

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

FORM 8-K

CURRENT REPORT

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

Date of Report (Date of earliest event reported): December 8, 2020

PROPHASE LABS, INC.

(Exact name of Company as specified in its charter)

Delaware
(State or other
jurisdiction of incorporation)

000-21617
(Commission
File Number)

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

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

18901
(Zip Code)

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

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

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities Registered Pursuant to Section 12(b) of the Exchange Act:

Title of Each Class	Trading Symbol	Name of Each Exchange on Which Registered
Common Stock, par value \$0.0005	PRPH	Nasdaq Capital Market

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 1.01. Entry into a Material Definitive Agreement.

On December 8, 2020, ProPhase Labs, Inc. (the "Company") entered into a Lease Agreement (the "Lease") with BRG Office L.L.C. and Unit 2 Associates L.L.C. (the "Landlord"), pursuant to which the Company has agreed to lease certain premises located on the second floor (the "Leased Premises") of 711 Stewart Avenue, Garden City, New York (the "Building"). The Leased Premises will serve as the Company's second CLIA laboratory, offering a wide range of laboratory testing services for diagnosis, screening and evaluation of diseases, including COVID-19 and Respiratory Pathogen Panel Molecular tests.

The Lease is effective as of December 8, 2020 and will commence upon the date of the Landlord's substantial completion of certain improvements to the Leased Premises (the "Commencement Date"), as set forth in the Lease, targeted to be 35 days from the execution of the Lease. The initial term of the Lease is 10 years and seven months (the "Initial Term"), unless sooner terminated as provided in the Lease. The Company may extend the term of the Lease for one additional option period of five years. The Company has the option to terminate the Lease on the sixth anniversary of the Commencement Date, provided that the Company gives the Landlord written notice not less than 9 months and not more than 12 months in advance and that the Company pays the Landlord a termination fee as more particularly described in the Lease. The Landlord will provide a construction allowance to the Company in an aggregate amount not to exceed \$250,795, to reimburse the Company for the cost of certain improvements to be made by the Company to the Leased Premises.

For the first year of the Lease, the Company will pay a base rent of \$59,963 per month (subject to a seven month abatement period), with a gradual rental rate increase of 2.75% for each 12 month period thereafter in lieu of paying its proportionate share of common area operating expenses, culminating in a monthly base rent of \$74,716 during the final months of the Initial Term. In addition to the monthly base rent, the Company is responsible for its proportionate share of real estate tax escalations in accordance with the terms of the Lease.

The Company has a right of first refusal to lease either or both of the spaces located on the ground floor of the Building containing 4,500 square feet and 4,600 square feet, as more particularly described in the Lease. The Company also has a right of first offer to purchase the Building during the term of the Lease.

The Leased Premises and the Building are subject to a Lease Agreement dated as of March 27, 2013, between the Town of Hempstead Industrial Development Agency, as landlord, and the Landlord, as tenant.

The Lease contains customary representations, warranties, covenants, indemnification provisions, default provisions, and termination provisions for a lease of this nature.

The foregoing description of the terms of the Lease does not purport to be complete and is qualified in its entirety by reference to the full text of the Lease, which will be filed with the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2020.

Item 2.03. Creation of a Direct Financial Obligation or an Obligation under an Off-Balance Sheet Arrangement of a Registrant.

The disclosure set forth under Item 1.01 of this Current Report on Form 8-K is incorporated into this Item 2.03 by reference.

Item 7.01 Regulation FD Disclosure.

On December 9, 2020, the Company issued a press release announcing the Lease and other matters. A copy of the press release is furnished as Exhibit 99.1 to this Current Report on Form 8-K.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits

No.	Description
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99.1	Press Release dated December 8, 2020.
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Pursuant to the requirements of the Securities Exchange Act of 1934, the Company has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

ProPhase Labs, Inc.

By: /s/ Monica Brady

Monica Brady
Chief Financial Officer

Date: December 14, 2020



ProPhase Labs Expands COVID-19 Testing Capacity with New 25,000 Square Feet Testing Facility in Garden City, New York

Company Expands to Meet Anticipated Demand for Increased Molecular Testing From New Business Opportunities – Aiming For Capacity to Process 50,000 Tests per Day

DOYLESTOWN, PA - December 8, 2020 – ProPhase Labs, Inc. (NASDAQ: PRPH), a diversified medical science and technology company, today announced that it has continued its CLIA Lab rollout with the execution of a lease for a 25,000 square foot facility in Garden City, New York. This new lab, like the Company’s first lab in Old Bridge, New Jersey, will provide a wide range of laboratory testing services for diagnosis, screening and evaluation of diseases, including COVID-19 and Respiratory Pathogen Panel (“RPP”) Molecular tests.

The Company reported that the equipment needed to outfit the Garden City lab has already been ordered and the Company is in the process of recruiting and hiring the necessary technical staff to operate the new lab. When fully ramped up, the new facility could bring as many as 100 new jobs to Garden City, New York.

Ted Karkus, CEO of ProPhase Labs, stated: “We expect to be able to start processing COVID-19 tests in our new lab by mid-January and are seeking to build capacity to process up to 50,000 COVID-19 tests per day by the end of Q1 2021. We are also ahead of schedule with the development of our first CLIA lab in New Jersey. Our original goal was to have capacity there to process 8,000 to 10,000 tests per day in Q1 2021. We will achieve this goal well before year-end. Future goals include diversification into other areas of high margin diagnostic molecular testing.”

New Business

“I am also pleased to report that several new accounts have commenced processing tests at our New Jersey facility this week,” stated Mr. Karkus. “These new accounts present a significant growth opportunity for us. In addition, our pipeline of new customer prospects is robust. Based on this momentum, it is feasible that demand in Q1 2021 could surpass our near-term New Jersey lab capacity. That is part of the reason for investing in a high capacity Garden City facility.” Mr. Karkus cautioned that there can be no assurance that the Company will be able to attract sufficient business to utilize the anticipated capacity of the Company’s labs.

Mr. Karkus added: “Our goal is to provide highly competitive pricing to our customers and to be able to report test results, in most cases, within 24 hours, and to process tests seven days per week. In fact, customers using courier services may be able to receive same day tests results. These stated goals already are generating significant interest in our testing services. Our newest customers include a well-known East Coast group of Urgent Care Centers, film production studios and testing services for a large mid-western municipality. Spectrum Solutions is a major producer of high-quality test kits. Because we are qualified to process their test kits, there is increased interest in our labs from Spectrum Solutions customers as a source for reliable processing, competitive pricing and quick turn-around.”

Mr. Karkus noted that if the Company is able to execute on these opportunities – and he is optimistic the Company is in fact able to do so - there would be a significant favorable impact on revenues. He observed that in this industry, pre-tax operating income in the range of \$30 per test kit processed are not uncommon, and that the Company’s next goal is to acquire sufficient new business to process up to 10,000 tests per day, seven days a week, before the end of Q1 2021.

Nationwide Demand for Testing Capacity

According to a recent article in USA Today on November 27, 2020 titled “*The demand for COVID-19 testing is up, stressing labs and delaying results*” turnaround times for coronavirus tests are on the rise again. Amid a record demand for testing ahead of the Thanksgiving weekend, Quest Diagnostics said this week that it’s taking up to three days to complete a test after receiving a sample. LabCorp, another large private lab company, said higher testing demand means it now takes up to two days to complete a test. These turnarounds do not include the additional time it takes a person to schedule and get a test at a doctor’s office, urgent care facility or other sites. Several sites across the nation this week had long lines of people waiting to get tested.

About ProPhase Labs

ProPhase Labs (NASDAQ: PRPH) is a diversified medical science and technology company with deep experience with OTC consumer healthcare products and dietary supplements. The Company is engaged in the research, development, manufacture, distribution, marketing and sale of OTC consumer healthcare products and dietary supplements in the United States. This includes the development and marketing of dietary supplements under the TK Supplements® brand. The Company is also developing ProPhase Diagnostics, Inc. (“ProPhase Diagnostics”) to offer COVID-19 and other Respiratory Pathogen Panel (RPP) Molecular tests. The Company also continues to actively pursue strategic investments and acquisition opportunities for other companies, technologies and products. For more information visit us at www.ProPhaseLabs.com.

Forward Looking Statements

Except for the historical information contained herein, this document contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including statements regarding our staffing plans for the new New York lab, our ability to ramp up lab testing capacity our ability to provide competitive pricing and and timely test results, our ability to attract customers for our testing services, our expectations regarding growth in revenue and earnings and net margin goals. Management believes that these forward-looking statements are reasonable as and when made. However, such forward-looking statements involve known and unknown risks, uncertainties, and other factors that may cause actual results to differ materially from those projected in the forward-looking statements. These risks and uncertainties include but are not limited to the scale, scope and duration of the COVID-19 pandemic, the ability of the Company to attract and retain customer accounts, consumer demand for our lab processing services, the competitive environment, the ability to achieve anticipated margins, attracting and retaining qualified staff, challenges relating to entering into new business lines, the failure to obtain certain regulatory approvals, our ability to ramp up our lab’s testing capacity and execute on our business plan, our ability to obtain necessary equipment and raw materials, and the risk factors listed from time to time in our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q and any subsequent SEC filings.

Investor Contact

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