

NovaBay Pharmaceuticals, Inc.
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April 06, 2016

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
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- 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)

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(3) Filing Party:

(4) Date Filed:

NOVABAY PHARMACEUTICALS, INC.

5980 Horton Street, Suite 550

Emeryville, California 94608

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

TO BE HELD MAY 3, 2016

To the Stockholders of NovaBay Pharmaceuticals, Inc.:

You are cordially invited to attend the 2016 Annual Meeting of Stockholders (the “*Annual Meeting*”) of NovaBay Pharmaceuticals, Inc., a Delaware corporation. The Annual Meeting will be held on Tuesday, May 3, 2016, at 3:00 p.m. Pacific Time at the Wareham Building, 5858 Horton Street, Suite 260, Emeryville, California 94608, for the following purposes:

To elect the three (3) Class III directors nominated by our Board of Directors to hold office for a term of three (3) years and until their respective successors are elected and qualified. The nominees for election are Paul E. Freiman, Gail Maderis and Xiaoyan (Henry) Liu.

To approve of the issuance of shares of NovaBay common stock and warrants exercisable for common stock to purchasers pursuant to the terms of a Securities Purchase Agreement, dated April 4, 2016, in accordance with the stockholder approval requirements of NYSE MKT Company Guide Sections 713 and 711.

3. To approve an amendment to the 2007 Omnibus Incentive Plan, as amended, to increase the number of shares reserved for issuance thereunder by two million, five hundred thousand (2,500,000) shares.

4. To approve, on an advisory basis, the compensation of NovaBay’s named executive officers, as disclosed in this Proxy Statement.

5. 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, 2016.

6. 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 7, 2016. Only stockholders of record at the close of business on that date may vote at the Annual Meeting or any adjournment or postponement thereof. A list of stockholders entitled to vote at the Annual Meeting will be available for inspection at the Annual Meeting.

Important Notice Regarding the Availability of Proxy Materials for the Stockholder Meeting to Be Held on Tuesday, May 3, 2016.

The Proxy Statement and Annual Report to security holders are available at www.edocumentview.com/NBY (for all stockholders).

April 18, 2016 By Order of the Board of Directors,

/s/ Mark M. Sieczkarek
Mark M. Sieczkarek

Chairman of the Board

You are cordially invited to attend the Annual Meeting in person. Whether or not you expect to attend the meeting, please complete, date, sign and return the enclosed proxy as promptly as possible in order to ensure your representation at the meeting. A return envelope (which is postage prepaid if mailed in the United States) has been provided for your convenience. Even if you have voted by proxy, you may still vote in person if you attend the meeting. Please note, however, that if your shares are held of record by a broker, bank or other nominee and you wish to vote at the meeting, you must obtain a proxy issued in your name from that record holder.

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NOVABAY PHARMACEUTICALS, INC.

5980 Horton Street, Suite 550

Emeryville, California 94608

**PROXY STATEMENT
FOR THE 2016 ANNUAL MEETING OF STOCKHOLDERS**

This proxy statement (the “*Proxy Statement*”), the accompanying Notice of the 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 2016 Annual Meeting of Stockholders to be held on Tuesday, May 3, 2016 (the “*Annual Meeting*”), and at any adjournment or postponement of the Annual Meeting. The Annual Meeting will be held at 3:00 p.m. Pacific Time at the Wareham Building, 5858 Horton Street, Suite 260, Emeryville, California 94608. The Proxy Statement, the Notice, the proxy card and other proxy materials are expected to be mailed on or about April 18, 2016, to all stockholders entitled to vote at the Annual Meeting.

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.

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 7, 2016 (“*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, 5,003,257 shares of our common stock were outstanding, and no shares of our preferred

stock were outstanding.

The presence at the Annual Meeting, either in person or by proxy duly authorized, of 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.

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 III directors, the three (3) 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.

For Proposal Two, the approval of the issuance of shares of NovaBay common stock and warrants exercisable for common stock to purchasers pursuant to the terms of a Securities Purchase Agreement, dated April 4, 2016, in accordance with the stockholder approval requirements of NYSE MKT Company Guide Sections 713 and 711, requires “FOR” votes from a majority of the shares present and entitled to vote at the Annual Meeting. Abstentions will have the same effect as “AGAINST” votes. Broker non-votes will have no effect.

For Proposal Three, the approval of our 2007 Omnibus Incentive Plan, as amended, requires “FOR” votes from a majority of the shares present and entitled to vote at the Annual Meeting. Abstentions will have the same effect as “AGAINST” votes. Broker non-votes will have no effect.

For Proposal Four, the advisory vote on NovaBay’s named executive officers’ compensation requires “FOR” votes from a majority of the shares present and entitled to vote at the Annual Meeting. Abstentions will have the same effect as “AGAINST” votes. Broker non-votes will have no effect.

For Proposal Five, the ratification of the appointment by our Audit Committee of OUM & Co. LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2016, 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.

Proxies

Please use the enclosed proxy card to vote by mail. If your shares are held in street name, then in lieu of a proxy card, you should receive from your broker, bank or other nominee an instruction form for voting. You must follow the voting instructions you receive from your broker, bank or other nominee. Should you receive more than one proxy card or voting instruction form, it is because your shares are held in multiple accounts or registered in different names or addresses. Please be sure to complete, sign, date and return each proxy card or voting instruction form to ensure all of your shares will be voted. Only proxy cards that have been signed, dated, and timely returned will be counted towards the quorum and entitled to vote. If you have any questions or need assistance in voting your shares, including casting or changing your vote, please contact our proxy solicitor, Georgeson Inc., at (888) 680-1525.

If the enclosed proxy card is properly signed and returned to us, the shares represented thereby will be voted at the Annual Meeting in accordance with the instructions specified thereon. If the proxy 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 unless the authority to vote for the election of such directors is withheld and, if no contrary instructions are given, the proxy will be voted FOR the approval of Proposals Two, Three, Four and Five described in the Notice and this Proxy Statement.

The enclosed proxy 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.

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 proxy card, by telephone, over the Internet or in person at the Annual Meeting, 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 Proposals One, Two, Three or Four, but may vote your shares on Proposal Five.

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 filing a notice of revocation or another signed proxy card with a later date with our Corporate Secretary, Mr. Thomas J. Paulson, at our principal executive offices at 5980 Horton Street, Suite 550, Emeryville, California 94608. If your shares are held in street name, you should contact the record holder to obtain instructions if you wish to revoke or change your vote before the Annual Meeting. If you attend the Annual Meeting and vote by ballot, any proxy you submitted previously to vote the same shares will be revoked automatically and only your vote at the Annual Meeting will be counted. Simply attending the meeting will not, by itself, revoke your proxy. If your shares are held in street name and you want to vote in person at the Annual Meeting, you must obtain a legal proxy from the record holder of your shares and present it at the Annual Meeting. In the absence of a legal proxy issued by the record holder of your shares, your vote in person at the Annual Meeting will not be effective.

Voting by Telephone or through the Internet

If your shares are registered in the name of a broker, bank or other nominee, you may be eligible to vote your shares by telephone or through the Internet. A large number of brokers, banks or other nominees provide eligible stockholders the opportunity to vote in this manner. If your broker, bank or other nominee allows for this, your voting form will provide instructions for such alternative method of voting.

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.

Results of the Voting at the Annual Meeting

Preliminary voting results will be announced at the Annual Meeting. In addition, final voting results will be published in a current report on Form 8-K that we expect to file within four (4) business days after the Annual Meeting.

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. The Company has had several changes to its Board in the last year:

On April 10, 2015, the Board appointed Mark M. Sieczkarek to replace Dr. Ramin Najafi as Chairman of the Board.

On November 18, 2015, Dr. Najafi notified the Board of his intent to resign as President, Chief Executive Officer (“*CEO*”) and director of the Company, which was effective on the close of business on the same day, thereby leaving a vacancy on the Board.

On January 26, 2016, our Board approved an increase in its membership from seven (7) to eight (8) members, resulting in a second Board vacancy. China Kington Asset Management (“*China Kington*”), as partial consideration for facilitating a \$3,020,000 bridge loan for the Company, nominated two (2) new directors—Mr. Mijia (Bob) Wu (“*Mr. Bob Wu*”) and Mr. Xiaoyan (Henry) Liu (“*Mr. Henry Liu*”)—to fill the vacancies on the Company’s Board. The Nominating and Corporate Governance Committee, after reviewing such directors’ relevant experience and background and discussing the same, recommended that the Board appoint Mr. Bob Wu and Mr. Henry Liu as Board members. Accordingly, the size of our Board currently consists of eight (8) persons.

In light of the changes described above and upon the recommendation of the Nominating and Corporate Governance Committee of the Board, Mr. Henry Liu has been designated as a Class III director whose term expires at the Annual Meeting, and Mr. Bob Wu has been designated as a Class I director whose term expires at the 2017 Annual Meeting of Stockholders.

Upon the recommendation of the Nominating and Corporate Governance Committee of the Board, our Board selected and approved Mr. Henry Liu, Mr. Freiman and Ms. Maderis 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 2019 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 unavailable 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.

Dr. Massimo Radaelli and Mr. Sieczkarek have been designated Class II directors whose terms expire at the 2018 Annual Meeting of Stockholders. Dr. McPherson, Mr. Xinzhou (Paul) Li (“*Mr. Paul Li*”), and Mr. Bob Wu have been designated Class I directors whose terms expire at the 2017 Annual Meeting of Stockholders.

Required Vote for Stockholder Approval

The three (3) nominees receiving the highest number of affirmative votes of the outstanding shares of our common stock present or represented by proxy duly authorized and entitled to vote at the Annual Meeting shall be elected as directors.

Recommendation of Our Board

For the reasons described in this Proxy Statement, our Board recommends unanimously that you vote “FOR” the Class III director nominees listed below.

Directors and Nominees

The names of our directors and nominees, their ages, and positions with us as of April 7, 2016, and biographical information about them, are as follows:

Name	Age	Current Position(s)
Paul E. Freiman ⁽¹⁾⁽²⁾⁽⁵⁾⁽⁶⁾	81	Director
Gail Maderis ⁽¹⁾⁽²⁾⁽³⁾	58	Director
T. Alex McPherson, M.D., Ph.D. ⁽²⁾⁽⁴⁾⁽⁵⁾	77	Director
Massimo Radaelli, Ph.D. ⁽¹⁾⁽⁵⁾	57	Director
Mark M. Sieczkarek	61	Interim President and CEO, Chairman of the Board and Director
Mijia (Bob) Wu	42	Director
Xinzhou (Paul) Li	52	Director
Xiaoyan (Henry) Liu	42	Director

(1)Member of the Audit Committee.

(2)Member of the Compensation Committee.

(3)Chairman of the Audit Committee.

(4)Chairman of the Nominating and Corporate Governance Committee.

(5)Member of the Nominating and Corporate Governance Committee.

(6)Chairman of the Compensation Committee.

Class III Director Nominees – Terms Expiring at the Upcoming 2016 Annual Meeting

Paul E. Freiman has served as a director of NovaBay since May 2002. He also served as a director of NovaCal Pharmaceuticals (NovaBay’s corporate predecessor) from May 2001 to May 2002. Since January 2009, Mr. Freiman has been an independent pharmaceutical professional and consultant. 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 December 2008. Mr. Freiman’s prior experience also includes serving as the former chairman and chief executive officer of Syntex Corporation (“**Syntex**”) from 1989 to 1994, which was sold to The Roche Group for \$5.3 billion during his tenure. 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 currently serves on the Board of Neurotrope, Inc. (OTCBB: BLFL) since 2013. Mr. Freiman served as chairman of Penwest Pharmaceutical Co. (NASDAQ: PPCO) until 2010, served on the board of directors of Otsuka American Pharmaceuticals, Inc. and Otsuka America, Inc. and served on the board of directors of NeoPharm, Inc. (NASDAQCM: NEOL) until 2010 and Calypte Biomedical Corporation (OTC: CBMC) until September 2009. Mr. Freiman received a B.S. in pharmacy from Fordham University and an honorary doctorate from the Arnold & Marie Schwartz College of Pharmacy. The Board considers Mr. Freiman's experience guiding Syntex through an acquisition to be an asset to the Board and believes that Mr. Freiman's prior experiences as a chief executive officer of pharmaceutical companies gives him operational and industry expertise and leadership skills that are important to our Board. In addition, having spent approximately fifteen (15) years as one of our directors, Mr. Freiman has extensive historical knowledge about NovaBay and provides valuable Board continuity.

Gail Maderis has served as a director of NovaBay since October 2010. Ms. Maderis is currently the president, chief executive officer and a board member of Antiva BioSciences, Inc. (“**Antiva**”), a privately held biopharmaceutical company focused on developing topical therapeutics for HPV-based diseases. 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. The Board considers Ms. Maderis’ current experience at Antiva and prior experiences as chief executive officer of FivePrime Therapeutics, Inc. and as president of Genzyme Molecular Oncology to be an asset to the Board as it gives her operational and industry experience and leadership skills. Through her experience, she has acquired an extensive network of contacts related to financing, partnering and support services for the industry, which are important to our Board. In addition, the Board believes Ms. Maderis’ experience as chief executive officer of BayBio to be an asset to the Board because it resulted in Ms. Maderis having insight into business and policy trends that impact the biopharma industry.

Xiaoyan (Henry) Liu has served as a director of NovaBay since January 2016 and brings more than 15 years of stock market investment experience and 10 years of leadership experience in the telecommunications industry to the Board. Since 2015, Mr. Henry Liu has been the Director of Ant Capital Pty Ltd. (“**Ant Capital**”), an investment company based in Australia. Prior to founding Ant Capital, Mr. Henry Liu served as Operations Team Lead of Citic Pacific Mining from 2013 to 2014 and Solution Team Lead at ZTE Australia from 2010 to 2013. From 1996 to 2000, Mr. Henry Liu managed the operations team at China Telecom. Mr. Henry Liu received an associate degree of Applied Electrical Technology from the University of Changsha, Hunan, China. With over 15 years of experience with capital markets, particularly those in China and other parts of Southeast Asia, and his strength in bridging financial institutions and companies with Chinese investors, the Board believes that Mr. Henry Liu’s experience will improve the structure, marketing and return of the Company’s future capital raising efforts. In addition, Mr. Henry Liu’s experience as a director of Ant Capital will provide the Board with leading advice on investment analysis and risk management.

Directors with Continuing Terms

Class I Directors – Terms Expiring at the 2017 Annual Meeting

Massimo Radaelli, Ph.D., has served as a director of NovaBay since January 2014 and brings over twenty-six (26) years of industry experience to our Board, including senior leadership positions with major European pharmaceutical companies. Dr. Radaelli is currently the president and chief executive officer of Noventia Pharma (“**Noventia**”), a specialty pharmaceutical company focused on orphan drugs for the treatment of rare diseases, in particular for the

central nervous system and respiratory. Prior to joining Noventia in May 2009, Dr. Radaelli was president and chief executive officer of Dompé International SA (“*Dompé*”), the international pharmaceutical company of the Dompé Group. He joined Dompé in 1996 as director of corporate business development. Dr. Radaelli is also Executive Chairman of Bioakos Pharma Laboratories, a specialty pharmaceuticals company concentrated in the fields of gynecology, dermatology, ENT and pediatrics and a director of Arriani International, SA, the international subsidiary of Arriani Pharmaceuticals, a pharmaceutical company in Southeastern Europe. Dr. Radaelli currently sits on the board of Ariad Pharmaceuticals, Inc. (NASDAQGM: ARIA), a position he has held since 2008. In July 2015, Dr. Radaelli acquired 25% of Bio Allergologica, a company located in Rome, Italy, focused on developing and commercializing vaccines for seasonal allergies (immunotherapy). Dr. Radaelli received a University Degree in pharmaceutical sciences and a Ph.D. in clinical pharmacology from the University of Milan and an Executive Master of Business from Bocconi University of Milan. Dr. Radaelli was awarded the “Cavaliere della repubblica italiana per meriti speciali,” the highest ranking honor of the Italian Republic. Dr. Radaelli was also awarded the “Grand Office of pro Merito Melitensi of the Sovereign Military Order of the Knights of Malta,” which is one of the highest honors the Italian military can bestow upon a civilian. The Board believes Dr. Radaelli brings significant strategic and international operational industry experience, including expertise in pharmaceutical business development, strategic planning, alliance management, and product development and commercialization. The Board also believes his knowledge of the European, Middle East and Latin American markets will be helpful in the management of our international partnerships.

Mark M. Sieczkarek has served as a director of NovaBay since January 2014, as Chairman of the Board since April 2015, and as Interim President and CEO of NovaBay since November 2015. Mr. Sieczkarek currently serves as chief executive officer of Fe3 Medical, Inc., a private company focused on developing a novel transdermal therapy for iron deficiency anemia, and chief executive officer of MarkAnn Inc., LLC, a private real estate holding company. Mr. Sieczkarek has more than thirty-five (35) years of leadership experience in the pharma, device and diagnostics industries and most recently served as chairman, president and chief executive officer of Solta Medical, Inc. (“*Solta*”) 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, Inc. from 2003 to 2011. Previously, Mr. Sieczkarek was senior vice president and president of The 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 a MBA 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. The Board considers Mr. Sieczkarek’s leadership in guiding Solta through an acquisition and leading Conceptus through its successful commercialization prior to its eventual sale to Bayer to be a valuable asset to the Company. The Board also believes that his prior experiences as a chief executive officer of several medical device companies gives him operational and industry expertise that are important to the future growth of NovaBay.

Mija (Bob) Wu has been, since June 2008, the Managing Director of China Kington, an affiliated entity of China Kington Investment Co. Ltd. (“*Kington Investment*”), which acted as the sole placement agent (and received a placement agent fee) for a \$6.86 million private placement of NovaBay common stock and warrants to purchase common stock in May 2015. Concurrently, he has served 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 Holdings Limited (“*China Pioneer Pharma*”), the Company’s largest stockholder (holding about 24.8% of NovaBay’s total common stock outstanding) and indirect owner of Pioneer Pharma (Singapore) Pte. Ltd. (“*Pioneer Singapore*”). Previously, Mr. Bob 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 a Master in Business Administration from Manchester Business School, University of Manchester, and an Executive Master in Business Administration from Cheung Kong Graduate School of Business. He brings to the Board over a decade of valuable experience in finance and investments.

Class II Directors – Terms Expiring at the 2018 Annual Meeting

T. Alex McPherson, M.D., Ph.D., ICD.D, has served as a director of NovaBay since July 2006 and served as the Board’s Lead Independent Director from January 1, 2010 to April 10, 2015, when the position was no longer needed. Dr. McPherson has served as a Professor and Professor Emeritus in the Faculty of Medicine of the University of Alberta since 1969. Previously, Dr. McPherson was president and chief executive officer of Biomira, Inc. (“*Biomira*”), a biotechnology company specializing in the development of products for the treatment of cancer, from 1991 until his retirement in May 2006. Biomira was recently renamed Oncothyreon and reincorporated in the U.S. (NASDAQ:

ONTY). He is a Fellow of the Australasian, Canadian and American Colleges of Physicians and is a past President of both the Alberta and Canadian Medical Associations. He has also served on the board of directors of Carrington Laboratories, Inc. until 2009. Dr. McPherson served as Lead Director of Clean Keys, Inc. from 2011 to 2013. He also served as the Chairman of the Edmonton Chapter of the Institute of Corporate Directors (ICD) of Canada from 2010 to 2014. Dr. McPherson is a current Board member of IR2DX, Inc. and has been since 2011. Dr. McPherson received his M.D. in medicine from the University of Alberta and his Ph.D. from the University of Melbourne. The Board believes Dr. McPherson's medical background, international industry expertise and his experience in public service bring valuable skills to the Board.

Xinzhou (Paul) Li has served as a director of NovaBay since April 10, 2015. Mr. Paul 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), which, 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. Paul Li has not been appointed to any committees. Mr. Paul Li previously served as the Board's Asia-Pacific advisor for over two (2) years. Mr. Paul 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 nineteen (19) years of experience in the pharmaceutical services industry and has more than twenty-one (21) years of experience in international trading and management. Prior to China Pioneer Pharma, Mr. Paul Li worked at the Hainan branch of Sumitomo Corporation from 1988 to 1995. Mr. Paul Li graduated from Jiangnan Petroleum Normal School with a diploma in English and studied at the China Europe International Business School. The Board believes that Mr. Paul Li's extensive knowledge of NovaBay's products and of the pharmaceutical industry generally, his leadership of a successful company dedicated to the promotion and marketing of imported pharmaceutical products and medical devices, and his expertise in the international area, are all skills that are important to our Board. In addition, as a representative of NovaBay's largest stockholder, Mr. Paul Li is uniquely positioned to represent stockholder interests.

Family Relationships

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

CORPORATE GOVERNANCE

Code of Ethics and Business Conduct

Our Board has adopted a Code of Ethics and Business Conduct 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 and Business Conduct 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 Securities and Exchange Commission ("*SEC*"), at the same location on our website.

Director Independence

Our Board has determined that each of its members, other than Mr. Sieczkarek, our Interim President and CEO, Chairman of the Board and director, Mr. Paul Li, Mr. Bob Wu and Mr. Henry Liu satisfies the requirements for “independence” as defined in the NYSE MKT Company Guide (the “*Company Guide*”). The 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 a Nominating and Corporate Governance 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.

During the year ended December 31, 2015, the Board and the various committees of the Board held the following number of meetings: Board—ten (10); Audit Committee—five (5); Compensation Committee—four (4); and Nominating and Corporate Governance Committee—three (3). With the exception of Mr. Paul Li, during 2015, 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 most of the regularly scheduled Board meetings, the independent directors met in an executive session. Executive sessions were chaired by the Lead Independent Director, Dr. McPherson, until April 10, 2015, when Mr. Sieczkarek was appointed Chairman of the Board (it was determined that with a Chairman, a separate Lead Independent Director was no longer needed). Mr. Sieczkarek led the executive sessions, until he was also appointed as Interim President and CEO on November 18, 2015. At that time, the Company decided not to appoint another Lead Director. After November 18, 2015, when Mr. Sieczkarek was acting in the dual capacity as Chairman and Interim President and CEO, Dr. McPherson acted as Chair of the Board’s executive sessions.

Audit Committee. Our current Audit Committee consists of Mr. Freiman, Dr. Radaelli and Ms. Maderis. Ms. Maderis 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 auditors 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 auditors;

considering and pre-approving all audit and non-audit services to be rendered by our independent auditors;

appointing, evaluating, engaging and determining the compensation of our independent auditors and overseeing the work of our independent auditors, and when appropriate, dismissing our independent auditors;

reviewing with management and our independent auditors, 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 auditors 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 auditors 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 on our financial reports;

resolving disagreements between management and our independent auditors regarding financial reporting;

inquiring of management, the Chief Financial Officer (“*CFO*”) and/or the Controller, and our independent auditors, about significant risks or exposures and assessing the steps management has taken to minimize such risks; and

establishing procedures for the receipt, retention and treatment of complaints received by us regarding accounting, internal accounting controls and auditing matters.

Both our independent auditors and internal financial personnel regularly meet privately with the Audit Committee and have unrestricted access to this committee.

Compensation Committee. Our current Compensation Committee consists of Mr. Freiman, Dr. McPherson and Ms. Maderis. Mr. Sieczkarek served as the Chairman of the Compensation Committee until November 18, 2015, when he was appointed as Interim President and CEO of the Company, at which time Mr. Sieczkarek could no longer serve as a member of, or Chairman of, the Compensation Committee. In his place, the Board appointed Dr. McPherson to the Committee and elevated current Committee member, Mr. Freiman, to the role of Chairman. Our Board has determined that each member of the Compensation Committee is independent, as defined in the Company Guide. The functions and scope of authority of this committee include, but are not limited to:

establishing, approving and reviewing the overall corporate policies, goals and objectives for the compensation of our CEO and other executive officers, as well as annually evaluating the performance of our CEO and other executive officers in light of the corporate goals and objectives, and determining and approving the compensation of our CEO and other executive officers;

periodically reviewing and making recommendations to the Board concerning our equity and other incentive compensation plans, including the need to amend existing plans or adopt new plans or arrangements;

assisting the Board in the administration of our stock option plans and any equity or incentive compensation plans, and making recommendations to the Board as to stock option grants and other discretionary awards under such plans with respect to the administration of such plans as to the executive officers; and

reviewing, at least annually, our pension and retirement plans, including any supplemental executive retirement plans, and making recommendations to the Board regarding the need to amend existing plans or adopt new ones for the purpose of implementing the Compensation Committee's strategy regarding pension and retirement benefits.

The Compensation Committee may delegate its authority to act to subcommittees of the Compensation Committee, as set forth in its charter, but has not done so historically.

Decisions regarding executive compensation are ultimately determined by the Board upon recommendations of the Compensation Committee, which reviews a number of factors in its decisions, including market information about the compensation of executive officers at similarly-sized biotechnology companies within our geographic region, or peer group companies, and recommendations from our CEO and CFO. The CEO and CFO attend all meetings of the Compensation Committee except when their respective compensation packages are being discussed and participate in Compensation Committee discussions setting compensation of other officers and employees. This process allows the Compensation Committee to set compensation at levels it believes are appropriate to retain and motivate our named executive officers ("*NEOs*").

Future decisions regarding executive compensation will continue to be the responsibility of our Compensation Committee. In 2014 and 2015, the Compensation Committee reviewed the salaries of our NEOs to evaluate the competitiveness of our executive compensation and to determine whether the total compensation paid to each of our NEOs was reasonable in the aggregate. This review included the compensation to be paid to Mr. Sieczkarek in 2015 for his service as Interim President and CEO, as set forth in his employment agreement, dated December 29, 2015, for a term commencing on December 29, 2015 and ending on March 31, 2016 (with renewal by successive three (3)-month periods until November 18, 2016), pursuant to which the Compensation Committee has the sole discretion to pay one hundred percent (100%) in the form of equity compensation in the effort to conserve cash. The Compensation Committee reviewed salary data and compared existing executive salaries with data of companies in the life sciences industry with fifty (50) employees or less. For each of 2014 and 2015, the Compensation Committee determined that the salaries and total compensation paid to our NEOs was reasonable and no changes were made to either the base salary or target bonus percentages.

Outside director compensation is determined by the entire Board after review and approval by the Compensation Committee. In October 2012, the Board, upon the recommendation of the Compensation Committee, approved the 2013 to 2014 director compensation program, effective on January 1, 2013, to continue until December 31, 2014. In January 2014, the director compensation program was amended to increase the Lead Independent Director's annual compensation from \$12,000 to \$20,000, but notably, the Company has not had a Lead Independent Director since April 10, 2015, when the Board appointed Mark M. Sieczkarek as the Chairman of the Board. When Mr. Sieczkarek was appointed as Independent Chairman, the Board amended the non-employee director compensation program to include annual compensation of \$35,000 for the Independent Chairman. Each director may elect to take his or her annual compensation in a combination of options and cash. Mr. Sieczkarek's stock election of 75% was applied to his compensation as Chairman and pro-rated for the year. The director compensation program is described under the caption "*Director Compensation*" below.

Nominating and Corporate Governance Committee. Our current Nominating and Corporate Governance Committee consists of Dr. Radaelli, Mr. Freiman and Dr. McPherson. After Mr. Sieczkarek's appointment as Interim President and CEO of the Company on November 18, 2015, he stepped down from the Nominating and Corporate Governance Committee and Mr. Freiman was appointed to serve in his place. Dr. McPherson is the Chairman of our Nominating and Corporate Governance Committee. Our Board has determined that each member of the Nominating and Corporate Governance Committee is independent, as defined in the Company Guide. The functions of this committee include, but are not limited to:

assisting the Board in establishing the minimum qualifications for a director nominee, including the qualities and skills that Board members are expected to possess;

leading the search and identifying qualified candidates to become members of our Board;

selecting nominees for election of directors at the next annual meeting of stockholders (or special meeting of stockholders at which directors are to be elected);

selecting candidates to fill vacancies on our Board;

reviewing and recommending to the Board a determination with respect to each director's "independence" under the listing standards, the rules and regulations of the SEC and any other laws applicable to us;

receiving, reviewing and responding to director nominations submitted in writing by our stockholders;

reviewing and assisting the Board in developing succession plans for the CEO, and ensuring that a qualified successor to our CEO is at all times identified;

developing, assessing annually, and making recommendations to the Board concerning appropriate corporate governance policies, including our Code of Ethics and Business Conduct, and monitoring compliance with our Code of Ethics and Business Conduct and other corporate governance policies; and

overseeing an annual review of the performance of the full Board and management, and overseeing the annual self-evaluation process of each Board committee.

In connection with its recommendations regarding the composition of the Board, the Nominating and Corporate Governance Committee reviews the appropriate qualities and skills required of directors in the context of the current Board composition. This includes an assessment of each candidate's independence, personal and professional integrity, financial literacy or other professional or business experience relevant to an understanding of our business, ability to

think and act independently and with sound judgment, and ability to serve our stockholders' long-term interests. These factors, and others deemed appropriate by the Nominating and Corporate Governance Committee in contributing to our Board's heterogeneity, are reviewed in the context of an assessment of the perceived needs of the Board at a particular point in time. As a result, the priorities and emphasis of the Nominating and Corporate Governance Committee and of the Board may change from time to time to take into account changes in business and other trends, and the portfolio of skills and experience of current and prospective directors. The Nominating and Corporate Governance Committee leads the search for and selects, or recommends that the Board select, candidates for election to the Board. Consideration of new director candidates typically involves a series of committee discussions, review of information concerning candidates and interviews with selected candidates. Candidates for nomination to our Board typically have been suggested by other members of the Board or by our executive officers. In 2016, as consideration for facilitating a \$3,020,000 bridge loan for the Company, the Company permitted China Kington to nominate two (2) directors to serve on the Company's Board. The Nominating and Corporate Governance Committee carefully reviewed the expertise and qualifications of the two nominees—Mr. Bob Wu and Mr. Henry Liu—and recommended that the Board approve such nominations. Effective January 26, 2016, the Board appointed Mr. Bob Wu and Mr. Henry Liu to the Company's Board as a Class I director and a Class III director, respectively.

From time to time, the Nominating and Corporate Governance Committee may engage the services of a third-party search firm to identify director candidates. The Board strives to achieve a membership of qualified individuals with a combination of qualities that best serves the Company's needs. Although we do not have a formal written diversity policy, the Nominating and Corporate Governance Committee consults with the Board to determine the most appropriate mix of characteristics, skills and experiences for the Board as a whole to possess at any given time, and will consider diversity in its process to the extent it deems appropriate. For example, the Nominating and Corporate Governance Committee took into account gender diversity in its determination to recommend that Ms. Maderis be appointed to our Board in 2010, and took into account ethnic diversity in its determination to recommend that Mr. Paul Li be appointed to our Board in 2015, and that Mr. Bob Wu and Mr. Henry Liu be appointed to our Board in 2016. To identify the best candidates for the Board's needs, the Nominating and Corporate Governance Committee considers the following as the minimum qualifications a nominee must have:

Experience at a strategic or policymaking level in a business, government, non-profit or academic organization;

Be highly accomplished in his or her respective field, with superior credentials and recognition;

Be well regarded in the community and possess a long-term reputation for the highest ethical and moral standards;

Sufficient time and availability to devote to the affairs of the Company, particularly in light of the number of boards on which the nominee may serve;

To the extent such nominee serves or has previously served on other boards, a demonstrated history of actively contributing at board meetings.

The Nominating and Corporate Governance Committee also considers industry experience or qualifications, such as generic, brand or biotech experience, general management or financial experience, and diverse experience in business, education, government, law, technology, regulatory compliance, medicine and science. When considering candidates for election (or re-election) to the Board, the Nominating and Corporate Governance Committee considers the entirety of a candidate's credentials and background in addition to the specific minimum qualifications outlined above. Moreover, the members of the Nominating and Corporate Governance Committee believe that each member of the Board should have the highest character and integrity, a reputation for working constructively with others, sufficient time to devote to Board matters, and minimal conflicts of interest that interfere with his or her performance as a director.

The Nominating and Corporate Governance Committee will consider candidates for director recommended by our stockholders who meet the eligibility requirements for submitting stockholder proposals for inclusion in our next proxy statement, as described in the Company's Amended and Restated Bylaws (the "**Bylaws**") and provided that such recommendations are received within the timeframe required under the caption "*Deadline for Receipt of Stockholder*

Proposals or Nominations” below. Such stockholder’s notice shall set forth: (A) as to each nominee such stockholder proposes to nominate at the meeting: (1) the name, age, business address and residence address of such nominee, (2) the principal occupation or employment of such nominee, (3) the class and number of shares of each class of capital stock of the Company which are owned of record and beneficially by such nominee, (4) the date(s) on which such shares were acquired and the investment intent of such acquisition, (5) a statement of whether such nominee, if elected, intends to tender, promptly following such person’s failure to receive the required vote for election or re-election at the next meeting at which such person would face election or re-election, his or her resignation and (6) such other information concerning such nominee as would be required to be disclosed in a proxy statement soliciting proxies for the election of such nominee as a director in an election contest (even if an election contest is not involved), or that is otherwise required to be disclosed pursuant to Section 14 of the Securities Exchange Act of 1934 and the rules and regulations promulgated thereunder (including such person’s written consent to being named as a nominee and to serving as a director if elected); and (B) as of the date of the notice and as to the stockholder giving the notice and the beneficial owner, if any, on whose behalf the nomination or proposal is made (each, a “**Proponent**” and collectively, the “**Proponents**”): (1) the name and address of each Proponent, as they appear on the Company’s books; (2) the class, series and number of shares of the Company that are owned beneficially and of record by each Proponent; (3) a description of any agreement, arrangement or understanding (whether oral or in writing) with respect to such nomination or proposal between or among any Proponent and any of its affiliates or associates, and any others (including their names) acting in concert, or otherwise under the agreement, arrangement or understanding, with any of the foregoing; (4) a representation that the Proponent(s) are holders of record or beneficial owners, as the case may be, of shares of the Company entitled to vote at the meeting and intend to appear in person or by proxy duly authorized at the meeting to nominate the person(s) specified in the notice; (5) a representation as to whether the Proponent(s) intend to deliver a proxy statement and form of proxy to holders of a sufficient number of holders of the Company’s voting shares to elect such nominee or nominees; (6) to the extent known by any Proponent, the name and address of any other stockholder supporting the proposal on the date of such stockholder’s notice; and (7) a description of all Derivative Transactions (defined as any agreement, arrangement, interest or understanding entered into by, or on behalf or for the benefit of, any Proponent or any of its affiliates or associates, whether record or beneficial) by each Proponent during the previous twelve (12) month period, including the date of the transactions and the class, series and number of securities involved in, and the material economic terms of, such Derivative Transactions.

The Nominating and Corporate Governance Committee evaluates each candidate, including Board incumbents, based on the same criteria. After a candidate has been contacted and agrees to be considered as a nominee, the Nominating and Corporate Governance Committee will review the candidate's resume and other credentials and evaluate the expertise and experience that the candidate would provide to the Board and the Company.

Any potential candidates for director nominee, including candidates recommended by stockholders, are reviewed in the context of the current composition of the Board, our operating requirements and the long-term interests of stockholders. In conducting this assessment, the Nominating and Corporate Governance Committee considers such factors as it deems appropriate given our current needs and those of our Board, to maintain a balance of knowledge, experience and capability. The Nominating and Corporate Governance Committee reviews directors' overall service during their term, including the number of meetings attended, level of participation and quality of performance. The Nominating and Corporate Governance Committee also determines whether the nominee would be independent, which determination is based upon applicable NYSE MKT listing standards and applicable SEC rules and regulations. The Nominating and Corporate Governance Committee then compiles a list of potential candidates from suggestions it may receive. The Nominating and Corporate Governance Committee conducts any appropriate and necessary inquiries into the background and qualifications of possible candidates as it deems appropriate, then meets to discuss and consider such candidates' qualifications, and then selects a nominee for recommendation to the Board by majority vote.

No candidates for director nominations were submitted to the Nominating and Corporate Governance Committee by any stockholder in connection with the election of directors at the Annual Meeting. Each of the director nominees standing for election at this Annual Meeting is a current director of NovaBay.

Other Board Matters

Board Leadership Structure. Previously, the roles of NovaBay's CEO and Chairman of the Board were assumed by one person, and our Board determined that it was appropriate to have a Lead Independent Director. Effective January 1, 2010, the Board nominated Dr. McPherson as its Lead Independent Director, and he served in this role until April 10, 2015, when the Board appointed Mr. Sieczkarek as its Chairman. Mr. Sieczkarek was an independent director and hence a separate Lead Independent Director was no longer needed. Following Dr. Ramin Najafi's resignation as President, CEO and director of the Company on November 18, 2015, Mr. Sieczkarek was appointed to serve in the dual capacity of Chairman of the Board and Interim President and CEO until the Company finds a permanent President and CEO. The Board has decided not to appoint a new Lead Independent Director at this time. In approving this arrangement, the Board considered the immediate needs of the Company for continuity and the period of time in which Mr. Sieczkarek would need to serve in such dual capacity. The Board concluded that it was advisable and in the best interests of the Company to temporarily have Mr. Sieczkarek serve in the joint capacity of Chairman of the Board and Interim President and CEO during the search for a new President and CEO, as Mr. Sieczkarek is familiar with the day-to-day operations and strategic goals of the Company and is well positioned to ensure an efficient transition of duties to a new President and CEO.

Board's Role in Risk Oversight. One of the Board's key functions is informed oversight of NovaBay's risk management process. The Board does not have a formal risk management committee, but rather administers this oversight function through various standing committees of the Board that address risks inherent in their respective areas of oversight. Our Audit Committee is responsible for considering and discussing financial and enterprise risk exposures, including internal controls, and discusses with management, and the independent registered public accountants, our policies with respect to risk assessment and risk management, including risks related to fraud, liquidity, credit operations and regulatory compliance. In addition, under our whistleblower policy, employees wishing to report concerns or complaints they have related to accounting, auditing and internal controls submit such concerns in confidence, or anonymously if desired, to an outside administrator who forwards such complaints to our Audit Committee Chairman. Our Audit Committee monitors the effectiveness of the whistleblower policy. Our Nominating and Corporate Governance Committee monitors the effectiveness of our compliance and ethics policies, including whether they are successful in preventing illegal or improper liability-creating conduct, and our compliance with legal and regulatory requirements, as well as ensures that a qualified successor to the Company's CEO is at all times identified. Our Compensation Committee monitors NovaBay's compensation policies to ensure that the compensation packages offered to our executive officers do not present such individuals with the potential to engage in excessive or inappropriate risk-taking activities.

Management is responsible for the day-to-day management of the risks that we face, while our Board, as a whole and through its committees, has responsibility for the oversight of risk management. In its risk oversight role, the Board is responsible for satisfying itself that our risk management processes are adequate and functioning as designed. Our Board's involvement in risk oversight includes receiving regular reports from members of management and evaluating areas of material risk, including operational, financial, legal, regulatory, strategic and reputational risks. As a smaller reporting company with a small Board, we believe it is appropriate to have the involvement and input of all of our directors in risk oversight matters.

Annual Meeting Attendance. We do not have a formal policy regarding attendance by members of our Board at the annual meetings of stockholders; however, directors are encouraged to attend all such meetings. In 2015, all of our directors attended the 2015 Annual Meeting of Stockholders, with the exception of Mr. Charles J. Cashion, who did not stand for re-election at such Annual Meeting.

Stockholder Communications to the Board

Our Board has implemented a process by which stockholders may send written communications directly to the attention of the Board, any committee of the Board or any individual Board member, care of our Corporate Secretary, Mr. Thomas J. Paulson, at 5980 Horton Street, Suite 550, Emeryville, California 94608. The name of any specific intended Board recipient should be noted in the communication. Our Corporate Secretary will be responsible primarily for collecting, organizing and monitoring communications from stockholders and, where appropriate depending on the facts and circumstances outlined in the communication, providing copies of such communications to the intended recipients. Communications will be forwarded to directors if they relate to appropriate and important substantive corporate or Board matters. Communications that are primarily commercial in nature or related to an

improper or irrelevant topic will not be forwarded to the Board.

PROPOSAL TWO:

APPROVAL OF THE ISSUANCE OF SHARES OF NOVABAY COMMON STOCK AND WARRANTS TO PURCHASE COMMON STOCK TO PURCHASERS PURSUANT TO THE TERMS OF THE SECURITIES PURCHASE AGREEMENT, DATED APRIL 4, 2016, IN ACCORDANCE WITH THE STOCKHOLDER APPROVAL REQUIREMENTS OF NYSE MKT COMPANY GUIDE SECTIONS 713 AND 711

Summary of the Securities Purchase Agreement

On April 4, 2016, we entered into a Securities Purchase Agreement (the “*Purchase Agreement*”) with certain purchasers identified on the signature pages thereto (the “*Purchasers*”), that entitles the Purchasers to receive, for every one (1) share of common stock purchased at \$1.91 per share, a warrant to purchase half a share of common stock, with such warrants consisting of a four (4)-year term and with an exercise price of \$1.91, callable by the Company if the closing price of NovaBay common stock, as reported on the NYSE MKT, is \$4.00 or greater for five (5) sequential trading days (the “*Warrants*”).

Pursuant to such Purchase Agreement, we agreed to issue and sell to the Purchasers, subject to customary closing conditions, a total of 6,173,299 shares of our common stock and 3,086,651 Warrants to purchase shares of our common stock, for an aggregate purchase price of \$11,791,000 (the “*Private Placement*”). The Private Placement is expected to close in two tranches, the first of which is scheduled to occur on May 5, 2016 (the “*Primary Closing*”), and the second of which is scheduled to occur on July 31, 2016 (the “*Secondary Closing*”), following the satisfaction of certain closing conditions specified in the Purchase Agreement, including the approval of the transaction by our stockholders at the 2016 Annual Meeting. Both the Primary Closing of \$7,791,000 of our securities and the Secondary Closing of \$4,000,000 of our securities shall be subject to the same terms.

Certain Purchasers under the Purchase Agreement are beneficial owners of the Company, who have the right to acquire, within sixty (60) days from the Record Date, certain shares of our common stock (See *Security Ownership of Certain Beneficial Owners and Management* in this Proxy Statement):

- (1) Pioneer Singapore (together with its affiliates, holding or having the right to acquire 1,286,044 shares of our common stock, or 24.8% of our outstanding shares);
- (2) Jian Ping Fu (holding or having the right to acquire 1,077,544 shares of our common stock, or 21.0% of our outstanding shares); and
- (3)

Mr. Sieczkarek, our current Chairman of the Board and Interim President and CEO (holding or having the right to acquire 216,676 shares of our common stock, or 4.3% of our outstanding shares).

China Kington has agreed to serve as placement agent in exchange for a commission equal to six percent (6%) of the total purchase price of the shares sold to Pioneer Singapore, Mr. Fu and other non-U.S. citizen Purchasers who are domiciled outside the United States. The Purchasers consist solely of accredited/qualified investors in accordance with applicable securities rules and regulations promulgated thereunder. The common stock and Warrants we will issue pursuant to the Purchase Agreement have not been registered under the Securities Act of 1933, as amended (the “*Securities Act*”) and may not be offered or sold in the United States absent registration or an applicable exemption from registration requirements. We are relying on the private placement exemption from registration provided by Section 4(a)(2) of the Securities Act and by Rule 506 of Regulation D, and in reliance on similar exemptions under applicable state laws.

Section 713(a) of the Company Guide requires stockholder approval as a prerequisite to NYSE MKT approval of applications to list additional shares that are issued in connection with a transaction involving the sale, issuance or potential issuance by an issuer of common stock (or securities convertible into common stock) representing 20% or more of such issuer’s presently outstanding common stock for less than the greater of book or market value of the stock. As of the date of the Purchase Agreement, which is the date the NYSE MKT uses for determining the market value of a stock, the offering price of our common stock (\$1.91 per share) was less than the greater of book value or market value of the common stock being issued in the Private Placement (\$2.05 per share), and as such, the shares issued in the Private Placement will be issued at a discount to market, thereby requiring stockholder approval of the Private Placement.

Company Guide Section 713(a) also requires stockholder approval if the aggregate number of shares of common stock (and/or securities convertible into common stock) to be issued would result in the issuance of 20% or more of the total amount of common stock issued and outstanding. Pursuant to the terms of the Private Placement, we would issue shares and Warrants equal to, in the aggregate, approximately 185% of our total common stock issued and outstanding, thereby triggering stockholder approval.

Furthermore, Company Guide Section 713(b) requires stockholder approval in connection with any transaction involving the issuance, or potential issuance, of additional shares that may result in a change of control of the issuer. Including the common stock being issued in the Private Placement and assuming the full exercise of all warrants owned by the applicable Purchaser, Pioneer Singapore and Mr. Fu will acquire beneficial ownership of 41.2% (or 5,212,748 shares) and 32.3% (or 3,983,304 shares) respectively, of our total common stock outstanding, based on 5,003,257 shares outstanding as of the Record Date. The NYSE MKT has advised us that this would likely constitute a change of control for the purposes of Section 713(b), thereby triggering stockholder approval.

Finally, Company Guide Section 711 requires stockholder approval of any “equity compensation arrangement” with “officers, directors, employees, or consultants” (collectively, “*Insiders*”), which the NYSE MKT has interpreted to include the issuance and sale at a discount of shares of common stock and/or securities exercisable for common stock to Company Insiders. Because Mark M. Sieczkarek, our Interim President and Chief Executive Officer, and Pioneer Singapore, whose president is one of our directors, will be participating in the Private Placement upon the same terms and conditions as all other investors, including the same discounted pricing terms, the NYSE MKT considers the sale of such stock and Warrants to be an “equity compensation arrangement,” thereby triggering stockholder approval.

Pursuant to this Proposal Two, we are asking our stockholders to approve, in accordance with Sections 713(a), 713(b) and 711 of the Company Guide, the issuance of the Company common stock and Warrants to the Purchasers. If Proposal Two is not approved, then the Company will not issue the common stock or the Warrants to the Purchasers.

Consequences of the Private Placement

Dilutive Effect of Issuances of Common Stock. After both the Primary Closing and the Secondary Closing, Pioneer and Mr. Fu will own approximately 33.3% and 25.4%, respectively, of the Company’s outstanding shares of common stock, excluding warrants. Assuming that none of the Company’s outstanding warrants or options are exercised between the Record Date and the Primary Closing, all other stockholders will beneficially own approximately 42.2% of our outstanding shares of common stock after the Primary Closing. Assuming that none of the Company’s outstanding warrants or options are exercised between the Record Date and the Secondary Closing, all other stockholders will beneficially own approximately 41.3% of our outstanding shares of common stock after the Secondary Closing.

Repayment of the Bridge Loan. Pursuant to the terms of our bridge loan financing completed in January 2016, the proceeds of any subsequent financing, which would include the Private Placement, must first be used to fully repay the \$3,020,000 bridge loan. We have agreed with the lenders to repay \$2,520,000 in principal from the proceeds of the Primary Closing and \$500,000 in principal from the proceeds of the Secondary Closing. As a result, we expect to receive less than \$4.9 million in net proceeds from the Primary Closing after repayment of such bridge loan and the placement agent's commission. Thus, approximately 32.3% of the expected gross proceeds from the Primary Closing and 25.6% of the aggregate expected gross proceeds of the Private Placement must be used to repay the bridge loan.

Rights of Investors. If stockholder approval is received, the rights and privileges associated with our common stock issued in the Private Placement and upon exercise of the Warrants will be identical to the rights and privileges associated with the common stock held by our existing common stockholders, including the right to vote on all matters presented to the holders of our common stock.

Risks of the Private Placement

Pioneer Singapore and Mr. Fu may use their influence to the detriment of our general stockholders. After the Primary Closing, Pioneer Singapore and its affiliates will beneficially own approximately 26.6% of our common stock, and together with the Warrants, approximately 32.8% of our common stock; Mr. Fu will own approximately 31.2% of our common stock, and together with the Warrants, approximately 38.9% of our common stock. After the Secondary Closing, Pioneer Singapore and its affiliates will beneficially own approximately 33.3% of our common stock, and together with the Warrants, approximately 41.2% of our common stock; Mr. Fu will own approximately 25.4% of our common stock, and together with the Warrants, approximately 32.3% of our common stock. Our director Mr. Paul Li is the President of Pioneer Singapore. Pursuant to the arrangement of our bridge loan financing, two (2) of our directors were nominated by China Kington, including Mr. Bob Wu, who is the Managing Director of China Kington and Non-Executive Director of China Pioneer Pharma, and Mr. Henry Liu, who has worked closely with China Kington on other financial transactions in the past. China Kington has negotiated the terms of Mr. Fu's past investments in our securities.

As a result, Pioneer Singapore and China Kington have input on all matters before our Board and may be able to exercise significant influence over all matters requiring Board and stockholder approval. In particular, under our bridge loan arrangement, for a period that is the shorter of two years after the bridge loan financing or until our net cash flow has been no less than \$0 for three consecutive months, our financings must be unanimously approved by our Board, which provides Pioneer Singapore and China Kington a veto right over such financings.

In addition, were Pioneer Singapore and Mr. Fu to cooperate, they could unilaterally elect all of their preferred director nominees at our 2017 Annual Meeting of Stockholders. Even with our classified board, Pioneer Singapore and Mr. Fu could ensure that five (5) of our eight (8) directors are either nominees of Pioneer Singapore or China Kington. In the interim, Pioneer Singapore, China Kington and/or Mr. Fu could exert significant indirect influence on us and our management in anticipation of a possible change in control of our Board.

The Primary Closing may not provide sufficient cash to fund our planned operations and meet our ongoing obligations until the Secondary Closing. As described above under "***Repayment of the Bridge Loan,***" we expect to receive less than \$4.9 million in net proceeds from the Primary Closing to fund our planned operations and meet our ongoing obligations until the Secondary Closing. Based upon our current estimates of expenditures over this period, we expect proceeds from the Primary Closing to keep us at approximately break-even. Should we incur any unexpected expenses or should our estimates of expenditures prove to be inaccurate, we may need to seek additional

sources of financing to fund our planned operations and meet our ongoing obligations until the Secondary Closing.