15/2017	—	—
	100,000(2)	—(2)	1.65	12/18/2019		
Robert V. Cuddihy, Jr.	200,000(3)	—(3)	1.00	12/15/2017	—	—
	120,000(4)	—(4)	1.65	12/18/2019		
	40,000(5)	—(5)	1.39	12/18/2021		

- (1) Award of 600,000 options was granted December 15, 2010 with a six-year vesting period measured from the date of grant, and as such, one-sixth of these options vests on each of the six annual anniversaries of the date of grant. In December 2014, the option vesting period was accelerated such that the full 600,000 share grant was fully vested as of December 15, 2014.
- (2) Award of 100,000 options was granted December 19, 2013 with a two-year vesting period measured from the date of grant, and as such, these options are fully vested.
- (3) Award of 200,000 options was granted December 15, 2010 with a four-year vesting period measured from the date of grant, and as such, these options are fully vested.
- (4) Award of 120,000 options was granted December 19, 2013 with a two-year vesting period measured from the date of grant, and as such, these options are fully vested.
- (5) Award of 40,000 options was granted December 20, 2014, which was fully vested on the date of grant.

**Director Compensation for 2016**

<b>Name (1)</b>	<b>Fees Earned or Paid in Cash (\$)</b>	<b>Stock Awards (\$)</b>	<b>Total (\$)</b>
Jason Barr	\$ 36,000	-	\$ 36,000
Mark Burnett	\$ 36,000	-	\$ 36,000
Louis Gleckel, MD	\$ 36,000	-	\$ 36,000
Mark Leventhal	\$ 36,000	-	\$ 36,000
James McCubbin	\$ 36,000	-	\$ 36,000

- (1) Our employee directors do not receive director fees. Accordingly, Mr. Ted Karkus, a director and the Chairman of the Board and the Chief Executive Officer of the Company, is not entitled to, and did not receive, any compensation for his service on the Board.

In setting director compensation, the Company considers the significant amount of time that directors expend in fulfilling their duties to the Company. Each non-employee director receives a quarterly Board fee of \$9,000, paid quarterly following the close of each quarter, pro-rated for partial service. Non-employee directors do not receive additional fees for attendance at Board or committee meetings.

We reimburse each non-employee member of our Board for out-of-pocket expenses incurred in connection with attending Board and Committee meetings. Non-employee directors do not participate in any Company nonqualified deferred compensation plan and we do not pay any life insurance policies for the directors. Any director who is an employee of the Company is not entitled to compensation for service as a Board member.

## EQUITY COMPENSATION PLAN INFORMATION

The table below sets forth information with respect to shares of common stock that may be issued under our equity compensation plans issued as of December 31, 2016:

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a))
	(a)	(b)	(c)
Equity compensation plans approved by security holders <sup>(1)(2)</sup>	1,699,000	\$ 1.20	881,467
Equity compensation plans not approved by security holders	—	—	—
<b>Total</b>	<b>1,699,000</b>	<b>\$ 1.20</b>	<b>881,467</b>

- (1) On May 5, 2010, our stockholders approved the 2010 Equity Compensation Plan which was subsequently amended, restated and approved by stockholders on April 24, 2011, and further amended and approved by stockholders on May 6, 2013, and further amended and approved by stockholders on May 24, 2016 (the “2010 Plan”). The 2010 Plan, as amended, provides that the total number of shares of Common Stock that may be issued under the 2010 Plan is equal to 3.2 million shares. Consultants and advisors who perform services for us are also eligible to participate in the 2010 Plan. At December 31, 2016, we have outstanding 1,699,000 stock options, subject to vesting, under the 2010 Plan. For Fiscal 2016, we charged to operations \$1,000 for compensation expense for the fair value of the vested portion of the stock options (see Note 6 to Notes to Consolidated Financial Statements). At December 31, 2016, there are 733,659 shares of Common Stock that may be issued in the future pursuant to the 2010 Plan.
- (2) On May 5, 2010, our stockholders approved the 2010 Directors’ Equity Compensation Plan which was subsequently amended and approved by our stockholders on May 6, 2013. The 2010 Directors’ Equity Compensation Plan provides that the total number of shares of Common Stock that may be issued under the 2010 Directors’ Equity Compensation Plan is equal to 425,000. For Fiscal 2016 there were no shares of our Common Stock granted under the 2010 Directors’ Equity Compensation Plan. At December 31, 2016, there are 147,808 shares of Common Stock that may be issued pursuant to the 2010 Directors Equity Compensation Plan.

## SECURITY OWNERSHIP

The following table sets forth information regarding ownership of our Common Stock as of April 18, 2017, or earlier date for information based on filings with the SEC by (a) each person known to the Company to own more than 5% of the outstanding shares of our Common Stock, (b) each director and nominee for director of the Company, (c) the named executive officers and (d) all directors and executive officers as a group. Unless otherwise indicated, the address of each person or entity listed below is the Company's principal executive office.

Name of Beneficial Owners	Common Stock Beneficially Owned(1)	Percent of Class
<b>5% Stockholders</b>		
BML Investment Partners, L.P. (2)	2,322,627	13.6%
<b>Officers and Directors</b>		
Ted Karkus(3)	3,374,588	19.0%
Mark Burnett	310,808	1.7%
Louis Gleckel, MD	79,235	*
Mark Leventhal(4)	1,061,980	6.2%
James McCubbin	31,829	*
Robert V. Cuddihy, Jr.(5)	491,324	2.8%
Jason Barr	12,100	*
<b>ALL DIRECTORS AND EXECUTIVE OFFICERS (Seven Persons)</b>	<b>5,361,864</b>	<b>29.6%</b>

\* Less than 1%

- (1) Beneficial ownership has been determined in accordance with Rule 13d-3 ("Rule 13d-3") under the Exchange Act, and unless otherwise indicated, represents shares for which the beneficial owner has sole voting and investment power. The percentage of class is calculated in accordance with Rule 13d-3 based on 17,080,776 shares outstanding on April 18, 2017 and includes options or other rights to subscribe for shares of Common Stock which are exercisable within sixty (60) days of April 18, 2017.
- (2) Based on information of beneficial ownership included in a Schedule 13D/A filed with the Securities and Exchange Commission on January 11, 2017, which reports the 2,322,627 shares of common stock with shared voting power and shared dispositive power. BML Investment Partners, L.P. is a Delaware limited partnership whose sole general partner is BML Capital Management, LLC. The managing member of BML Capital Management, LLC is Braden M. Leonard. As a result, Mr. Leonard is deemed to be the indirect owner of the shares held directly by BML Investment Partners, L.P. The address of BML Investment partners, L.P. is 65 E Cedar – Suite 2, Zionsville, IN 46077.
- (3) Includes 2,674,588 shares and options to purchase 700,000 shares that are vested and exercisable.
- (4) Includes 180,000 shares owned by the Mark S & Donna R Leventhal Family Foundation Inc., a charitable foundation, which is controlled by Mr. Leventhal and his wife. Mr. Leventhal disclaims beneficial ownership of such 180,000 shares except to the extent of his pecuniary interest therein.
- (5) Includes 131,324 shares and options to purchase 360,000 shares that are vested and exercisable.

## **SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE**

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires the Company's officers, directors and persons who own more than ten percent of a registered class of the Company's equity securities to file reports of ownership and changes in ownership with the SEC. Officers, directors and greater than ten-percent stockholders are required by the SEC's regulations to furnish the Company with copies of all Section 16(a) forms they file. The Company is not aware of any reports of ownership or changes in ownership of its officers, directors and greater than ten-percent stockholders that were filed or required to be filed during 2016.

## AUDIT COMMITTEE REPORT

The members of the Audit Committee are Messrs. Burnett, McCubbin, and Leventhal, who are independent directors and meet the eligibility standards for audit committee service under the rules of NASDAQ. The Board has determined that Mr. McCubbin and Mr. Burnett are audit committee financial experts, as defined under SEC rules.

Management is responsible for the preparation, presentation and integrity of the Company's consolidated financial statements and the Company's internal control over financial reporting. The independent registered public accounting firm of EisnerAmper LLP is responsible for performing an independent audit of the Company's consolidated financial statements. Under the guidance of a written charter adopted by the Board, the purpose of the Audit Committee is to oversee the accounting and financial reporting processes of the Company and audits of its financial statements. The responsibilities of the Audit Committee include appointing and providing for the compensation of the registered public accounting firm.

In this context, the Audit Committee reports as follows:

1. The Audit Committee has reviewed and discussed with management the Company's audited financial statements for the year ended December 31, 2016;
2. The Audit Committee has discussed with representatives of EisnerAmper LLP the matters required to be discussed by the Statement on Auditing Standards, No. 1301, "Communications with Audit Committees," as adopted by the Public Company Accounting Oversight Board;
3. The Audit Committee also has received and reviewed the written disclosures and the letter from EisnerAmper LLP required by applicable requirements of the Public Company Accounting Oversight Board regarding such firm's communications with the Audit Committee concerning independence, and has discussed with such firm its independence;
4. The Audit Committee also has considered whether the provision by EisnerAmper LLP of non-audit services to the Company is compatible with maintaining EisnerAmper LLP's independence; and
5. The Audit Committee also has instructed the registered public accounting firm that the Audit Committee expects to be advised if there are any subjects that require special attention.

Based on the review and discussions referred to above, the Audit Committee recommended to the Board that the Company's audited financial statements referred to above be included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2016 for filing with the SEC.

### Audit Committee

Mark Burnett, Chairman  
James McCubbin  
Mark Leventhal

*The foregoing report of the Audit Committee shall not be deemed filed with the SEC under the Securities Act of 1933 or the Securities Exchange Act of 1934, nor shall such report be incorporated by reference by any general statement incorporating by reference this proxy statement or future filings into any filing under such Acts except to the extent that the Company specifically incorporates such report by reference.*

### AUDIT AND NON-AUDIT FEES

The table set forth below lists the fees billed to the Company by EisnerAmper LLP for audit services rendered in connection with the audits of our consolidated financial statements for the years ended December 31, 2016 and 2015, and fees billed for other services rendered by EisnerAmper LLP during these periods.

Description	2016	2015
Audit fees <sup>(1)</sup>	\$ 199,500	\$ 204,750
Audit related fees Tax fees	—	—
All other fees	—	—
Total	\$ 199,500	\$ 204,750

(1) Comprised of the audit of our annual financial statements and reviews of our quarterly financial statements.

The Audit Committee reviews and pre-approves all audit and non-audit services to be provided by the independent auditor (other than with respect to *de minimis* exceptions permitted under applicable law). This duty may be delegated to one or more designated members of the Audit Committee with any such pre-approval reported to the Audit Committee at its next regularly scheduled meeting.

## PROPOSAL 2 - RATIFICATION OF THE APPOINTMENT OF INDEPENDENT AUDITORS

Upon the recommendation of our Audit Committee, the Board has appointed EisnerAmper LLP as the Company's independent public auditor for the fiscal year ending December 31, 2017. Although the selection of auditor does not require ratification, the Board has directed that the appointment of EisnerAmper LLP be submitted to stockholders for ratification due to the significance of their appointment to the Company. A representative of EisnerAmper LLP is expected to be present at the Annual Meeting. Such representative will have an opportunity to make a statement if so desired and will be available to respond to appropriate questions from stockholders.

### Required Vote

The number of votes cast "FOR" must be a majority of shares present in person or represented by proxy and entitled to vote.

### Recommendation of the Board of Directors

**THE BOARD OF DIRECTORS, UPON THE RECOMMENDATION OF THE AUDIT COMMITTEE, RECOMMENDS A VOTE "FOR" THE RATIFICATION OF THE APPOINTMENT OF EISNERAMPER LLP AS INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR THE COMPANY IN 2017. PROXIES SOLICITED BY THE BOARD WILL BE VOTED "FOR" RATIFICATION OF EISNERAMPER LLP AS THE COMPANY'S INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM UNLESS STOCKHOLDERS SPECIFY A CONTRARY VOTE.**



## OTHER INFORMATION

### Attending the Annual Meeting

The Annual Meeting will take place at the offices of Reed Smith LLP, 599 Lexington Avenue, 22<sup>nd</sup> Floor, New York, New York 10022, on Thursday, May 18, 2017, at 4:00 p.m., Eastern Time. This location is in Manhattan at the intersection of Lexington Avenue and 53rd Street. If you have questions about attending the Annual Meeting, please contact Investor Relations by phone at (215) 345-0919.

### Stockholder Proposals

The Company's Bylaws provide that advance notice of a stockholder's proposal must be delivered to the Secretary of the Company at the Company's principal executive offices not less than ninety (90) days nor more than one hundred twenty (120) days prior to the one-year anniversary of the preceding year's annual meeting; provided, however, that if the date of the annual meeting is more than thirty (30) days before or more than sixty (60) days after such anniversary date, notice by the stockholder to be timely must be so delivered, or mailed and received, not later than the ninetieth (90th) day prior to such annual meeting, or, if such meeting is announced later than the ninetieth (90th) day prior to the date of such meeting, the tenth (10th) day following the day on which public disclosure of the date of such annual meeting was first made.

Other than a proposal made pursuant to Rule 14a-8, each stockholder making a proposal must provide, (A) the name and address of such person (including, if applicable, the name and address that appear on the Company's books and records); and (B) the class or series and number of shares of the Company that are, directly or indirectly, owned of record or beneficially owned (within the meaning of Rule 13d-3 under the Exchange Act) by such person, except that such person shall in all events be deemed to beneficially own any shares of any class or series of the Company as to which such person has a right to acquire beneficial ownership at any time in the future. In addition, each person must provide information relating to their derivative and short positions in the Company's securities, as set out in the Company's Bylaws.

Other than with respect to a proposal made pursuant to Rule 14a-8, as to each item of business that the stockholder proposes to bring before the annual meeting, such stockholder must provide (A) a reasonably brief description of the business desired to be brought before the annual meeting, the reasons for conducting such business at the annual meeting and any material interest in such business of the stockholder, (B) the text of the proposal or business (including the text of any resolutions proposed for consideration), and (C) a reasonably detailed description of all agreements, arrangements and understandings (x) between or among any of the proposing stockholders or (y) between or among any proposing stockholder and any other record or beneficial holder of the shares of any class or series of the Company (including their names) in connection with the proposal of such business by such stockholder.

A copy of the full text of the provisions of the Company's Bylaws dealing with stockholder proposals is available to stockholders from the Secretary of the Company upon written request and an electronic copy of which is available at the SEC's website located at [www.sec.gov](http://www.sec.gov). For business or nominations intended to be brought to the 2018 Annual Meeting of Stockholders, the notice deadline is prior to February 17, 2018 but not earlier than January 18, 2017. Stockholder proposals or director nominations submitted outside these dates may not be presented at the 2018 Annual Meeting of Stockholders.

Under the rules of the SEC, stockholders who wish to submit proposals for inclusion in the Proxy Statement for the 2018 Annual Meeting of Stockholders must submit such proposals to the Company by December 21, 2017. Please address such proposals to: Secretary, ProPhase Labs, Inc., 621 N. Shady Retreat Road, Doylestown, PA 18901.

### **Expenses and Solicitation**

All expenses in connection with this solicitation will be borne by the Company. In addition to the use of the mail, proxy solicitation may be made by telephone, telegraph and personal interview by officers, directors and employees of the Company. The Company will, upon request, reimburse brokerage houses and persons holding shares in the names of their nominees for their reasonable expenses in sending soliciting material to their principals.

### **Householding of Proxy Materials**

In some cases, only one copy of this Proxy Statement and our 2016 Annual Report is being delivered to multiple stockholders sharing an address. However, this delivery method, called "householding," is not being used if the Company has received contrary instructions from one or more of the stockholders. The Company will deliver promptly, upon written or oral request, a separate copy of this Proxy Statement and our 2016 Annual Report to a stockholder at a shared address to which a single copy of the documents were delivered. To obtain a separate copy of our Proxy Statement and our 2016 Annual Report, send such request Robert V. Cuddihy, Jr., Chief Operating Officer, at our offices located at 621 N. Shady Retreat Road, Doylestown, Pennsylvania 18901.

### **Other Business**

The Board knows of no business that will be presented for consideration at the meeting other than those items stated above. If any other business should come before the Annual Meeting, votes may be cast pursuant to Proxies in respect to any such business in the best judgment of the person or persons acting under the Proxies. The final results of the balloting at the 2016 Annual Meeting will appear in the Company's Current Report on Form 8-K within four business days of the meeting.

This Proxy Statement and the Company's 2016 Annual Report are available online at: <http://www.astproxyportal.com/ast/07814/>.

### **YOUR VOTE IS IMPORTANT!**

**You are cordially invited to attend the Annual Meeting. However, to ensure that your shares are represented at the meeting, please submit your Proxy or voting instructions by mail. Please see the instructions on the Proxy and voting instruction card. Submitting a proxy or voting instructions will not prevent you from attending the Annual Meeting and voting in person, if you so desire, but will help the Company secure a quorum and reduce the expense of additional proxy solicitation.**

ANNUAL MEETING OF STOCKHOLDERS OF  
**PROPHASE LABS, INC.**

May 18, 2017

GO GREEN

e-Consent makes it easy to go paperless. With e-Consent, you can quickly access your proxy material, statements and other eligible documents online, while reducing costs, clutter and paper waste. Enroll today via [www.astfinancial.com](http://www.astfinancial.com) to enjoy online access.

**NOTICE OF INTERNET AVAILABILITY OF PROXY MATERIAL:**

The Notice of Meeting, Proxy Statement, Proxy Card and Annual Report are available at <http://www.astproxyportal.com/ast/07814/>

Please sign, date and mail  
your proxy card in the  
envelope provided as soon  
as possible.

↓ Please detach along perforated line and mail in the envelope provided. ↓

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THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE "FOR" EACH OF PROPOSALS 1 AND 2.  
PLEASE SIGN, DATE AND RETURN PROMPTLY IN THE ENCLOSED ENVELOPE. PLEASE MARK YOUR VOTE IN BLUE OR BLACK INK AS SHOWN HERE

1. To elect the five nominees listed below to the Company's board of directors to hold office until the 2018 Annual Meeting of Stockholders and until their successors are elected and qualified.

FOR ALL NOMINEES

WITHHOLD AUTHORITY FOR ALL NOMINEES

FOR ALL EXCEPT (See instructions below)

NOMINEES:

- Ted Karkus
- Jason Barr
- Mark Burnett
- Louis Gleckel, MD
- Mark Leventhal

**INSTRUCTIONS:** To withhold authority to vote for any individual nominee(s), mark "FOR ALL EXCEPT" and fill in the circle next to each nominee you wish to withhold, as shown here: ●

2. To ratify the appointment of EisnerAmper LLP as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2017

FOR AGAINST ABSTAIN

THIS PROXY WILL BE VOTED AS DIRECTED, OR, IF NO CONTRARY DIRECTION IS INDICATED, WILL BE VOTED FOR PROPOSALS 1 AND 2, AND AS SAID PROXIES DEEM ADVISABLE ON SUCH OTHER MATTERS AS MAY BE PROPERLY COME BEFORE THE ANNUAL MEETING.

To change the address on your account, please check the box at right and indicate your new address in the address space above. Please note that changes to the registered name(s) on the account may not be submitted via this method.

Check here if you plan to attend the meeting

Signature of Stockholder

Date:

Signature of Stockholder

Date:

Note: Please sign exactly as your name or names appear on this Proxy. When shares are held jointly, each holder should sign. When signing as executor, administrator, attorney, trustee or guardian, please give full title as such. If the signer is a corporation, please sign full corporate name by duly authorized officer, giving full title as such. If signer is a partnership, please sign full partnership name by a duly authorized person.

□ ■

**PROPHASE LABS, INC.**

**PROXY CARD**

**PROXY SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS FOR THE  
ANNUAL MEETING OF STOCKHOLDERS TO BE HELD ON MAY 18, 2017**

The undersigned hereby: (a) acknowledges receipt of the Notice of Annual Meeting of Stockholders of ProPhase Labs, Inc. (the "Company") to be held on Thursday, May 18, 2017, 4:00 p.m. Eastern Time, at Reed Smith LLP, 599 Lexington Avenue, 22nd floor, New York, NY 10022, and the Proxy Statement in connection therewith, each dated April 20, 2017; (b) appoints Ted Karkus and Robert V. Cuddihy, Jr., and each of them with power of substitution, as Proxies; (c) authorizes the Proxies to represent and vote, as designated hereon, all of the shares of Common Stock of the Company, held of record by the undersigned as of the close of business May 18, 2017, at such Annual Meeting and at any adjournment(s) and postponement(s) thereof; and (d) revokes any Proxies heretofore given

**(IMPORTANT - TO BE SIGNED AND DATED ON THE REVERSE SIDE)**