

NovaBay Pharmaceuticals, Inc.

Form DEF 14A

April 18, 2018

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of

the Securities Exchange Act of 1934

(Amendment No.)

Filed by the Registrant

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))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to § 240.14a-12

NOVABAY PHARMACEUTICALS, INC.

(Name of Registrant as Specified in Its Charter)

(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

Payment of Filing Fee (Check the appropriate box):

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:

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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:

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delete certain provisions relating to the already effective reverse stock split.

To ratify the appointment by our Audit Committee of OUM & Co. LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2018.

To transact any other business that may properly come before the Annual Meeting or any adjournment or postponement thereof.

The record date for the Annual Meeting is April 16, 2018. Only stockholders of record at the close of business on that date are entitled to notice of, and may vote at, the virtual Annual Meeting or any adjournment or postponement thereof. This Notice of Annual meeting, the Proxy Statement, and voting instructions are being distributed and made available on or about April 20, 2018.

We are pleased to utilize the U.S. Securities and Exchange Commission rule that allows companies to furnish their proxy materials to stockholders over the Internet. As a result, we are mailing to many of our stockholders a notice instead of a paper copy of the Proxy Statement and our 2017 Annual Report. All Stockholders who do not receive a notice will receive a paper copy of the proxy materials by mail if they have not previously requested delivery of proxy materials electronically. Employing an electronic distribution process will conserve natural resources and reduce the costs of printing and distributing our proxy materials.

A list of stockholders entitled to vote at the Annual Meeting will be available at NovaBay Pharmaceuticals, Inc., 2000 Powell Street, Suite 1150, Emeryville, California 94608, for a period of ten (10) days prior to the Annual Meeting. If you want to inspect the stockholder list, please contact our Corporate Secretary at (510) 899-8800. The stockholder list will also be available during the virtual Annual Meeting through the following secure link www.meetingcenter.io/255270829. If you are a registered stockholder, or beneficial stockholder who registered for the meeting in advance, a secure control number included on your proxy card or Notice of Internet Availability of Proxy Materials will allow you to view this list.

Important Notice Regarding the Internet Availability of Proxy Materials for the Stockholder Meeting to Be Held on Thursday, May 31, 2018.

The Proxy Statement and Annual Report to security holders are available at <http://www.envisionreports.com/NBY> (for all stockholders).

April 20, 2018 By Order of the Board of Directors,

Mark M. Sieczkarek

Chairman of the Board

You are cordially invited to attend, via live webcast, the virtual Annual Meeting. Your vote is important. We encourage you to promptly vote your shares either by telephone, over the Internet or by completing, signing, dating and returning your proxy card, which contains instructions on how you would like your shares to be voted. **Please submit your proxy regardless of whether you will attend the Annual Meeting.** This will help us ensure that your shares are represented at the Annual Meeting. For those who receive proxy materials by mail, a return envelope (which is postage prepaid if mailed in the United States) has been provided for your convenience. Signing your proxy will not prevent you from voting electronically should you be able to attend the virtual Annual Meeting, but will assure that your vote is counted, if for any reason, you are unable to attend. Voting instructions are provided in the Notice of Internet Availability of Proxy Materials, or, if you receive a paper proxy card by mail, the instructions are printed on your proxy card and included in the accompanying Proxy Statement. Please note, however, that if your shares are held of record by a broker, bank or other nominee, you may either (i) vote in advance of the meeting by contacting your broker and attend the virtual meeting as a guest; or (ii) register to attend the virtual meeting as a stockholder in advance (allowing you to both vote and ask questions during the meeting) by following the instructions in the Proxy Statement.

PROXY SUMMARY

To assist you in reviewing the proposals to be acted upon at the annual meeting of stockholders, we call your attention to the following information about NovaBay Pharmaceuticals, Inc.'s ("NovaBay", the "Company," "we," "our" or "us") 2017 financial performance, key executive compensation actions and decisions, and corporate governance highlights. The following description is only a summary. For more complete information about these topics, please review the Company's Annual Report on Form 10-K for the year ended December 31, 2017, and the complete Proxy Statement that follows.

Proposals Which Require Your Vote

		More	Board	Vote Required for
		Information	Recommendation	Approval
PROPOSAL I	Election of two (2) directors	Page 6	FOR each Director Nominee	Plurality of the votes entitled to be cast in the election of directors.
PROPOSAL II	Approval of a decrease in the number of authorized shares of common stock and to delete certain provisions in our charter relating to the already effective reverse stock split	Page 17	FOR	Majority of the votes entitled to be cast.
PROPOSAL III	Ratification of the selection of the independent registered public accounting firm	Page 19	FOR	Majority of the votes entitled to be cast for this advisory vote.

About NovaBay

NovaBay is a medical device company predominantly focused on eye care. We are currently focused primarily on commercializing Avenova®, a prescription product sold in the United States for cleansing and removing foreign material including microorganisms and debris, from skin around the eye, including the eyelid.

Avenova is a saline solution formulated with our proprietary, stable and pure form of hypochlorous acid. Avenova has proven in laboratory testing to have broad antimicrobial properties as a preservative in solution as it removes foreign material, including microorganisms and debris, from the skin on the eyelids and lashes without burning or stinging.

Our business strategy remains the same since November 2015, when we restructured our business to focus our resources on growing sales of Avenova in the United States. Our current three-part business strategy is comprised of: (1) focusing our resources on growing the U.S. commercial sales of Avenova, including implementation of a sales and marketing strategy intended to increase product margin and profitability; (2) maintaining low expenses and continuing to optimize sales force efficiency, including expansion of geographical reach and efforts directed to maintain and increase insurance reimbursement for Avenova; and (3) seeking additional sources of revenue through partnering, divesting and/or other means of monetizing non-core assets in urology, dermatology, and wound care

In addition to Avenova, we have developed two other products containing our proprietary, stable and pure form of hypochlorous acid, including NeutroPhase® for the wound care market and CelleRx® for the dermatology market. Since the launch of NeutroPhase in 2013, we have established a U.S. distribution partner and an international distribution partner in China.

Avenova, NeutroPhase, and CelleRx are medical devices cleared by the U.S. Food and Drug Administration (“*FDA*”) under the Food and Drug Administration Act Section 510(k). The products are intended for use under the supervision of healthcare professionals for the cleansing and removal of foreign material, including microorganisms and debris. For wound treatment, NeutroPhase® is also intended for use under the supervision of healthcare professionals for moistening absorbent wound dressings and cleansing minor cuts, minor burns, superficial abrasions and minor irritations of the skin. It is also intended for moistening and debriding acute and chronic dermal lesions.

2017 Business Highlights

Full year sales of \$18.2 million, at the high end of the Company’s guidance range.

Record quarterly Avenova sales of \$4.9 million in the fourth quarter, an increase of 25% year-over-year.

Prescription sales into the retail pharmacy channel of \$4.4 million, up 45% year-over-year.

Prescription sales represented 90% of the Avenova sales.

Gross margin on Avenova sales of 92%.

Compensation Highlights

The Compensation Committee (the “*Compensation Committee*”) of the Board (the “*Board*”) of Directors continues its historic practice of an annual performance incentive program, pursuant to which the Company’s executives may earn an annual performance bonus, tied to a percentage of their base salary. The Compensation Committee has the sole discretion to pay any portion of, or the entire, annual performance bonus in the form of equity compensation.

As a result of such annual performance incentive program, our practice of issuing equity awards upon hire and/or as a part of our employment arrangements, and our Annual Employee Equity Refresh Program, a significant portion of our executives’ annual total compensation is variable, and based upon our stock price.

Consistent with our compensation philosophy, approximately 79% of our CEO’s total target compensation for 2017 was performance-based.

We implemented a stockholder advisory vote on executive compensation (commonly referred to as “*Say on Pay*” proposal) at our 2013 Annual Meeting, which gives stockholders the opportunity to endorse or not endorse the Company’s named executive compensation program. At the Company’s 2013 Annual Meeting, our stockholders voted to conduct its Say on Pay vote every three years, and approximately 96% of the votes cast on the Say on Pay proposal were voted in favor of the Company’s program. In 2016, our stockholders voted against the Company’s program. In 2019, our stockholders will again vote on both Say on Pay and its frequency.

Corporate Governance Highlights

NovaBay has a longstanding commitment to effective governance of its business and affairs for the benefit of stockholders. The Board’s Nominating and Corporate Governance Committee (the “*N&CG Committee*”) periodically reviews our Corporate Governance Guidelines to maintain effective and appropriate standards of corporate governance.

We have also established a Code of Ethics and Business Conduct (the “*Code of Ethics*”) that establishes standards of conduct and expectations for our employees and the overall manner in which we conduct business. The Code of Ethics, along with our other policies and business standards, and our overall risk and compliance programs are components of mitigating the risks associated with the operation of our business.

Board Leadership Structure

Our Board leadership structure currently consists of a Chairman of the Board (the “*Chairman*”), who also serves as our Chief Executive Officer (“*CEO*”), a Lead Independent Director, and independent committee chairs. The Board believes that NovaBay is currently best served in combining the CEO and Chairman positions, complemented by a strong and effective Lead Independent Director.

Lead Independent Director

Mr. Paul Freiman was re-elected to serve a NovaBay’s Lead Independent Director for 2017. Both the Board and management believe that strong, independent Board leadership is a critical aspect of effective corporate governance.

Lead Independent Director responsibilities include, but are not limited to:

Coordinating the activities of the independent directors and bearing such other responsibilities as the independent directors as a whole may designate from time to time.

Calling and presiding at any meeting of the independent directors in executive session, and reporting any concerns to the Chairman and CEO.

Working with the Chairman and CEO in the preparation of the agenda for each Board meeting.

Board Committees

The three (3) standing committees established by the Board meet on a regular basis and operate under written charters approved by the Board. Each committee performs an annual self-evaluation to determine whether the committee is functioning effectively and fulfilling its duties as prescribed by its charter. All members of the Audit Committee of the Board (the “*Audit Committee*”), the Compensation Committee and the N&CG Committee are independent, and each committee has the ability to hire and terminate its own outside advisors.

Board Tenure

Our directors’ expertise combines to provide a broad mix of skills, qualifications and proven leadership abilities.

The N&CG Committee practices a long-term approach to board refreshment. The Committee regularly identifies individuals who have expertise that would complement and enhance the current board’s skills and experience. In addition, as part of our stockholder engagement dialogue, we routinely ask our investors for input regarding director recommendations.

Anti-Hedging and Anti-Pledging

Pursuant to the Company's Insider Trading Policy, the Company considers it improper and inappropriate for any employee, officer or director of the Company to engage in short-term or speculative transactions in the Company's securities. The Insider Trading Policy specifically prohibits directors, officers and other employees from engaging in short sales, margin accounts, pledging or hedging transactions of the Company's securities. Each of the NEOs and directors complied with the Insider Trading Policy during fiscal year 2017.

Good Governance Practices

The Board reflects a range of talents, ages, skills, diversity, and expertise. As of the end of 2017, 62.5% of the Board membership were minorities and the Board was 50% independent.

Each director attended over 75% of applicable Board/Committee meetings in 2017.

The Board has three (3) standing committees, each operating under a written charter and chaired by an independent director: the Audit, Compensation, and N&CG Committee.

The Board has adopted comprehensive Corporate Governance Guidelines to guide its oversight and leadership. The Board and each Committee conduct an annual self-evaluation.

The Board conducts an annual evaluation of the CEO.

No stockholder rights plan or "poison pill" has been adopted.

Board Evaluation

The Directors participate in an annual evaluation of the full Board and each committee on which they serve, in order to assess the performance and effectiveness of the Board and its committees. The responses and comments are presented to, and discussed with, the Board and each committee of the Board.

**Election
of
Directors
(Proposal
1)**

You will find important information in the proxy statement about the qualifications and experience of each of the director nominees whom you are being asked to elect. The N&CG Committee performs an annual assessment to evaluate whether NovaBay's directors have the skills and experience to effectively oversee the Company. All of our directors have proven leadership ability, sound judgment, integrity and a commitment to the success of our Company.

**Director
Nominees**

Name	Director			Principal Occupation	NovaBay Board
	Since	Age	Independent		Committees
Mr. Xinzhou (Paul) Li	2015	54	No	Chairman & Executive Director of China Pioneer Pharma Holdings Limited	None
Dr. Yonghao (Carl) Ma, Ph.D.	2016	61	Yes	Founder, Owner & President of PharmStats, Ltd.	Compensation N&CG

Approval of a Decrease in the Number of Authorized Shares of Common Stock and to Delete Certain Provisions Relating to the Already Effective Reverse Stock Split (Proposal 2)

Our Board is requesting stockholder approval of an amendment to our Amended and Restated Certificate of Incorporation (the “*Certificate of Incorporation*”) to decrease the number of authorized shares of our common stock from 240,000,000 shares to 50,000,000 shares in order to reduce state tax costs associated with such authorized share amount. The amendment would additionally delete the current provisions relating to the already effective reverse stock split, which are no longer needed. If our stockholders approve the proposed amendment to our Certificate of Incorporation, it will become effective upon filing with the Secretary of State of the State of Delaware, which we anticipate doing as soon as practicable following stockholder approval. However, even if our stockholders approve the proposed amendment, our Board retains discretion under Delaware law not to implement the proposed amendment. If our Board were to exercise such discretion, the number of authorized shares would remain at the current level.

Ratification of the Selection of the Independent Registered Public Accounting Firm (Proposal 3)

The Audit Committee has appointed OUM & Co. LLP (“*OUM*”) as the Company’s independent registered public accounting firm (independent auditor) for 2018. While we are not required to have stockholders ratify the selection of OUM as the Company’s independent auditor, we are doing so because we believe it is good corporate practice. If stockholders do not ratify the selection, the Audit Committee will reconsider the appointment, but may nevertheless retain OUM as the Company’s independent auditor. Even if the selection is ratified, the Audit Committee may, at its discretion, direct the appointment of a different independent registered public accounting firm at any time during the year if it determines that such change is in the best interests of the Company and its stockholders.

Submission of Stockholder Proposals or Nominations for 2019 Annual Meeting of Stockholders

Stockholder proposals submitted for inclusion in our 2019 proxy statement pursuant to Rule 14a-8 of the Securities Exchange Act of 1934, as amended, must be received by us by December 21, 2018. Notice of stockholder proposals to nominate a person for election as a Director or to introduce an item of business at the 2019 annual meeting of stockholders outside Rule 14a-8 must be received by us no earlier than January 30, 2019 and no later than March 2, 2019.

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NOVABAY PHARMACEUTICALS, INC.

2000 Powell Street, Suite 1150

Emeryville, California 94608

**PROXY STATEMENT
FOR THE 2018 ANNUAL MEETING OF STOCKHOLDERS**

This proxy statement (the “*Proxy Statement*”), the accompanying Notice of 2018 Annual Meeting of Stockholders (the “*Notice*”) and the enclosed proxy card are being furnished in connection with the solicitation of proxies by the Board of Directors (the “*Board*”) of NovaBay Pharmaceuticals, Inc., a Delaware corporation (“*NovaBay*,” the “*Company*,” “*we*,” “*our*,” or “*us*”), to be voted at the 2018 Annual Meeting of Stockholders to be held on Thursday, May 31, 2018 (the “*Annual Meeting*”), and at any adjournment or postponement of the Annual Meeting. This year’s Annual Meeting will be held at 9:00 a.m. Pacific Time and will be a virtual meeting of stockholders. You will be able to participate in the 2018 Annual Meeting, vote, and submit your questions during the meeting via live webcast by visiting www.meetingcenter.io/255270829. You must have your 15-digit control number and the meeting password NBY2018 to enter and participate in the virtual meeting. If you are a registered holder, your control number is provided by NovaBay on your Notice of Internet Availability of Proxy Materials (“*Availability Notice*”) or on your proxy card. If your shares are held in the name of a bank, broker or other holder of record, you may either (i) vote in advance of the meeting by contacting your broker and attend the virtual meeting as a guest; or (ii) register to attend the virtual meeting as a stockholder in advance (allowing you to both vote and ask questions during the meeting) by following the instructions below under “*Attendance at the Annual Meeting*.” This Proxy Statement and the proxy card are being made available over the Internet or delivered by mail on or about April 20, 2018, to stockholders of record as of April 16, 2018.

Purpose of Meeting

The specific proposals to be considered and acted upon at the Annual Meeting are summarized in the Notice and are described in more detail in this Proxy Statement.

Availability Notice

This year, we are pleased to offer our stockholders the convenience of notice and access to our electronic Proxy Statement and Annual Report on Form 10-K for the year ended December 31, 2017 (the “*Annual Report*”) and the opportunity to vote online. This delivery method will also help NovaBay to reduce the mailing of paper copies of our proxy materials and Annual Report. Pursuant to rules adopted by the U.S. Securities and Exchange Commission (the “*SEC*”), we are permitted to furnish proxy materials, including this Proxy Statement, to our stockholders by providing

access to such documents on the Internet instead of mailing printed copies. Consequently, our stockholders generally will not receive paper copies of our proxy materials unless they request them. Beginning on or about April 20, 2018, we will send to our stockholders an Availability Notice containing instructions on how to access this Proxy Statement, our Annual Report and your proxy card via the Internet and vote online. As a result, you will not receive a printed copy of the proxy materials in the mail unless you request a copy. All stockholders will have the ability to access the proxy materials on a website referred to in the Availability Notice and may request a printed set of the proxy materials free of charge by mail or electronically from such website. If you would like to receive a printed or electronic copy of our proxy materials, you should follow the instructions for requesting such materials included in the Availability Notice. By participating in the e-proxy process, we save printing and mailing expenses and reduce the environmental impact of our Annual Meeting.

Attendance at the Annual Meeting

As permitted by Delaware law and our Bylaws, the Company's Annual Meeting will be held solely as a virtual meeting live via the Internet. You will be able to attend the Annual Meeting via live webcast by visiting the Company's virtual meeting website (www.meetingcenter.io/255270829) at the meeting time. Upon visiting the meeting website, you will be prompted to enter your 15-digit control number provided on your Availability Notice or on your proxy card if you receive proxy materials by mail and the meeting password NBY2018. Your unique control number allows us to identify you as a stockholder and will enable you to securely log on, vote and submit questions during the Annual Meeting on the meeting website.

Please note that if you hold your shares in the name of a bank, broker or other holder of record, in order to join the virtual meeting as a stockholder and be able to vote and submit questions during the Annual Meeting, you will need to contact your bank, broker or other holder to receive proof of your beneficial ownership and submit such proof, along with your name, email address and contact information, to Computershare in advance of the Annual Meeting no later than 5:00 pm ET on May 25, 2018, which may be submitted via: (i) email to Valerie.Gray@computershare.com; (ii) facsimile to (781) 575-4647, Attn: Valerie Gray; or (iii) mail to Computershare, Company Legal Proxy, P.O. Box 43001, Providence, Rhode Island 02940-3001. Upon receipt of such beneficial ownership proof, Computershare will then register you for attendance at the virtual meeting and provide you with registration information needed to join the meeting as a stockholder.

Alternatively, if you hold your shares in the name of a bank, broker or other holder of record, you may vote in advance of the virtual meeting by contacting your holder of record (please see "*Voting Methods*" below) and join the virtual meeting as a guest (without the ability to vote or ask questions) without advance registration.

Voting; Quorum

The record date for determining those stockholders who are entitled to notice of, and to vote at, the Annual Meeting has been fixed as April 16, 2018 ("*Record Date*"). Only stockholders of record at the close of business on the Record Date are entitled to notice of, and to vote at, the Annual Meeting and any adjournment or postponement thereof. Each stockholder is entitled to one (1) vote for each share of our common stock held by such stockholder as of the Record Date. As of the Record Date, 17,089,304 shares of our common stock were outstanding, and no shares of our preferred stock were outstanding.

Holders of a majority of the voting power of all the outstanding shares of our common stock entitled to vote will constitute a quorum for the transaction of business at the Annual Meeting. If a quorum is not present, the Annual Meeting will be adjourned until a quorum is obtained. Stockholders who log on to, and vote at, our virtual meeting of stockholders with their 15-digit control number (which is either provided by NovaBay on your Availability Notice or on your proxy card if you receive proxy materials by mail, or obtained from Computershare by those who hold their

shares in the name of a bank, broker or other holder of record and register in advance of the Annual Meeting) are considered present in person.

All votes will be tabulated by the inspector of election appointed for the Annual Meeting, who will separately tabulate affirmative and negative votes, abstentions and broker non-votes (*i.e.*, shares held by a broker, bank or other nominee that are represented at the Annual Meeting, but with respect to which such broker, bank or other nominee is not instructed to vote on a particular proposal and does not have discretionary voting power). Abstentions and broker non-votes are counted as present for purposes of determining the presence or absence of a quorum for the transaction of business. Broker non-votes and votes marked "WITHHELD" will not be counted towards the tabulation of votes cast on such proposals presented to the stockholders.

Required Votes

For Proposal One, the election of Class II directors, the two (2) nominees nominated by our Board receiving the highest number of “FOR” votes of our common stock, present or represented by proxy duly authorized and entitled to vote at the Annual Meeting, will be elected. “WITHHELD” votes and broker non-votes will have no effect.

Proposal Two, the approval of an amendment to the Amended and Restated Certificate of Incorporation (the “*Certificate of Incorporation*”) to decrease the number of authorized shares of common stock and to delete certain provisions relating to the already effective reverse stock split, requires “FOR” votes from a majority of the shares present and entitled to vote at the Annual Meeting. Abstentions and broker non-votes will have the same effect as “AGAINST” votes. If the amendment is not approved by stockholders at the Annual Meeting, the number of authorized shares would remain at the current level.

Proposal Three, the ratification of the appointment by our Audit Committee of OUM & Co. LLP (“*OUM*”) as our independent registered public accounting firm for the fiscal year ending December 31, 2018, requires “FOR” votes from a majority of the shares present and entitled to vote at the Annual Meeting. Abstentions and broker non-votes will have the same effect as “AGAINST” votes. If the ratification of the appointment of OUM is not approved by stockholders at the Annual Meeting, the Audit Committee will consider other independent registered public accounting firms.

Effect of Not Voting

Stockholder of Record; Shares Registered in Your Name

If you are a stockholder of record and do not vote by completing your enclosed proxy card, by telephone, or over the Internet, your shares will not be voted.

Beneficial Owner; Shares Registered in the Name of a Broker, Bank or Other Nominee

If you are a beneficial owner and do not instruct your broker, bank or other nominee how to vote your shares, the question of whether your broker, bank or other nominee will still be able to vote your shares depends on whether the New York Stock Exchange (“*NYSE*”) deems the particular proposal to be a “routine” matter. Brokers, banks or other nominees can use their discretion to vote “uninstructed” shares with respect to matters that are considered to be “routine,” but not with respect to “non-routine” matters. Under the rules and interpretations of the NYSE, “non-routine” matters are

matters that may substantially affect the rights or privileges of stockholders, such as mergers, stockholder proposals, elections of directors (even if not contested), executive compensation (including any advisory stockholder votes on executive compensation and on the frequency of stockholder votes on executive compensation), and certain corporate governance proposals, even if management supported. Accordingly, your broker, bank or other nominee may not vote your shares on Proposal One, but may vote your shares on Proposal Two and Three.

Voting Methods

If you were a registered stockholder on the Record Date, you may vote your shares at the virtual Annual Meeting, www.meetingcenter.io/255270829, or by visiting the Company's online voting website, www.investorvote.com/NBY, which contains voting instructions. The meeting starts at 9:00 a.m. (Pacific Time). You may also vote your shares by telephone by calling (toll free within the U.S. and Canada) 1-800-652-VOTE (8683) and following the voting instructions read to you by the automated operator.

Upon visiting the meeting website or calling the call-in telephone line, you will be prompted to enter your 15-digit control number provided to you on your Availability Notice or on your proxy card if you receive proxy materials by mail. Your unique control number allows us to identify you as a stockholder and will enable you to securely cast votes.

Internet and telephone voting facilities for stockholders of record will be available 24 hours a day beginning at 12:01 a.m. Pacific Time on Tuesday, April 20, 2018. Internet and telephone voting will close promptly at the close of the polls at the virtual meeting. After voting is closed during the Annual Meeting you will no longer have the ability to vote your shares for the specific proposals considered at the Annual Meeting.

If you are a registered stockholder as of the Record Date and hold your shares in more than one fund or other affiliated investment vehicle, you will receive separate voting credentials for each such entity that is a record holder of shares of our common stock. Please be sure to log on separately for each fund in order to cast all votes that you are entitled to cast at the Annual Meeting.

If your shares are held in the name of a bank, broker or other holder of record, you will receive instructions from the holder of record. You must follow the instructions of the holder of record in order for your shares to be voted. Telephone and Internet voting also will be offered to stockholders owning shares through certain banks and brokers. Please note, however, that any beneficial owner who intends to vote during the Annual Meeting (as opposed to in advance of the meeting) will need to register in advance with Computershare, as outlined under “*Attendance at the Annual Meeting.*”

If you receive proxy materials by mail or if you request paper copies of the proxy materials, you can vote by mail by marking, dating, signing and returning your proxy card in the postage-paid envelope. Further instructions on how to vote by mail are included on the proxy card. Only proxy cards that have been signed, dated, and timely returned will be counted towards the quorum and entitled to vote.

If your proxy card does not specify how the shares represented thereby are to be voted, the proxy will be voted “FOR” the election of the directors proposed by the Board under Proposal One and “FOR” the approval of Proposals Two and Three described in the Notice and this Proxy Statement.

The proxy card also grants the proxy holders discretionary authority to vote on any other business that may properly come before the Annual Meeting. We have not been notified by any stockholder of his or her intent to present a stockholder proposal at the Annual Meeting.

Revoking Proxies

If your shares are held in your name, you may revoke or change your vote at any time before the Annual Meeting by (i) submitting another proxy on a later date on the Internet or by telephone (only your latest Internet or telephone proxy submitted prior to the Annual Meeting will be counted); or (ii) attending the Annual Meeting live via webcast

and voting during the meeting (simply attending the virtual meeting will not, by itself, revoke your proxy), or (iii) by filing a notice of revocation or another signed proxy card with a later date with our Corporate Secretary, Mr. Justin Hall, Esq., at our principal executive offices at 2000 Powell Street, Suite 1150, Emeryville, California 94608.

Solicitation

NovaBay will bear the entire cost of proxy solicitation, including the costs of preparing, assembling, printing and mailing this Proxy Statement, the Notice, the proxy card and any additional solicitation materials furnished to the stockholders. Copies of these materials will be furnished to brokers, banks or other nominees holding shares in their names that are beneficially owned by others so they may forward these materials to such beneficial owners. In addition, we may reimburse such persons for their reasonable expenses in forwarding the solicitation materials to the beneficial owners. The original solicitation of proxies by mail may be supplemented by a solicitation by personal contact, telephone, facsimile, email or any other means by our directors, officers or employees. No additional compensation will be paid to these individuals for any such services.

**MATTERS TO BE CONSIDERED AT THE ANNUAL MEETING
PROPOSAL ONE:**

ELECTION OF DIRECTORS

Our Certificate of Incorporation provides for a classified board of directors consisting of three (3) classes of directors, each serving staggered three (3)-year terms. As a result, a portion of our Board will be elected each year. Our Board currently consists of eight (8) persons.

Upon the recommendation of the Nominating and Corporate Governance (“*N&CG*”) Committee of the Board, our Board selected and approved Dr. Yonghao (Carl) Ma, Ph.D. (“*Dr. Ma*”) and Mr. Xinzhou (Paul) Li (“*Mr. Li*”) as nominees for election in the class being elected at this Annual Meeting to serve for a term of three (3) years, expiring at the 2021 Annual Meeting of Stockholders, and until their successors are duly elected and qualified or until their earlier resignation or removal. Each nominee has agreed to serve if elected. Management has no reason to believe any of the nominees will be unable to serve. In the event any of the nominees named herein is unable to serve or declines to serve at the time of the Annual Meeting, the proxy holders will exercise discretionary authority to vote for substitutes. Unless otherwise instructed, the proxy holders will vote the proxies received by them “FOR” the nominees named below.

On March 21, 2018, the Board elected Mr. Yanbin (Lawrence) Liu to replace Mr. Xiaoyan (Henry) Liu as a member of the Board of Directors in connection with the closing of the private placement with OP Financial Investments Limited.

Paul Freiman (“*Mr. Freiman*”), Ms. Gail Maderis (“*Ms. Maderis*”) and Mr. Yanbin (Lawrence) Liu (“*Mr. Liu*”) have been designated as Class III directors whose terms expire at the 2019 Annual Meeting of Stockholders. Mr. Todd Zavodnick (“*Mr. Zavodnick*”), Mr. Mijia (Bob) Wu (“*Mr. Wu*”), and Mark M. Sieczkarek (“*Mr. Sieczkarek*”) have been designated as Class I Directors whose terms expire at the 2020 Annual Meeting of Stockholders.

Current Directors and Nominees

The names of our current directors and nominees, their ages, and positions with us as of April 16, 2018, and biographical information about them, are as follows:

Class II Director Nominees – Terms Expiring at the 2018 Annual Meeting

XINZHOU (PAUL) LI

Director since April 2015

Director Committees: None

Age: 54 **Current Occupation: Chairman and Executive Director of China Pioneer Pharma Holdings Limited**
(“China Pioneer Pharma”)

Selected Director Qualifications:

Extensive knowledge of NovaBay’s products and the pharmaceutical industry generally

Leadership of a successful company dedicated to the promotion and marketing of imported pharmaceutical products and medical devices

Expertise in the international market

Uniquely positioned to represent our stockholders’ interests as a representative of NovaBay’s largest stockholder

Mr. Li has been the Chairman and Executive Director of China Pioneer Pharma since 2013 (also serving in the role of chief executive officer from November 2013 to December 2014) and is also currently Director of China Pioneer Pharma's wholly-owned subsidiary, Pioneer Pharma (Hong Kong) Company Limited ("*Pioneer Hong Kong*"). China Pioneer Pharma, along with its affiliates, is the exclusive distributor of NovaBay's NeutroPhase® Skin and Wound Cleanser in China and Southeast Asia, as well as NovaBay's largest stockholder. Mr. Li has not been appointed to any committees. Mr. Li previously served as the Board's Asia-Pacific advisor for over two (2) years. Mr. Li founded China Pioneer Pharma in July 1996, and is responsible for managing its operations and planning, and for formulating the company's strategies. He has more than 21 years of experience in the pharmaceutical services industry and has more than 23 years of experience in international trading and management. Prior to China Pioneer Pharma, Mr. Li worked at the Hainan branch of Sumitomo Corporation from 1988 to 1995. Mr. Li graduated from Jiangnan Petroleum Normal School with a diploma in English and studied at the China Europe International Business School.

YONGHAO (CARL) MA, PH.D.

Director since August 2016

Independent Director

Committees: Compensation and N&CG

Age: 61

Current Occupation: Founder, Owner and President of PharmStats, Ltd. ("*PharmStats*")

Selected Director Qualifications:

Extensive pharmaceutical, product development and regulatory background

Dr. Ma is currently the founder, owner and President of PharmStats since September 1997. PharmStats is a Delaware corporation formed in 1997, specializing in statistical consulting and support for pharmaceutical research and development, registration of pharmaceutical products in the United States and Europe, phase IV post-market research, and health outcomes research. Dr. Ma is particularly experienced in the areas of oncology, the central nervous system, dermatology, pain (acute and chronic) management, multiple sclerosis, and HIV infection. Over the course of his career, Dr. Ma has participated in, or managed, many clinical trials with regard to design, statistical conduct, and regulatory filings in the United States and Europe, including new drug applications. From August 1991 to September 1997, Dr. Ma was an Assistant Professor of Mathematics at Texas State University. Dr. Ma has a Ph.D. in Mathematics from the University of Utah (1991).

Recommendation of Our Board

For the reasons described in this Proxy Statement, our Board recommends unanimously that you vote "FOR" the Class II director nominees listed above.

Directors with Continuing Terms

Class III Directors – Terms Expiring at the 2019 Annual Meeting

PAUL E. FREIMAN, PH.D.

Director since May 2002

Lead Independent Director

Committees: Compensation (Chair), Audit, N&CG

Age: 83

Current Occupation: Independent Pharmaceutical Professional & Consultant

Selected Director Qualifications:

Extensive historical knowledge about NovaBay, having served over 15 years as one of our directors, providing valuable Board continuity

Valuable operational and industry expertise and leadership skills from prior experiences as a client executive officer as well as a board member of various pharmaceutical companies

Experience in multiple acquisitions, for example having guided Syntex Corporation (“*Syntex*”) through an acquisition by Roche in 1994 for \$5.3 billion

Since January 2009, Mr. Freiman has been an independent pharmaceutical professional and consultant. Currently, he is also board chairman of Chronix Biomedical Inc., a private molecular diagnosis company. Mr. Freiman's prior experience includes serving as the president and chief executive officer of Neurobiological Technologies, Inc. (OTC: NTII) and a member of its board of directors from April 1997 until 2009. Mr. Freiman's prior experience also includes serving as the former chairman and chief executive officer of Syntex from 1989 to 1994. He is credited with much of the marketing success of Syntex's lead product, Naprosyn, and was responsible for moving the product to over-the-counter status, marketed as Aleve. Mr. Freiman served as chairman of the board of Neurotrope, Inc. (OTCBB: BLFL) from 2013 until August 2016. Mr. Freiman served as chairman of Penwest Pharmaceutical Co. (NASDAQ: PPCO) until 2010 and served on the board of directors of Otsuka American Pharmaceuticals, Inc. and Otsuka America, Inc. until 2011, NeoPharm, Inc. (NASDAQCM: NEOL) until 2010 and Calypte Biomedical Corporation (OTC: CBMC) until September 2009. Mr. Freiman also served on the board (including as chairman) of the Pharmaceutical Research and Manufacturers Association of America. He has also served on a number of industry task forces both domestically and internationally. Mr. Freiman received a B.S. in pharmacy from Fordham University and an honorary doctorate from the Arnold & Marie Schwartz College of Pharmacy.

YANBIN (LAWRENCE) LIU

Director since March 21, 2018

Director **Committees: None**

Age: 38 **Current Occupation: Joint Chief Operating Officer & Head of Direct Investment of OP Financial Investments**

Limited ("OP Financial")

Selected Director Qualifications:

Experience in Cross-Border Direct Investment

Experience with M&A, Project Finance, Structured Finance and Syndication Finance

Expertise in the international market

Mr. Liu brings more than 12 years of business experience, including 4 years of experience in cross-border direct investment. Since 2015, Mr. Liu has served as the Joint Chief Operating Officer & Head of Direct Investment of OP Financial. Mr. Liu served as Investment Director of China-ASEAN Capital Advisory Co., Ltd. from 2014 to 2015. From 2011 to 2014, Mr. Liu was the Head of Project Finance & Syndication Department (EMEA Coverage) and from 2006 to 2011 as the Head of M&A and Structured Finance Department, Corporate Banking, both at the Bank of China Limited in London. From 2002 to 2006, Mr. Liu served as the Key Account Manager, Corporate Banking at the Bank of China Limited in Beijing. Mr. Liu received an Executive MBA (Investment & Strategy) from CASS Business School in London and a bachelor's degree in Business and Economics from the University of International Business and Economics in Beijing, China.

GAIL MADERIS, M.B.A.

Independent Director Director since October 2010

Age: 60 **Committees: Audit (Chair), Compensation**

Current Occupation: President, CEO and Director of Antiva BioSciences, Inc. (“Antiva”)

Selected Director Qualifications:

Operational and industry experience and leadership skills from her current experience at Antiva and prior experiences as CEO of FivePrime Therapeutics, Inc. and as president of Genzyme Molecular Oncology

Extensive network of contacts related to financing, partnering and support services for the industry

Insight into business and policy trends impacting the biopharma industry resulting from her experience as CEO of BayBio

Ms. Maderis is currently the president, chief executive officer and a board member of Antiva, a privately held biopharmaceutical company focused on developing topical therapeutics for HPV-based diseases, since July 2015. Previously, Ms. Maderis served as the president and chief executive officer of BayBio, an independent, non-profit trade association serving the life sciences industry in Northern California, from 2009 until its merger with the California Healthcare Institute in early 2015. From 2003 to 2009, Ms. Maderis was president and chief executive officer of FivePrime Therapeutics, Inc., a biotechnology company focused on the discovery and development of innovative protein and antibody drugs, and prior to that, she held general management positions at Genzyme Corporation, including founder and president of Genzyme Molecular Oncology, a publicly traded division of Genzyme Corporation, and corporate vice president of Genzyme Corporation from 1997 to 2003. Ms. Maderis has been a member of several private company boards of directors, and currently serves on the board of Opexa Therapeutics, Inc. (NASDAQCM: OPXA). Ms. Maderis received a B.S. degree in Business Administration from the University of California at Berkeley and an M.B.A. from Harvard Business School.

Class I Directors – Terms Expiring at the 2020 Annual Meeting

MARK M. SIECZKAREK, M.B.A.

Director since January 2014

Chairman & Director

Committees: None

Age: 63

Current Occupation: Chairman and CEO of NovaBay

Selected Director Qualifications:

Experience in acquisitions, through his leadership in guiding Solta Medical, Inc. (“*Solta*”) through an acquisition, and leading Conceptus, Inc. (“*Conceptus*”) through its successful commercialization prior to its eventual sale to Bayer Experience as a CEO of several medical device companies provides operational and industry expertise that are important to the future growth of NovaBay

Mr. Sieczkarek has served as Chairman of the Board since April 2015, and as Chief Executive Officer (“*CEO*”) since June 1, 2016 (including serving as Interim President and CEO of NovaBay from November 2015 to May 31, 2016). Mr. Sieczkarek currently also serves as chief executive officer of Fe3 Medical, Inc., a private company focused on developing a novel transdermal therapy for iron deficiency anemia, since 2015, and chief executive officer of MarkAnn Inc., LLC, a private real estate holding company. Mr. Sieczkarek has more than 36 years of leadership experience in the pharma, device and diagnostics industries and most recently served as chairman, president and chief executive officer of Solta from April 2016 until it was acquired by Valeant Pharmaceuticals International, Inc. in January 2014. Mr. Sieczkarek was also Lead Director of Solta for seven (7) years and served on the audit committee and as head of the compensation committee. Mr. Sieczkarek also served as president and chief executive officer of Conceptus from 2003 to 2011. Previously, Mr. Sieczkarek was senior vice president and president of Bausch & Lomb’s Americas Region, responsible for the commercial operation of all Bausch & Lomb businesses in the United States, Canada and Latin America. Mr. Sieczkarek joined Bausch & Lomb in 1995 as vice president and controller in the Personal Products division and also served as president of Europe, and a vice president in Corporate Business Development. Previously, Mr. Sieczkarek held an executive level position with KOS Pharmaceuticals, several Bristol Myers-Squibb subsidiaries and Sanofi Diagnostics Pasteur. Mr. Sieczkarek received an M.B.A. degree in Finance from Canisius College in Buffalo, New York, and a B.S. degree in Accounting from the State University of New York

at Buffalo.

MIJIA (BOB) WU, M.B.A.

Director since January 2016

Director

Committees: None

Age: 43

Current Occupation: Managing Director of China Kington Asset Management (“China Kington”)

Selected Director Qualifications:

Over a decade of valuable experience in finance and investments

Uniquely positioned to represent our stockholders’ interests as a representative of NovaBay’s largest stockholder

Expertise in the international market

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Since June 2008, Mr. Wu has been the Managing Director of China Kington (an affiliated entity of China Kington Investment Co. Ltd.), which (i) acted as the sole placement agent (and received a commission) for a \$6.86 million private placement of NovaBay common stock and warrants to purchase common stock in May 2015; (ii) facilitated a bridge loan for the Company in the aggregate amount of \$3.02 million in August 2016, in consideration for which China Kington was granted, among other things, the right to appoint two (2) new members to the Company's Board; (iii) acted as the sole placement agent (and received a commission) for three (3) securities purchase agreements for the sale of 1,518,567 shares of the Company's common stock to accredited investors in February 2016; and (iv) acted as the sole placement agent (and received a commission) for an \$11.8 million private placement of NovaBay common stock and warrants to purchase common stock, which closed in two (2) tranches (May 2016 and August 2016). Concurrently, Mr. Wu serves as the Managing Director of Shanghai Ceton Investment Management Co. Ltd. Since October 2013, he has also been the Non-Executive Director of China Pioneer Pharma, the Company's largest stockholder (holding approximately 34.4% of NovaBay's total common stock outstanding) and indirect owner of Pioneer Hong Kong. Previously, Mr. Wu served as Director at UBS AG, Hong Kong Branch, in 2007 and Vice President of BNP Paribas Hong Kong from 2005 to 2006. He was also the Assistant Vice President at ABN AMRO Bank (China) Co., Ltd. from 2002 to 2005. He holds an M.B.A. from Manchester Business School, University of Manchester, and an Executive M.B.A. from Cheung Kong Graduate School of Business.

TODD ZAVODNICK, M.B.A.

Director since May 2016

Independent Director

Committees: N&CG (Chair), Audit

Age: 46

Current Occupation: Chief Commercial Officer and President, Revance Therapeutics, Inc.

Selected Director Qualifications:

Significant strategic experience in developing and commercializing pharmaceutical products

Strong business leadership experience to assist NovaBay's operations and drug development progress

Mr. Zavodnick currently serves as the Chief Commercial Officer and President at Revance Therapeutics, Inc. (NASDAQ: RVNC), a Silicon Valley-based biotechnology company, since September 2017, and a board member for both Allurion, a private company in the bariatric space, and the Children's Skin Disease Foundation, a not-for-profit organization that focuses on children who suffer from skin disease and the families who care for them. Mr. Zavodnick served as the President, International at ZELTIQ from January 2016 until ZELTIQ's sale to Allergan plc in April 2017. ZELTIQ was a medical technology company focused on developing and commercializing products utilizing its proprietary controlled-cooling technology platform. Prior to ZELTIQ, Mr. Zavodnick held several positions from 2012 to 2015 at Galderma Laboratories, L.P. ("*Galderma*") with his most recent position being President and General Manager, North America. Galderma is a pharmaceutical company specializing in the research, development and marketing of dermatological treatments, becoming a wholly-owned subsidiary of Nestlé in 2014. From 1998 to 2012, Mr. Zavodnick held several positions at Alcon Laboratories ("*Alcon*"), eventually being elevated to President, China & Mongolia from April 2009 to April 2012. Alcon is a global medical company specializing in eye care products and the second largest division of the Novartis companies. Mr. Zavodnick has a Bachelor's of Science degree in Pharmacy from Rutgers University, as well as an M.B.A. in International Business from the University of Texas at Dallas. In July 2015, Mr. Zavodnick was honored in the Dallas Business Journal *Who's Who in Health Care*, which recognizes 30 prominent professionals who are innovating and affecting positive change in Dallas' health care industry.

Family Relationships

There are no family relationships among any of our directors, executive officers or director nominees.

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CORPORATE GOVERNANCE

Code of Ethics and Business Conduct

Our Board has adopted a Code of Ethics and Business Conduct (the “*Code of Ethics*”) which applies to all directors, officers (including our principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions) and employees. The full text of our Code of Ethics is available on the Corporate Governance section of our website at www.novabay.com. We intend to disclose future amendments to certain provisions of the Code of Ethics and Business Conduct, and any waivers of provisions of the Code of Ethics and Business Conduct required to be disclosed under the rules of the SEC, at the same location on our website.

Director Independence

Our Board has determined that each of Mr. Freiman, Ms. Maderis, Dr. Ma, and Mr. Zavodnick satisfies the requirements for “independence” as defined in the NYSE American Company Guide (the “*Company Guide*”). The remaining non-independent directors will not serve on any committees of the Board.

Board Committees and Meetings

Our Board has an Audit Committee, a Compensation Committee and an N&CG Committee. Each such committee has a written charter that is reviewed annually and revised as appropriate. A copy of each committee’s charter is available on the Corporate Governance section of our website at www.novabay.com.

Name	Audit Committee	Compensation	
		Committee	N&CG Committee
Paul E. Freiman, Ph.D.*		C	
Xinzhou (Paul) Li			
Yanbin (Lawrence) Liu			
Gail Maderis, M.B.A. ^o	C		
Yonghao (Carl) Ma, Ph.D.			
Mark M. Sieczkarek, M.B.A.			
Mijia (Bob) Wu, M.B.A.			
Todd Zavodnick Member			C
CChair			

° Audit Committee Financial Expert

* Lead Independent Director

The table below shows the number of Board and Committee meetings held in 2017.

	Number of Meetings Held
Board of Directors	7
Audit Committee	5
Compensation Committee	6
N&CG Committee	3

Directors are expected to attend Board meetings, our annual stockholders' meeting and the meetings of the committees on which they serve. No director attended fewer than 75% of the aggregate of the total number of meetings of the Board and committees of the Board while he or she was serving on such committee. During all of the regularly scheduled 2017 Board meetings, the independent directors met in an executive session. Effective March 22, 2017, the Board appointed Mr. Freiman as Lead Independent Director. Prior to Mr. Freiman's appointment, Mr. Sieczkarek chaired executive sessions of the Board unless he had to recuse himself for any reason, in which case Mr. Freiman chaired the executive sessions.

Audit Committee. Our current Audit Committee consists of Mr. Freiman, Mr. Zavodnick and Ms. Maderis, who serves as the Chairman of the Audit Committee. Our Board has determined that each member of the Audit Committee is independent, as defined in the Company Guide and Rule 10A-3 under the Securities Exchange Act of 1934, as amended (the “*Exchange Act*”). Ms. Maderis qualifies as an “audit committee financial expert” as that term is defined in the rules and regulations established by the SEC. The functions of this committee include, but are not limited to:

meeting with our management and our independent registered public accounting firm periodically to consider the adequacy and effectiveness of our disclosure controls and procedures and our internal controls;

reporting findings regularly to the Board, including any issues that arise with respect to the quality or integrity of our financial statements, our compliance with legal or regulatory requirements, and the performance and independence of our independent registered public accounting firm;

considering and pre-approving all audit and non-audit services to be rendered by our independent registered public accounting firm;

appointing, evaluating, engaging and determining the compensation of, overseeing the work of, and, when appropriate, dismissing our independent registered public accounting firm;

reviewing with management and our independent registered public accounting firm, prior to public release, our financial statements (including annual and quarterly financial statements in periodic reports to be filed with the SEC);

reviewing with our independent registered public accounting firm all of their significant findings during the year, including the status of previous audit recommendations, and any significant unadjusted audit differences;

reviewing and discussing with management and our independent registered public accounting firm the accounting policies that may be viewed as critical, and reviewing and discussing any significant changes in our accounting policies and any accounting and financial reporting proposals that may have a significant impact o