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

FORM S-8
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

ProPhase Labs, Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

23-2577138
(I.R.S. Employer
Identification Number)

ProPhase Labs, Inc.
711 Stewart Avenue, Suite 200
Garden City, New York 11530
(215) 345-0919
(Address of Principal Executive Offices)

INDUCEMENT STOCK OPTION AWARD
(Full title of the plans)

Ted Karkus
Chief Executive Officer
ProPhase Labs, Inc.
711 Stewart Avenue, Suite 200
Garden City, New York 11530
(215) 345-0919
(Name, address and telephone number (including area code) of agent for service)

Copy to:
Herb Kozlov, Esq.
Wendy Grasso, Esq.
Reed Smith LLP
599 Lexington Avenue
New York, New York 10022
Tel: (212) 521-5400; Fax: (212) 521-5450

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act (check one):

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company	<input checked="" type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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 7(a)(2)(B) of the Securities Act.

EXPLANATORY NOTE

ProPhase Labs, Inc. (the "Registrant") is filing this registration statement on Form S-8 for the purpose of registering shares of common stock, par value \$0.0005 per share, of the Registrant that may be issued upon the exercise of a stock option to purchase 250,000 shares of common stock of the Registrant granted to Dennis Grishin (the "Inducement Stock Option Award").

The Inducement Stock Option Award was granted to Mr. Grishin outside of the Registrant's 2022 Equity Compensation Plan and was approved by the Compensation Committee of the board of directors of the Registrant pursuant to the inducement grant exception under Nasdaq Rule 5635(c)(4), as an inducement that was material to Mr. Grishin entering into employment with the Registrant.

PART I
INFORMATION REQUIRED IN THE SECTION 10(a) PROSPECTUS

The information required by Part I is included in one or more documents to be sent or given to participants in the Plans pursuant to Rule 428 under the Securities Act. In accordance with the rules and regulations of the Securities and Exchange Commission (the "Commission"), and the instructions to Form S-8, such documents are not being filed with the Commission either as a part of this Registration Statement or as prospectuses or prospectus supplements pursuant to Rule 424 under the Securities Act.

PART II
INFORMATION REQUIRED IN THE REGISTRATION STATEMENT

Item 3. Incorporation of Documents by Reference.

The following documents previously filed with the Commission are hereby incorporated by reference into this Registration Statement:

- (a) the Registrant's annual report on [Form 10-K](#) for the fiscal year ended December 31, 2021 filed on March 31, 2022;
- (b) the [proxy statement](#) filed with the SEC on April 13, 2022;
- (c) the Registrant's quarterly reports on Form 10-Q for the fiscal quarter ended March 31, 2021 filed on [May 13, 2022](#), the fiscal quarter ended June 30, 2022 filed on [August 12, 2022](#), and the fiscal quarter ended September 30, 2022 filed on [November 10, 2022](#);
- (d) the Registrant's current reports on Form 8-K filed on [January 4, 2022](#), [March 2, 2022](#), [May 10, 2022](#), [May 20, 2022](#), [June 13, 2022](#), [June 28, 2022](#), [July 1, 2022](#), [July 21, 2022](#) and [October 7, 2022](#) and the Form 8-K/A filed [May 23, 2022](#); and
- (e) the description of the Company's Common Stock filed as [Exhibit 4.3](#) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2019, filed with the Commission on March 26, 2020.

In addition, all documents that the Registrant files pursuant to Sections 13(a), 13(c), 14 and 15(d) of the Exchange Act of 1934, as amended (the "Exchange Act"), subsequent to the filing of this Registration Statement and prior to the filing of a post-effective amendment which indicates that all securities offered hereby have been sold or which deregisters all securities then remaining unsold, shall be deemed to be incorporated by reference into this Registration Statement and to be a part hereof from the date of filing of such documents, except as to any document or portion of any document that is deemed furnished and not filed.

Pursuant to Rule 412 under the Securities Act, any statement contained in the documents incorporated or deemed to be incorporated by reference in this Registration Statement shall be deemed to be modified, superseded or replaced for purposes of this Registration Statement to the extent that a statement contained herein or in any other subsequently filed document which also is incorporated or deemed to be incorporated by reference in this Registration Statement modifies, supersedes or replaces such statement. Any such statement so modified, superseded or replaced shall not be deemed, except as so modified, superseded or replaced, to constitute a part of this Registration Statement.

Item 4. Description of Securities.

Not applicable.

Item 5. Interests of Named Experts and Counsel.

Not applicable.

Item 6. Indemnification of Directors and Officers.

Section 145 of the Delaware General Corporation Law permits a corporation to indemnify any director, officer, employee or agent of the corporation, or person serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorney's fees), judgments, fines and amounts paid in settlement actually and reasonably incurred in connection with any action, suit or proceeding brought against such person, if such person acted in good faith and in a manner that the person reasonably believed to be in, or not opposed to, the best interests of the corporation, and, with respect to any criminal action or proceeding, if he or she had no reasonable cause to believe his or her conduct was unlawful. In a derivative action, (i.e., one brought by or on behalf of the corporation), indemnification may be provided only for expenses actually and reasonably incurred by the person in connection with the defense or settlement of such an action or suit if such person acted in good faith and in a manner that he or she reasonably believed to be in, or not opposed to, the best interests of the corporation, except that no indemnification shall be provided if such person shall have been adjudged to be liable to the corporation, unless and only to the extent that the court in which the action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the court shall deem proper.

The Registrant's certificate of incorporation and amended and restated bylaws provide that the Registrant shall indemnify, to the fullest extent permitted by the Delaware General Corporation Law, as the same may be amended or supplemented from time to time, any and all past, present and future directors and officers of the Registrant, and any other persons to which the Delaware General Corporation Law permits the Registrant to provide indemnification ("Indemnified Persons"), from and against any and all costs, expenses (including attorneys' fees), damages, judgments, penalties, fines, punitive damages, excise taxes assessed with respect to an employee benefit plan and amounts paid in settlement in connection with any action, suit or proceeding in which the director or officer may be involved as a party or otherwise, by reason of the fact that such person was serving as a director, officer, employee or agent of the Registrant, including service with respect to an employee benefit plan.

The Registrant's amended and restated bylaws provide that the right to indemnification shall include the right to be paid by the Registrant the expenses incurred in defending any such proceeding in advance of its final disposition; provided, however, that, if the Delaware General Corporation Law requires, an advancement of expenses incurred by an indemnitee in his or her capacity as a director or officer (and not in any capacity in which service was or is rendered by such indemnitee, including, without limitation, service to an employee benefit plan) shall be made only upon delivery to the Registrant of an undertaking, by or on behalf of such Indemnified Person, to repay all amounts so advanced if it shall ultimately be determined by final judicial decision from which there is no further right to appeal that such indemnitee is not entitled to be indemnified for such expenses under the bylaws or otherwise. Under the terms of the amended and restated bylaws, if the Registrant does not pay a proper claim for indemnification in full within 60 days after receiving a written claim for such indemnification, except in the case of a claim for an advancement of expenses, in which case the applicable period shall be 20 days, the claimant may bring an action against the Company to recover the unpaid amount of the claim.

Pursuant to Section 102(b)(7) of the Delaware General Corporation Law, the Company's certificate of incorporation eliminates the liability of a director to the Company or its stockholders for monetary damages for a breach of fiduciary duty as a director, except for liabilities arising:

- from any breach of the director's duty of loyalty to the Company or its stockholders;
- from acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law;
- under Section 174 of the Delaware General Corporation Law; or
- from any transaction from which the director derived an improper personal benefit.

The Company has also entered into substantially identical indemnity agreements with each member of the Board of Directors and certain executive officers. These agreements provide, among other things, that we will indemnify each director and Mr. Karkus in the event that they become a party or otherwise a participant in any action or

proceeding on account of their service as a director or officer of the Company (or service for another corporation or entity in any capacity at the request of the Company) to the fullest extent permitted by applicable law. Under the indemnity agreement, we will pay, in advance of the final disposition of any such action or proceeding, expenses (including attorneys' fees) incurred by our directors or officers in defending or otherwise responding to such action or proceeding upon receipt of a written undertaking from the directors or officers to repay the amount advanced consistent with applicable law in the event that a court shall ultimately determine that he or she is not entitled to be indemnified for such expenses. The contractual rights to indemnification provided by the indemnity agreements are subject to the limitations and conditions specified in the agreements, and are in addition to any other rights each director and officer may have under our amended and restated bylaws, each as amended from time to time, and applicable law.

Directors and officers of the Company are also covered by directors' and officers' liability insurance under which they are insured (subject to certain exceptions and limitations specified in the policy) against expenses and liabilities arising out of proceedings to which they are parties by reason of being or having been directors or officers. Under these policies, the insurer, on the Company's behalf, may also pay amounts for which the Company has granted indemnification to the directors or officers.

Item 7. Exemption from Registration Claimed.

Not applicable.

Item 8. Exhibits.

Exhibit No. Description of Exhibit

5.1	Opinion of Reed Smith LLP
23.1	Consent of Friedman LLP, Independent Registered Public Accounting Firm.
23.2	Consent of Reed Smith LLP (contained in Exhibit 5.1 to this Registration Statement)
24.1	Power of Attorney of Certain Officers and Directors of the Company (contained on signature page to this Registration Statement)
99.1	ProPhase Labs, Inc. Inducement Option Award Agreement to Dennis Grishin, dated July 12, 2022
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Item 9. Undertakings.

(a) The undersigned registrant hereby undertakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this Registration Statement:

(i) To include any prospectus required by Section 10(a)(3) of the Securities Act;

(ii) To reflect in the prospectus any facts or events arising after the effective date of the Registration Statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in this Registration Statement; and

(iii) To include any material information with respect to the plan of distribution not previously disclosed in this Registration Statement or any material change to such information in this Registration Statement;

provided, however, that paragraphs (a)(1)(i) and (a)(1)(ii) do not apply if the information required to be included in a post-effective amendment by those paragraphs is contained in periodic reports filed with or furnished to the Commission by the registrant pursuant to Section 13 or Section 15(d) of the Exchange Act that are incorporated by reference in this Registration Statement.

(2) That, for the purpose of determining any liability under the Securities Act, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial *bona fide* offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

(b) The undersigned registrant hereby undertakes that, for purposes of determining any liability under the Securities Act, each filing of the registrant's annual report pursuant to Section 13(a) or Section 15(d) of the Exchange Act (and, where applicable, each filing of an employee benefit plan's annual report pursuant to section 15(d) of the Exchange Act) that is incorporated by reference in this Registration Statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial *bona fide* offering thereof.

(h) Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, the Company certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-8 and has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, thereto duly authorized, in Garden City, State of New York, on November 14, 2022.

PROPHASE LABS, INC.

By: /s/ Ted Karkus
Ted Karkus

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS that each of the undersigned directors and officers of ProPhase Labs, Inc. hereby appoints Ted Karkus and Monica Brady, and each of them acting singly, as his or her true and lawful attorney-in-fact and agent, for him or her and in his or her name, place and stead, with full power to act alone, to sign on his or her behalf and in the capacity set forth below, any and all amendments and post-effective amendments and supplements to this Registration Statement on Form S-8 and to file each such amendment and post-effective amendment and supplements to this Registration Statement, with all exhibits thereto, and any and all other documents in connection therewith, with the Securities and Exchange Commission, hereby granting unto said attorney-in-fact and agent full power and authority to do and perform any and all acts and things requisite and necessary or appropriate to be done in and about the premises as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorney-in-fact and agent may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed by the following persons in the capacities and on the dates indicated.

Signature	Title	Date
<u>/s/ Ted Karkus</u> Ted Karkus	Chief Executive Officer and Chairman <i>(Principal Executive Officer)</i>	November 14, 2022
<u>/s/ Monica Brady</u> Monica Brady	Chief Accounting Officer <i>(Principal Accounting Officer)</i>	November 14, 2022
<u>/s/ Jason Barr</u> Jason Barr	Director	November 14, 2022
<u>/s/ Louis Gleckel, MD</u> Louis Gleckel, MD	Director	November 14, 2022
<u>/s/ Warren Hirsch</u> Warren Hirsch	Director	November 14, 2022



November 14, 2022

ProPhase Labs, Inc.
711 Stewart Avenue, Suite 200
Garden City, New York 11530

Ladies and Gentlemen:

We have acted as counsel to ProPhase Labs, Inc., a Delaware corporation (the "Company"), in connection with the filing by the Company on the date hereof of a Registration Statement on Form S-8 (the "Registration Statement") with the Securities and Exchange Commission (the "Commission") covering the offer and sale of up to 250,000 shares of the Company's common stock, \$0.0005 par value per share ("Common Stock"), issuable to Dennis Grishin (the "Employee") pursuant to the ProPhase Labs, Inc. Inducement Option Award Agreement, dated July 12, 2022 (the "Option Agreement"). The 250,000 shares of Common Stock issuable to the Employee under the Option Agreement are hereinafter referred to as the "Shares."

This opinion is being furnished at the Company's request in connection with the requirements of Item 601(b)(5) of Regulation S-K under the Securities Act of 1933, as amended (the "Securities Act"), and no opinion is expressed herein as to any matter pertaining to the contents of the Registration Statement or the prospectus forming a part thereof, other than as to the issuance of the Shares.

In rendering the opinion hereinafter expressed, we have made such legal and factual examinations and inquiries, including an examination of originals or copies certified or otherwise identified to our satisfaction as being true reproductions of originals, of all such documents, records, agreements and other instruments, including the Registration Statement, the Option Agreement, the Certificate of Incorporation of the Company, the Amended and Restated Bylaws of the Company, and corporate minutes of the Company as we have deemed necessary and appropriate for the purpose of this opinion. We have assumed that there are no agreements or understandings between the Company and the Employee that would expand, modify or otherwise affect the terms of the Option Agreement or the rights or obligations of the parties thereunder. We have further assumed the genuineness of all signatures, the authenticity of all documents, certificates and records submitted to us as originals, the conformity to original documents, certificates and records of all documents, certificates and records submitted to us as copies, and the truthfulness of all statements of fact contained therein.

Based upon the foregoing, and having regard to legal considerations and other information that we deem relevant, we are of the opinion that, as of the date hereof, when the Shares shall have been duly registered on the books of the transfer agent and registrar therefor in the name or on behalf of the Employee, and have been issued by the Company against payment therefor in the circumstances contemplated by the Option Agreement, the offer and sale of the Shares shall have been duly authorized and, when and to the extent that the Shares are issued in accordance with the foregoing, such Shares will be validly issued, fully paid and non-assessable.

We express no opinion herein as to the laws of any state or jurisdiction other than the General Corporation Law of the State of Delaware.

We hereby consent to the filing of this opinion as an exhibit to the Registration Statement and the reference to this firm therein. In giving this consent, we do not thereby admit that we are within the category of persons whose consent is required under Section 7 of the Securities Act or the rules and regulations of the Commission.

Very truly yours,

/s/ Reed Smith LLP

Reed Smith LLP

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in this Registration Statement of ProPhase Labs, Inc. on Form S-8, of our report dated March 31, 2022, with respect to our audits of the consolidated financial statements of ProPhase Labs, Inc. as of December 31, 2021 and 2020 and for the two-year period ended December 31, 2021.

/s/ Friedman LLP

East Hanover, New Jersey

November 14, 2022

PROPHASE LABS, INC.
INDUCEMENT OPTION AWARD AGREEMENT

THIS AGREEMENT (the “Agreement”), is made effective as of the 12th day of July, 2022 (hereinafter called the “Date of Grant”), between ProPhase Labs, Inc., a Delaware corporation (hereinafter called the “Company”), and Dennis Grishin (hereinafter called the “Optionee”):

RECITALS:

WHEREAS, the Optionee satisfies the standards for inducement grants under Nasdaq Marketplace Rule 5635(c)(4) and the related guidance under Nasdaq IM 5635-1;

WHEREAS, the grant of this “Option” (as defined below) to the Optionee was approved by the Compensation Committee of the Board of Directors of the Company (the “Committee”) and complies with the exemption from the stockholder approval requirement for “inducement grants” provided under Rule 5635(c)(4) of the Nasdaq Listing Rules;

WHEREAS, the Option evidenced by this Agreement was granted to the Optionee pursuant to the inducement grant exception under Nasdaq Stock Market Rule 5635(c)(4), and not pursuant to the Company’s 2022 Equity Compensation Plan or any other equity incentive plan of the Company, as an inducement that is material to the Optionee entering into employment with the Company; and

WHEREAS, the Committee has determined that it would be in the best interests of the Company and its stockholders to grant the Option provided for herein to the Optionee pursuant to the terms set forth herein.

NOW THEREFORE, in consideration of the mutual covenants hereinafter set forth, the parties agree as follows:

1. Grant of the Option. The Company hereby grants to the Optionee the right and option (the “Option”) to purchase, on the terms and conditions hereinafter set forth, all or any part of an aggregate of 250,000 shares of common stock of the Company, par value \$0.0005 per share (the “Shares”), subject to adjustment as set forth in Section 4 below. The purchase price of the Shares subject to the Option shall be \$13.00 per Share (the “Option Price”). The Option is intended to be a non-qualified stock option, and is not intended to be treated as an option that complies with Section 422 of the Internal Revenue Code of 1986, as amended (the “Code”).

2. Vesting.

(a) All Options granted pursuant to this Agreement shall vest and become exercisable in accordance with the following schedule, in each case, subject to the Optionee’s continued “Employment” (as defined below) through the applicable vesting date, except as otherwise provided in Section 2(b) below:

Date of Grant	50%
First Anniversary of the Date of Grant	25%
Second Anniversary of the Date of Grant	25%

(b) Upon any termination of the Optionee’s Employment by the Company without “Cause” (as defined below), or in the event that the Optionee voluntarily quits for “Good Reason” (as defined in the Optionee’s employment agreement with the Company or its “Affiliates” (as defined below)), the Optionee shall be credited with an additional three (3) months of vesting provided that the Optionee satisfies any terms and conditions applicable to such additional vesting stated in the Optionee’s employment agreement with the Company or its Affiliate.

(c) Any portion of the Option that does not become vested and exercisable in accordance with the provisions of Section 2 hereof shall be automatically forfeited and cancelled for no value without any consideration being paid therefor and otherwise without any further action of the Company whatsoever on the earliest to occur of the events listed in Section 3. For the avoidance of doubt, there shall be no proportionate or partial vesting in the periods prior to each vesting date set forth in Section 2(a) and all vesting shall occur only on the applicable vesting date, subject to the Optionee’s continued Employment with the Company on each applicable vesting date, except as otherwise provided in Section 2(b).

3. Exercise of Option.

(a) Period of Exercise. Subject to the provisions of this Agreement, the Optionee may exercise all or any part of the vested portion of the Option at any time prior to the earliest to occur of:

- (i) the seventh anniversary of the Date of Grant;
- (ii) one year following the date of the Optionee’s termination of “Employment” (as defined below) due to death or “Disability” (as defined below);
- (iii) one year following the date of the Optionee’s termination of Employment by the Company without “Cause” (as defined below) or by the Optionee for Good Reason; and
- (iv) the date of the Optionee’s termination of Employment by the Company for Cause or by the Optionee for any reason other than Good Reason.

For purposes of this Agreement, “Employment” shall mean (i) the Optionee’s employment if the Optionee is an employee of the Company or any of its Affiliates, (ii) the Optionee’s services as a consultant, advisor or other service provider, if the Optionee is a consultant, advisor or other service provider to the Company or its Affiliates and (iii) the Optionee’s services as a non-employee director, if the Optionee is a non-employee member of the Board of Directors of the Company (the “Board”).

For purposes of this Agreement, “Disability” shall mean the inability of the Optionee to perform in all material respects his or her duties and responsibilities to the Company or any Affiliate, by reason of a physical or mental disability or infirmity which inability is reasonably expected to be permanent and has continued (i) for a period of six consecutive months or (ii) such shorter period as the Committee may reasonably determine in good faith. The Disability determination shall be in the sole discretion of the Committee and the Optionee (or his or her representative) shall furnish the Committee with medical evidence documenting the Optionee’s disability or infirmity which is satisfactory to the Committee.

For purposes of this Agreement, “Cause” shall mean “Cause” as defined in any employment agreement then in effect between the Optionee and the Company or any entity directly or indirectly controlling, controlled by or under common control with the Company or any other entity designated by the Board in which the Company or an affiliate has an interest (each such entity, an “Affiliate”) or if not defined therein or, if there shall be no such agreement, (i) the willful failure or refusal by such Optionee to perform his or her duties to the Company or its Affiliates (other than any such failure resulting from such Optionee’s incapacity due to physical or mental illness), which has not ceased within ten days after a written demand for substantial performance is delivered to such Optionee by the Company, which demand identifies the manner in which the

Company believes that such Optionee has not performed such duties; (ii) the willful engaging by such Optionee in misconduct which is materially injurious to the Company or its Affiliates, monetarily or otherwise (including breach of any confidentiality or non-competition covenants to which such Optionee is bound); (iii) the conviction of such Optionee of, or the entering of a plea of nolo contendere by such Optionee with respect to, a felony or to any crime which is materially injurious to the Company or its Affiliates; or (iv) substantial or repeated acts of dishonesty by such Optionee in the performance of his/her duties to the Company or its Affiliates. The determination of the existence of Cause shall be made by the Committee in good faith.

(b) Method of Exercise.

(i) Subject to Section 3(a), the vested portion of the Option may be exercised by delivering to the Company at its principal office written notice of intent to so exercise; provided that, the Option may be exercised with respect to whole Shares only. Such notice shall specify the number of Shares for which the Option is being exercised and shall be accompanied by payment in full of the purchase price per Share of the Option (the "Option Price"). The payment of the Option Price may be made at the election of the Optionee (i) in cash or its equivalent (e.g., by check), (ii) to the extent permitted by the Committee, in Shares having a "Fair Market Value" (as defined below) equal to the aggregate Option Price for the Shares being purchased and satisfying such other requirements as may be imposed by the Committee; provided, that such Shares have been held by the Optionee for no less than six months (or such other period as established from time to time by the Committee in order to avoid adverse accounting treatment applying generally accepted accounting principles), (iii) partly in cash and, to the extent permitted by the Committee, partly in such Shares, (iv) if there is a public market for the Shares at such time, through the delivery of irrevocable instructions to a broker to sell Shares obtained upon the exercise of the Option and to deliver promptly to the Company an amount out of the proceeds of such sale equal to the aggregate Option Price for the Shares being purchased, or (v) through a "net settlement." In the case of a "net settlement" of the Option, the Company will not require a cash payment of the Option Price of the Option, but will reduce the number of Shares issued upon the exercise by the largest number of whole Shares that have a Fair Market Value that does not exceed the aggregate Option Price. With respect to any remaining balance of the aggregate Option Price, the Company shall accept a cash payment. The Optionee shall have no rights to dividends or other rights of a stockholder with respect to Shares subject to the Option until the Optionee has given written notice of exercise of the Option, paid in full for such Shares as applicable and, if applicable, has satisfied any other conditions set forth in this Agreement.

(ii) Notwithstanding any other provision of this Agreement to the contrary, the Option may not be exercised prior to the completion of any registration or qualification of the Option or the Shares under applicable state and federal securities or other laws, or under any ruling or regulation of any governmental body or national securities exchange that the Committee shall in its sole discretion determine to be necessary or advisable.

(iii) In the event of the Optionee's death, the vested portion of the Option shall remain exercisable by the Optionee's executor or administrator, or the person or persons to whom the Optionee's rights under this Agreement shall pass by will or by the laws of descent and distribution as the case may be, to the extent set forth in Section 3(a). Any heir or legatee of the Optionee shall take rights herein granted subject to the terms and conditions hereof.

For purposes of this Agreement, "Fair Market Value" shall mean on a given date, (i) if there should be a public market for the Shares on such date, the closing price of the Shares as reported on such date on the composite tape of the principal national securities exchange on which such Shares are listed or admitted to trading or, if no composite tape exists for such national securities exchange on such date, then the closing price on the principal national securities exchange on which such Shares are listed or admitted to trading, (ii) if the Shares are not listed or admitted on a national securities exchange, the arithmetic mean of the per Share closing bid price and per Share closing asked price on such date as quoted on the National Association of Securities Dealers Automated Quotation System (or such other market in which such prices for the Shares are regularly quoted) or (iii) if there is no market on which the Shares are regularly quoted, the Fair Market Value shall be the value established by the Committee in good faith; provided, however that in determining the Fair Market value, the Committee shall not apply a discount for any minority interest. With respect to (i) and (ii) above, if no sale of Shares shall have been reported on such composite tape or such national securities exchange on such date or quoted on the National Association of Securities Dealer Automated Quotation System or other applicable market on such date, then the immediately preceding date on which sales of the Shares have been so reported or quoted shall be used.

4. Adjustments Upon Certain Events. Notwithstanding any other provisions of this Agreement to the contrary, the following provisions shall apply to the Option granted under this Agreement:

(a) Generally. In the event of any change in the outstanding Shares after the Date of Grant by reason of any Share dividend or split, reorganization, recapitalization, merger, consolidation, spin-off, combination or exchange of Shares or other corporate exchange or change in capital structure, any distribution or special dividend to stockholders of Shares, cash or other property (other than regular cash dividends), or any similar event, the Committee without liability to any person shall make such substitution or adjustment, if any, as it deems to be equitable (subject to Section 12 below), as to the number or kind of Shares or other securities subject to this Option and the per share exercise price thereof; provided that the Committee shall determine in its sole discretion the manner in which such substitution or adjustment shall be made.

(b) Change of Control. In the event of a "Change of Control" (or similar corporate transaction) after the Date of Grant, the Committee shall accelerate, vest or cause the restrictions to lapse with respect to all or any portion of this Option. With respect to any portion of this Option that becomes vested pursuant to the preceding sentence, the Committee may (A) cancel such portion for fair value (as determined in the sole discretion of the Committee) which may equal the excess, if any, of value of the consideration to be paid in the Change of Control transaction to holders of the same number of Shares subject to awards (or, if no consideration is paid in any such transaction, the Fair Market Value of the Shares) over the aggregate exercise price of the Option, (B) provide for the issuance of substitute awards that will substantially preserve the otherwise applicable terms of this Option previously granted hereunder as determined by the Committee in its sole discretion or (C) provide that for a period of at least 10 days prior to the Change of Control, the vested portion of this Option, as may be accelerated pursuant to the first sentence of this subsection (b), shall be exercisable as to all Shares subject hereto and that upon the occurrence of the Change of Control, this Option shall terminate and be of no further force or effect. For the avoidance of doubt, pursuant to (A) above, the Committee may cancel this Option for no consideration if the aggregate Fair Market Value of the Shares subject to this Option is less than or equal to the aggregate Option Price.

For purposes of this Agreement, "Change of Control" shall mean the occurrence of any one of the following events:

(i) A change in the ownership of the Company that occurs on the date that any one person, or more than one person acting as a group (for purposes of SEC Rule 13d) ("Person"), acquires ownership of the Shares that, together with the Shares held by such Person, constitutes more than 50% of the total voting power of the Shares of the Company. No Change of Control shall have occurred in the event Ted Karkus (the "Executive") or a group which includes Executive acquires more than 50% of the voting control of the Company. The acquisition of additional Shares by any one Person, who is considered to own more than 50% of the total voting power of the Shares of the Company will not be considered an additional Change of Control; or

(ii) A change in the effective control of the Company that occurs on the date that a majority of members of the Board is replaced during any 12 month period by directors whose appointment or election is not endorsed by one of either the Executive or a majority of the members of the Board prior to the date of the appointment or election; or

(iii) A change in the ownership of a "substantial portion of the Company's assets", as defined herein. For this purpose, a "substantial portion of the Company's

assets” shall mean assets of the Company having a total gross fair market value equal to or more than 50% of the total gross fair market value of all of the assets of the Company immediately prior to such change in ownership. For purposes of this subsection (iii), a change in ownership of a substantial portion of the Company’s assets occurs on the date that any Person acquires (or has acquired during the 12 month period ending on the date of the most recent acquisition by such Person or Persons) assets from the Company that constitute a “substantial portion of the Company’s assets.” For purposes of this subsection (iii), the following will not constitute a change in the ownership of a substantial portion of the Company’s assets: (a) a transfer to an entity that is controlled by the Company’s stockholders immediately after the transfer, or (b) a transfer of assets by the Company to: (1) a stockholder of the Company (immediately before the asset transfer) in exchange for or with respect to the Company’s stock, (2) an entity, 50% or more of the total value or voting power of which is owned, directly or indirectly, by the Company, (3) a Person, that owns, directly or indirectly, 50% or more of the total value or voting power of all the outstanding stock of the Company, or (4) an entity, at least 50% of the total value or voting power of which is owned, directly or indirectly, by a Person described in this subsection (iii). For purposes of this subsection (iii), gross fair market value means the value of the assets of the Company, or the value of the assets being disposed of, determined without regard to any liabilities associated with such assets.

For purposes of this definition, persons will be considered to be acting as a group if they are owners of a corporation that enters into a merger, consolidation, purchase or acquisition of stock, or similar business transaction with the Company. Notwithstanding the foregoing, a transaction will not be deemed a Change of Control unless the transaction qualifies as a change of control event within the meaning of Section 409A. Further and for the avoidance of doubt, a transaction will not constitute a Change of Control if its primary purpose is to: (1) change the state of the Company’s incorporation, or (2) create a holding company that will be owned in substantially the same proportions by the persons who held the Company’s securities immediately before such transaction.

5. **Option Recovery.** If the Committee determines that the Optionee (a) engaged in conduct that constituted Cause as defined in Section 3(a) of this Agreement at any prior to the Optionee’s termination of services, (b) engaged in conduct during the 6 month period after the Optionee’s termination of services that would have constituted Cause if the Optionee had not ceased to provide services, or (c) violates the terms of any non-compete agreement, non-solicitation agreement, confidentiality agreement, or any other restriction on the Optionee’s post-termination activities established under any agreement with the Company or other Company policy or arrangement during the 6 months after the Optionee ceases to provide services to the Company, then (i) any Option held by the Optionee shall immediately terminate, and the Optionee shall automatically forfeit all Shares underlying any exercised portion of an Option for which the Company has not yet delivered the Share certificates, upon refund by the Company of the Option Price paid by the Optionee for such Shares and (ii) the Optionee shall return any Shares received upon exercise of this Option or repay to the Company any proceeds received from the sale of other disposition of the Shares transferred pursuant to this Option less the Option Price. Upon any exercise of an Option, the Company may withhold delivery of share certificates pending resolution of an inquiry that could lead to a finding resulting in a forfeiture under this Section.

6. **No Right to Continued Employment.** The granting of the Option evidenced hereby and this Agreement shall impose no obligation on the Company or any Affiliate to continue the Employment of the Optionee and shall not lessen or affect the Company’s or its Affiliate’s right to terminate the Employment of such Optionee.

7. **Transferability.** The Option may not be assigned, alienated, pledged, attached, sold or otherwise transferred or encumbered by the Optionee otherwise than by will or by the laws of descent and distribution, and any such purported assignment, alienation, pledge, attachment, sale, transfer or encumbrance shall be void and unenforceable against the Company or any Affiliate; provided that the designation of a beneficiary shall not constitute an assignment, alienation, pledge, attachment, sale, transfer or encumbrance. No such permitted transfer of the Option to heirs or legatees of the Optionee shall be effective to bind the Company unless the Committee shall have been furnished with written notice thereof and a copy of such evidence as the Committee may deem necessary to establish the validity of the transfer and the acceptance by the transferee or transferees of the terms and conditions hereof. During the Optionee’s lifetime, the Option is exercisable only by the Optionee.

8. **Withholding.** The Optionee may be required to pay to the Company or any Affiliate and the Company shall have the right and is hereby authorized to withhold, any applicable withholding taxes in respect of the Option, its exercise or any payment or transfer under or with respect to the Option and to take such other action as may be necessary in the opinion of the Committee to satisfy all obligations for the payment of such withholding taxes.

9. **Securities Laws.** Upon the acquisition of any Shares pursuant to the exercise of the Option, the Optionee will make or enter into such written representations, warranties and agreements as the Committee may reasonably request in order to comply with applicable securities laws or with this Agreement.

10. **Notices.** Any notice necessary under this Agreement shall be addressed to the Company in care of its Secretary at the principal executive office of the Company and to the Optionee at the address appearing in the personnel records of the Company for the Optionee or to either party at such other address as either party hereto may hereafter designate in writing to the other. Any such notice shall be deemed effective upon receipt thereof by the addressee.

11. **Choice of Law.** This Agreement shall be governed by and construed in accordance with the laws of the state of Delaware without regard to conflicts of laws.

12. **Section 409A.** The Company intends that income realized by the Optionee pursuant to this Agreement will not be subject to taxation under Section 409A of the Code. The provisions of this Agreement shall be interpreted and construed in favor of satisfying any applicable requirements of Section 409A of the Code. In the event that it is reasonably determined by the Committee that, as a result of Section 409A of the Code, any payment or delivery of Shares in respect of the Option may not be made at the time contemplated by the terms of this Agreement, as the case may be, without causing Optionee to be subject to taxation under Section 409A of the Code, the Company shall use reasonably commercial efforts to make such payment or delivery of Shares on the first day that would not result in the Optionee incurring any tax liability under Section 409A of the Code. If Optionee is a “specified employee” (within the meaning of Section 409A(a)(2)(B)(i) of the Code), any payment and/or delivery of Shares in respect of the Option that are linked to the date of the Optionee’s separation from service shall not be made prior to the date which is six (6) months after the date of such Optionee’s separation from service from the Company, determined in accordance with Section 409A of the Code and the regulations promulgated thereunder. The Company, in its reasonable discretion, may amend (including retroactively) this Agreement in order to conform to the applicable requirements of Section 409A of the Code, including amendments to facilitate the Optionee’s ability to avoid taxation under Section 409A of the Code. However, the preceding provisions shall not be construed as a guarantee by the Company of any particular tax result for income realized by the Optionee pursuant to this Agreement.

13. **Administration.** This Agreement shall be administered by the Committee. The Committee is authorized to interpret this Agreement, to establish, amend and rescind any rules and regulations relating to this Agreement, and to make any other determinations that it deems necessary or advisable for the administration of this Agreement. The Committee may correct any defect or supply any omission or reconcile any inconsistency in this Agreement in the manner and to the extent the Committee deems necessary or advisable. Any decision of the Committee in the interpretation and administration of this Agreement, as described herein, shall lie within its sole and absolute discretion and shall be final, conclusive and binding on all parties concerned (including, but not limited to, the Optionee and his or her beneficiaries or successors). The Committee shall have the full power and authority to establish the terms and conditions of this Option consistent with the provisions of this Agreement and to waive any such terms and conditions at any time (including, without limitation, accelerating or waiving any vesting conditions). Awards may, in the discretion of the Committee, be granted in assumption of, or in substitution for, any outstanding portion of this Option. The Committee shall require payment of any minimum amount it may determine to be necessary to withhold for federal, state, local or other, taxes as a result of the exercise, vesting or grant of this Option. Unless the Committee specifies otherwise, the Optionee may elect to pay a portion or all of such minimum withholding taxes by (a) delivery in Shares or (b) having Shares withheld by the Company from any Shares that would have otherwise been received by the Optionee. The number of Shares so delivered or withheld shall have an aggregate Fair Market Value sufficient to satisfy the applicable minimum withholding taxes.

14. **Successors and Assigns.** This Agreement shall be binding on all successors and assigns of the Company and the Optionee, including, without limitation,

the estate of the Optionee and the executor, administrator or trustee of such estate, and any receiver or trustee in bankruptcy or any other representative of the Optionee's creditors.

15. Signature in Counterparts. This Agreement may be signed in counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

[Signatures on next page.]

IN WITNESS WHEREOF, the parties have caused this Agreement to be effective as of the day and year first above written.

PROPHASE LABS, INC.

By: /s/ Ted Karkus

Name: Ted Karkus

Title: Chief Executive Officer and Chairman of the Board

OPTIONEE

/s/ Dennis Grishin

Dennis Grishin

[Signature Page to Inducement Option Award Agreement]

Calculation of Filing Fee Table

Form S-8
(Form Type)

ProPhase Labs, Inc.
(Exact Name of Registrant as Specified in its Charter)

Table 1: Newly Registered Securities

<u>Security Type</u>	<u>Security Class Title</u>	<u>Fee Calculation Rule</u>	<u>Amount Registered⁽¹⁾</u>	<u>Proposed Maximum Offering Price Per Unit</u>	<u>Proposed Maximum Aggregate Offering Price</u>	<u>Fee Rate</u>	<u>Amount of Registration Fee</u>
Equity	Common Stock, par value \$0.0005 per share	457(h)	250,000(2)	\$ 12.00(3)	\$ 3,000,000(3)	0.00011020	\$ 330.60
Total Offering Amount					\$ 3,000,000		\$ 330.60
Total Fee Offsets							—
Net Fee Due							\$ 330.60

- 1) In accordance with Rule 416 under the Securities Act of 1933, as amended (the "Securities Act"), this registration statement shall be deemed to cover any additional securities that may from time to time be offered or issued to prevent dilution resulting from stock splits, stock dividends or similar transactions.
- 2) Represents shares of Common Stock of the Registrant issuable upon the exercise of outstanding nonqualified stock option awards granted to an employee of the Registrant outside the Registrant's 2022 Equity Compensation Plan as an inducement material to entry into employment with the Registrant in accordance with Nasdaq Listing Rule 5635(c)(4) (the "Inducement Option Award").
- 3) This estimate is made pursuant to Rule 457(h) of the Securities Act solely for purposes of calculating the registration fee. The proposed maximum offering price per share and maximum aggregate offering price are based upon the average of the high and low prices of the Common Stock on November 4, 2022, as reported on The Nasdaq Capital Market.