

CORPORATE GOVERNANCE GUIDELINES

The Board of Directors of ProPhase Labs, Inc. (the “Company”) has adopted the corporate governance guidelines (the “Guidelines”) set forth below as a framework for the governance of the Company. The Corporate Governance and Nominating Committee (the “Nominating Committee”) reviews the Guidelines annually and recommends changes to the Board of Directors (the “Board”) as appropriate.

1. ROLE AND COMPOSITION OF THE BOARD OF DIRECTORS

General Oversight

The Board, which is elected by the Company’s stockholders, oversees the management of the Company and its business. The Board appoints the Chief Executive Officer (“CEO”) and elects the officers of the Company, who are responsible for operation of the Company’s business. The Board also monitors and evaluates the performance of the CEO and the officers of the Company.

Size, Composition and Membership Criteria

Pursuant to our Bylaws, the number of directors serving on the Board is between three (3) and nine (9), as determined from time to time by the Board. It is the policy of the Company that the number of directors not exceed a number that can function efficiently as a body.

A majority of the Board is made up of independent directors. The Board makes an affirmative determination regarding the independence of each director annually, based upon the recommendation of the Nominating Committee. In making independence determinations, the Board will observe all applicable requirements, including the corporate governance listing standards established by the Nasdaq Stock Market LLC. The Board will carefully consider all relevant facts and circumstances in making an independence determination.

The Nominating Committee considers and makes recommendations to the Board regarding the size, structure, composition and functioning of the Board. The Nominating Committee is responsible for establishing processes and procedures for the selection and nomination of directors. The Nominating Committee selects individuals for nomination to the Board based on 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.

Directors are selected on the basis of their leadership, relevant professional and personal experience and accomplishments, educational background, credentials, and interpersonal and communication skills. 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 global business are factors in the selection process.

The Nominating Committee reviews the qualifications of director candidates in light of these criteria and recommends candidates to the Board for election by the Company's stockholders at the annual meeting or for nomination by the Board, as applicable. The Nominating Committee also considers nominations by Company stockholders that recommend candidates for election to the Board in compliance with the advance notice provisions in the Company's Bylaws and any other applicable Securities and Exchange Commission rules or regulations.

Director Responsibilities

The basic responsibility of the directors is to exercise their business judgment to act in what they reasonably believe to be in the best interests of the Company and its stockholders, and to perform their duties of care and loyalty. In discharging that obligation, directors should be entitled to rely on the honesty and integrity of the Company's senior executives and its outside advisors and auditors, to the fullest extent permitted by law.

Board Leadership

The Board presently believes that it is in the best interests of the Company for a single person to serve as Chairman of the Board and CEO. We believe that this structure helps our management and Board work together for the benefit of all of our stockholders. The Board may in its discretion separate the roles if it deems it advisable and in the Company's best interests to do so.

Change in Principal Occupation

The Board does not believe that directors who retire or change from the position they held when they came on the Board should necessarily leave the Board. There should, however, be an opportunity for the Board, via the Nominating Committee, to review the continued appropriateness of Board membership under these circumstances.

Service on Other Boards

Directors are encouraged to limit the number of other boards on which they serve so as not to interfere with their service as a director of the Company. Directors should also advise the chair of the Nominating Committee in advance of accepting an invitation to serve on another corporate board.

Retirement; Term Limits

The Board does not believe that it should establish term limits. Term limits may result in the loss of directors who, over a period of time, have developed substantial insight into the Company and its operations. As an alternative to term limits, the Nominating Committee assesses the contributions of each incumbent director prior to the director's nomination to another term. This also gives each director the opportunity to confirm his or her desire to continue as a member of the Board.

Director Orientation and Continuing Education

All new directors must participate in the Company's Orientation Program, which should be conducted as soon as reasonably practicable after the meeting at which a new director is elected. This orientation will include presentations by senior management to familiarize new directors with the Company's business and strategic plans, its significant financial, accounting and risk management issues, its compliance programs, its Code of Conduct, its principal officers, and its internal and independent auditors. Any sitting directors may attend the Orientation Program.

The Directors are encouraged to participate in continuing director education.

Stock Ownership Requirements

It is our policy for directors to receive at least half of their director fees for service on the Board in shares of the Company's common stock.

2. FUNCTIONING OF THE BOARD

Attendance at and Participation in Board and Committee Meetings

Board and committee meetings are generally held on a pre-determined schedule, with additional meetings scheduled as needed with no less than four meetings annually. The Chairman/CEO presides at Board meetings except for executive sessions of independent directors. Board members are expected to prepare for, attend and participate in all Board and applicable committee meetings. Each Board member is expected to ensure that other existing and planned future commitments do not materially interfere with the member's service as a director. These other commitments will be considered by the Nominating Committee and the Board when reviewing Board candidates and in connection with the Board's annual self-assessment process.

Distribution and Review of Materials

Board materials are provided to directors sufficiently in advance of Board and committee meetings to allow directors to review and prepare for discussion of the items at the meeting. Directors should review and devote appropriate time to studying Board and committee materials distributed in advance. In some cases, due to timing or the sensitive nature of an issue, materials are presented only at the Board (or committee) meeting.

Executive Sessions of Independent Directors

The independent directors meet in executive session without management present, as needed, and generally after each regularly scheduled Board meeting, but no less than twice a year.

Meetings and Agendas

Agenda items are prepared by the Chairman in consultation with management and outside counsel. Directors are encouraged to suggest the inclusion of items on the agenda. Directors are also free to raise subjects at a Board meeting that are not on the agenda for that meeting.

Attendance at Annual Stockholders Meeting

Directors are expected to attend the Company's annual stockholders meeting to, among other things, hear and address any concerns of the Company's stockholders.

3. STRUCTURE AND FUNCTIONING OF COMMITTEES

Number, Structure and Independence of Committees

The Board currently has three standing committees: the Audit Committee; the Compensation Committee; and the Nominating Committee. The Board has the authority, pursuant to the Company's Bylaws, to designate such other committees, temporary or permanent, as the Board deems advisable. The Audit Committee, the Compensation Committee and the Nominating Committee will each consist of three or more directors, each of whom will, unless otherwise determined by the Board (where legally permissible), satisfy the independence requirements set forth herein, any additional requirements set forth in their respective charters and any other applicable regulatory requirements.

Each committee will have a written charter that sets forth the purposes and responsibilities of the committee as well as qualifications for committee membership.

Each committee will review and recommend for approval by the Board changes to its respective charter annually. These committee charters are available on the Company's website.

4. DIRECTOR ACCESS TO MANAGEMENT, EMPLOYEES AND ADVISORS

At the invitation of the Board, members of senior management may attend Board meetings or portions of meetings for the purpose of presenting matters to the Board and participating in discussions.

Directors also have full and free access to other members of management and to employees of the Company. The directors should use their judgment to ensure that any such contact is not disruptive to the business operations of the Company.

The Board has the authority to retain such outside counsel, experts and other advisors as it determines appropriate to assist it in the performance of its functions. Each of our three standing committees of the Board have similar authority to retain outside advisors as it determines appropriate to assist it in the performance of its functions.

5. DIRECTOR COMPENSATION

The Compensation Committee annually reviews the compensation of non-management directors. Director compensation is set by the Board based upon the recommendation of the Compensation Committee.

6. SUCCESSION PLANNING

The Compensation Committee plans for succession of senior management positions. The CEO and the Compensation Committee report to the Board annually on succession planning and management development and provide the Board with recommendations and evaluations of potential successors. The Chairman and CEO also makes available to the Board, on a continuing basis, recommendations regarding who should assume the position of Chairman/CEO in the event that he or she becomes unable or unwilling to perform the duties of this position.

7. FORMAL EVALUATION OF THE CEO AND OTHER EXECUTIVE OFFICERS

Pursuant to its charter, the Compensation Committee is responsible for setting annual and long-term performance goals for the CEO and the other executive officers, evaluating their performance against those goals, and setting such executive officer compensation. The Board believes that evaluation of the executive officers should be a process based on both qualitative and quantitative factors, including performance of the business, accomplishment of long-term objectives, positioning of the Company for the future, development of management, and leadership in the industry.

8. ANNUAL PERFORMANCE EVALUATIONS

The Nominating Committee conducts evaluations of the Board to assess the Board's performance, typically on an annual basis. The three standing committees of the Board conduct self-evaluations to assess their performance, typically on an annual basis. The ability of individual directors to contribute to the Board is considered in connection with the nomination process.

9. CODE OF CONDUCT; CONFLICTS OF INTEREST

The Board has adopted a Code of Conduct for directors, officers and employees to foster a common set of fundamental values and operating principles. The Board oversees procedures for administering and promoting compliance with the Code of Conduct.

The Board expects directors, as well as officers and employees, to act ethically at all times and to acknowledge their adherence to the policies comprising the Code of Conduct. If an actual or potential conflict of interest arises for a director, the director shall promptly inform the Chairman. The Board shall resolve any such conflicts. If a significant conflict exists and cannot be resolved, the director should resign. All directors will recuse themselves from any discussion or decision affecting their personal, business or professional interests.

10. COMMUNICATIONS FROM STOCKHOLDERS

Stockholders and other interested parties may communicate with the Board or any Board committees by addressing written correspondence to the Board or applicable committee c/o ProPhase Labs, Inc., Attn: Corporate Secretary, 621 Shady Retreat Road, Doylestown, PA 18901 and the Board will ensure that a process is maintained for timely consideration of such communications.

11. DISCLOSURE AND REVIEW OF CORPORATE GOVERNANCE GUIDELINES.

These Guidelines, the Company's Bylaws and other corporate governance materials are available on the Company's website. The Nominating Committee will review these Guidelines from time to time, but not less often than annually, and will recommend any changes for approval by the full Board.

Approved by the Board, March 14, 2011