

ProPhase Announces Change in Tax Treatment of 2018 Dividends

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Press Release

DOYLESTOWN, Pennsylvania – April 9, 2019. ProPhase Labs, Inc. (NASDAQ: PRPH, www.ProPhaseLabs.com) announced a change in the reporting of dividends paid to its stockholders in 2018.

The Company previously reported its 2018 distributions as taxable dividends. Following an earnings and profits analysis, the Company determined the 2018 distributions are now considered to be return of capital (non-dividend) distributions.

The change in tax treatment will also affect the shareholders' tax basis in their shares. To assist investors with tax-basis reporting, Form 8937 (Report of Organizational Actions Affecting Basis of Securities) has been posted on the Investor Relations section of the ProPhase website at: "2018 ProPhase Labs Form 8937 Form 1099-Div Information".

Shareholders should consult their tax advisors to determine how this change may affect their 2018 taxes.

Corrected IRS Form 1099-DIV statements reflecting the revised tax reporting of the 2018 dividends will be mailed to shareholders. Shareholders who hold their shares through a bank or broker should expect to receive a corrected Form 1099-DIV from those institutions.

This change in tax treatment does not affect the Company's financial results previously reported.

About the Company

We are a vertically integrated and diversified branding, marketing and technology company with deep experience with over-the-counter ("OTC") consumer healthcare products, dietary supplements and other remedies. We are engaged in the research, development, manufacture, distribution, marketing and sale of OTC consumer healthcare products, dietary supplements and other remedies in the United States. This includes the development and marketing of dietary supplements under the TK Supplements® brand, a wholly-owned subsidiary of the Company.

In August 2017, we formed a new, additional wholly-owned subsidiary, ProPhase Digital Media, Inc., a Delaware corporation ("PDM"). Our objective is for PDM to become an independent full-service direct marketing agency. PDM's first initiative will be to market the TK Supplements® product line. If successful, this may lead to the marketing of other company's consumer products.

In addition, the Company also continues to actively pursue acquisition opportunities for other companies, technologies and products inside and outside the consumer products industry. For more information visit us at www.ProPhaseLabs.com.

Investor Contact

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[\(Form 8937\)](#)