

FRESH DEL MONTE PRODUCE INC
 Form 4
 January 23, 2015

FORM 4

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

OMB APPROVAL

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Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. See Instruction 1(b).

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person *
ABU-GHAZALEH MOHAMMAD

2. Issuer Name and Ticker or Trading Symbol
FRESH DEL MONTE PRODUCE INC [FDP]

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

(Last) (First) (Middle)

3. Date of Earliest Transaction (Month/Day/Year)
01/21/2015

Director 10% Owner
 Officer (give title below) Other (specify below)
Chairman and CEO

C/O FRESH DEL MONTE PRODUCE INC., P.O. BOX 149222

(Street)

4. If Amendment, Date Original Filed(Month/Day/Year)

6. Individual or Joint/Group Filing(Check Applicable Line)
 Form filed by One Reporting Person
 Form filed by More than One Reporting Person

CORAL GABLES, FL 33114

(City) (State) (Zip)

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1. Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)	4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)	5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
				Code V	Amount	(A) or (D)	Price
Ordinary Shares	01/21/2015		M		3,300	A	\$ 29.84
							5,382,968
Ordinary Shares	01/21/2015		S		3,300	D	\$ 34.2506
							(1)
Ordinary Shares	01/22/2015		M		32,896	A	\$ 29.84
							5,412,564
Ordinary Shares	01/22/2015		S		32,896	D	\$ 34.4908
							(1)

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Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474
(9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(e.g., puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)	5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)	6. Date Exercisable and Expiration Date (Month/Day/Year)	7. Title and Amount of Underlying Securities (Instr. 3 and 4)
				Code	V (A) (D)	Date Exercisable Expiration Date	Title Amount or Number of Shares
Employee Stock Options (Right to Buy)	\$ 29.84	01/21/2015		M	3,300	<u>(2)</u> 04/27/2015	Ordinary Shares 3,300
Employee Stock Options (Right to Buy)	\$ 29.84	01/22/2015		M	32,896	<u>(2)</u> 04/27/2015	Ordinary Shares 32,896

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
ABU-GHAZALEH MOHAMMAD C/O FRESH DEL MONTE PRODUCE INC. P.O. BOX 149222 CORAL GABLES, FL 33114	X	X	Chairman and CEO	

Signatures

/s/ Bruce Jordan, Attorney-in-fact for Mohammad Abu-Ghazaleh 01/23/2015

__Signature of Reporting Person

Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

This represents the weighted average sales price of the shares. The shares were sold at a price ranging from \$34.25 to \$34.77. Mr.

- (1) Abu-Ghazaleh will provide, upon request of the SEC staff, Fresh Del Monte Produce., or a shareholder of Fresh Del Monte Produce Inc., complete information regarding the number of shares sold at each price within the range.
- (2) The option is currently exercisable with respect to all underlying shares.

Remarks:

Option exercises and share sales executed pursuant to a Rule 10b5-1 plan.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.

Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. align the economic interests of the participants with those of the stockholders.

Administration The 2010 Equity Compensation Plan is administered by the Compensation Committee of the Board of Directors (formerly known as the Compensation and Governance Committee; the Committee). The Committee has sole authority to (i) determine the individuals to whom grants shall be made under the 2010 Equity Compensation Plan, (ii) determine the type, size and terms of the grants to be made to each such individual, (iii) determine the time when the grants will be made and the duration of any applicable exercise or restriction period, including the criteria for exercisability and the acceleration of exercisability, and (iv) make all determinations with respect to any other matters arising under the 2010 Equity Compensation Plan.

Shares Available for Issuance under the 2010 Equity Compensation Plan Subject to adjustment as provided in the 2010 Equity Compensation Plan (for example, in the event of a recapitalization, stock split, stock dividend, merger, reorganization or similar event), the maximum number of shares of common stock that may be issued under the 2010 Equity Compensation Plan is currently 3,000,000 shares, which includes grants made prior to 2010 under predecessor plans that were combined into the 2010 Equity Compensation Plan. The Amendments would increase the total number of shares available for issuance under the 2010 Equity Compensation Plan, subject to the aforementioned adjustments, to 4,200,000 shares. The maximum number of shares of common stock that may be issued under the 2010 Equity Compensation Plan in any single calendar year is the lesser of 2% of outstanding shares of the Company's common stock for employees and 0.5% for directors, or 600,000 shares in the aggregate (subject to exceptions contained in the plan). For purposes of calculating the aggregate number of shares available for grants and calculating the limitations on calendar year grants, each grant of a Restricted Share or a Performance Share (other than New Hire Grants as defined below) shall be the equivalent of a grant of three (3) shares.

Awards Awards under the 2010 Equity Compensation Plan may consist of grants of (i) incentive stock options (Incentive Stock Options), (ii) non-qualified options (Non-qualified Options) (Incentive Stock Options and Non-qualified Options are collectively referred to as Options), (iii) restricted stock (Restricted Shares), (iv) performance stock (Performance Shares) and (v) Stock Appreciation Rights (SARs) (collectively Grants).

Options and SARs. Options will expire no later than 10 years after the date of grant and will vest in accordance with the terms and conditions specified in the applicable grant

instrument. For Incentive Stock Options granted to an employee who, at the time of grant, owns shares of our common stock possessing more than 10% of the total combined voting power of all shares of our common stock and other classes of stock of the Company or any parent or subsidiary of the Company, the term may not exceed five years from the date of grant. The exercise price of Options and SARs may not be less than the fair market value of our common stock on the date of grant. For Incentive Stock Options granted to an employee who, at the time of grant, owns shares of our common stock possessing more than 10% of the total combined voting power of all shares of our common stock and other classes of stock of the Company or any parent or subsidiary of the Company, the exercise price may not be less than 110% of the fair market value of our common stock on the date of grant. The Committee may establish other vesting or performance requirements which must be met prior to the exercise of the Options. A SAR will be exercisable during the period specified by the Committee in the applicable grant instrument and will be subject to such vesting and other restrictions as may be specified in the grant instrument. When a grantee exercises a SAR, he or she will receive an amount equal to the amount by which the fair market value of a share of our common stock on the date of exercise exceeds the exercise price of the SAR specified in the grant instrument.

Restricted Shares. The Committee may also grant Restricted Shares that are subject to time-based vesting and/or are subject to performance conditions at the discretion of the Committee (the Restriction Period). All restrictions imposed on Restricted Shares will lapse upon the expiration of the applicable Restriction Period provided that all conditions imposed by the Committee are satisfied. In the event that the conditions imposed by the Committee on such Restricted Shares are not satisfied, the Restricted Shares will be forfeited unless the Committee determines otherwise. If an employee grantee's employment or service as an employee is terminated during the Restriction Period, the Restricted Share grant will terminate as to all shares of common stock covered by the grant as to which the restrictions have not lapsed. During the Restriction Period, subject to any restrictions deemed appropriate by the Committee, a grantee who holds Restricted Shares may be granted the right to vote the shares and to receive any dividends or other distributions paid on such shares.

Performance Shares. The Committee may grant Performance Shares, which entitle the grantee to receive an amount based on the value of the Performance Share if performance goals established by the Committee are met. When Performance Shares are granted, the Committee will establish the period during which performance will be measured and the performance goals applicable to the shares, if any. Performance goals may relate to the financial performance of the Company or its operating shares, the performance of the shares, individual performance or other criteria as the Committee deems appropriate. At the end of each performance period, the Committee determines to what extent the performance goals and other conditions have been met and the amount, if any, to be paid. Payments are made in shares of our common stock, with any fractional share paid in cash. If a grantee's employment or service with the Company is terminated during a performance period, the Performance Shares will be forfeited, unless otherwise determined by the Committee.

The terms and features of the various forms of Grants are described more fully in the 2010 Equity Compensation Plan itself, attached as Exhibit B to this Proxy Statement.

No participant may receive more than 20% of the aggregate number of any class of Grants made during any calendar year. For purposes of calculating the aggregate number of shares of each class, (1) Options will be deemed a single class of Grants and (2) Restricted Shares and Performance Shares will together be deemed a single class of Grants. In addition, the aggregate number of Restricted Shares and Performance Shares (taken as a single class) granted in any calendar year shall not exceed the lesser of 100,000 shares or 50% of the aggregate number of shares subject to all Grants made during any calendar year. However, the limitations set forth in this paragraph will not apply to grants made to a person as an inducement material to the individual s entering into employment with the Company (New Hire Grants).

Reorganization or Change in Control Under the 2010 Equity Compensation Plan, a Reorganization shall be deemed to occur if the stockholders of the Company approve (or, if stockholder approval is not required, the Board of Directors approves) an agreement providing for (i) the merger or consolidation of the Company with another corporation where the stockholders of the Company, immediately prior to the merger or consolidation, will not beneficially own, immediately after the merger or consolidation, shares of the Company s stock entitling such stockholders to more than 50% of all votes to which all stockholders of the surviving corporation would be entitled in the election of directors (without consideration of the rights of any class of stock to elect directors by a separate class vote), (ii) the sale or other disposition of all or substantially all of the assets of the Company, or (iii) a liquidation or dissolution of the Company. A Change of Control shall be deemed to have occurred if any person (as such term is used in Sections 13(d) and 14(d) of the Exchange Act) or any of its subsidiaries or affiliates becomes a beneficial owner (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing a majority of the voting power of the then outstanding securities of the Company except where the acquisition is approved by the Board of Directors.

Upon a Reorganization where the Company is not the surviving corporation (or survives only as a subsidiary of another corporation), all outstanding Options that are not exercised will be assumed by, or replaced with comparable options or rights by, the surviving corporation. In addition, upon any Reorganization or a Change of Control, (i) the Company will provide each participant with outstanding Grants written notice of such event, (ii) all outstanding Options will automatically accelerate and become fully exercisable, (iii) the restrictions and conditions on all outstanding Restricted Shares will immediately lapse, and (iv) grantees holding Performance Shares will receive a payment in settlement of such Performance Shares, in an amount determined by the Committee based on the grantee s target payment for the performance period and the portion of the performance period that precedes the Change of Control.

Termination and Amendment The Board of Directors may at any time terminate or from time to time amend the 2010 Equity Compensation Plan; provided that the Board of Directors may not make any amendment to the 2010 Equity Compensation Plan without the approval of the stockholders, if such stockholder approval is required by any applicable law or regulation. The 2010 Equity Compensation Plan shall terminate on August 23, 2020 (the day immediately preceding the tenth anniversary of the effective date of the plan), unless the plan is terminated earlier by the Board of Directors or is extended by the Board of Directors with the approval of the stockholders.

United States Federal Income Tax Consequences The following paragraphs are a summary of the material U.S. federal income tax consequences associated with awards granted under the 2010 Equity Compensation Plan. The U.S. federal income tax consequences arising with respect to awards granted under the 2010 Equity Compensation Plan will depend on the type of the award. The summary is based on existing U.S. laws and regulations, and there can be no assurance that those laws and regulations will not change in the future. The summary does not purport to be complete and does not discuss the tax consequences upon a participant's death, or the provisions of other federal taxes or the income tax laws of any municipality, state or foreign country in which the participant may reside. As a result, tax consequences for any particular participant may vary based on individual circumstances.

Options. Under the Internal Revenue Code, a participant granted a Non-qualified Option generally recognizes no taxable income upon receipt of the stock option, but the recipient of a Non-qualified Option recognizes ordinary income upon the exercise of the stock option equal to the excess of the fair market value of the shares of common stock acquired at the time of the exercise of the stock option over the exercise price of such stock option. If a participant is granted a stock option that qualifies as an Incentive Stock Option, no ordinary income will be recognized if shares of the common stock acquired upon exercise of such Incentive Stock Option are held more than the longer of one year from the date of exercise or two years from the date of grant. The Company will be entitled to a deduction equal to the same amount to the extent such amount is treated as taxable compensation to the participant under the Internal Revenue Code. The deduction may be taken according to the Company's normal accounting methods if the stock was substantially vested when received upon exercise, otherwise the Company must take the deduction in the Company's taxable year which includes the last day of the participant's taxable year in which the participant recognized taxable income. A participant's tax basis in shares of common stock acquired upon the exercise of a Non-qualified Option will be the fair market value of such shares on the date the stock option is exercised. A participant's tax basis in shares of common stock acquired upon the exercise of an Incentive Stock Option will generally be the recipient's exercise price of such shares. Incentive Stock Options may be subject to special alternative minimum tax rules and different rules will apply if the holding periods described above are not met.

Restricted Share. A recipient of a Restricted Share award will recognize ordinary income equal to the fair market value of the common stock at the time the restrictions on the Restricted Share lapse, less any amount which the recipient paid for the stock. However, instead of postponing the income tax consequences of a stock award, the recipient may elect to include the fair market value of the common stock (less any purchase price paid) in income in the year the award is granted. This election is made under Section 83(b) of the Internal Revenue Code by filing a written notice with the Internal Revenue Service within thirty (30) days of the grant of such award. In general, the Company receives a deduction for federal income tax purposes equal to the amount of compensation recognized by the recipient at the time the recipient recognizes such income. The tax treatment of the subsequent disposition of the Restricted Shares will depend upon whether the recipient has made a Section 83(b) election to include the value of the common stock in income when awarded. If the recipient makes a Section 83(b) election and elects to include the fair market value of the common stock (less any purchase price paid) in income in the year the award is granted, any subsequent disposition will result in a capital gain or loss equal to the difference between the selling price of the common stock and the fair market

value of the common stock on the date of grant. If no Section 83(b) election is timely made and the restrictions on the Restricted Shares already lapsed, any disposition will result in a capital gain or loss equal to the difference between the selling price of the common stock and the fair market value of the common stock on the date the restrictions lapsed.

Performance Share. A participant will not recognize income and will not be taxed upon the grant of Performance Shares. Generally, at the time a participant receives payment under Performance Shares, the participant will recognize compensation taxable as ordinary income in an amount equal to the cash or fair market value of the shares received, and the Company will then be entitled to a corresponding deduction.

Stock Appreciation Right. No income will be recognized by a participant in connection with the grant of a SAR. When the SAR is exercised, the participant normally will be required to include as taxable ordinary income in the year of exercise an amount equal to the amount of cash received and the fair market value of any unrestricted common shares received on the exercise, and the Company will then be entitled to a corresponding deduction.

Section 409A. Section 409A of the Internal Revenue Code provides certain requirements for deferred compensation arrangements. If the requirements of Section 409A are not complied with, the recipient of a Grant could be subject to tax on the Grant, and an additional 20% tax, at the time the Grant is granted or vested plus interest at the underpayment rate plus one percentage point on any underpayment of that tax. The 2010 Equity Compensation Plan has been designed so that certain types of Grants will generally not be deferred compensation for Section 409A purposes and will thereby be exempt from Section 409A's requirements. Certain other types of Grants, however, may be deferred compensation under Section 409A, and in those cases, the 2010 Equity Compensation Plan is intended to comply with the requirements of Section 409A.

Section 162(m). Special rules limit the deductibility of compensation paid to our chief executive officer and to each of our next three most highly compensated executive officers (other than our chief financial officer). Under Section 162(m) of the Internal Revenue Code, unless various conditions are met that enable compensation to qualify as performance-based, the annual compensation paid to any of these specified executives will be deductible only to the extent that it does not exceed \$1,000,000. We intend that Options and SARs granted at the fair market value of our common stock on the date of grant will qualify as performance-based compensation. Other Grants granted under the 2010 Equity Compensation Plan, however, will be subject to the Section 162(m) deduction limitation to the extent that the vesting of these Grants is based on the passage of time or is otherwise not performance-based for purposes of Section 162(m) of the Internal Revenue Code.

Withholding Taxes. The Company shall be entitled to withhold from any payments or deemed payments any amount of tax withholding (including all federal, state and local taxes) determined by the Committee to be required by law. If the Committee so permits, a grantee may make a written election to satisfy the Company's income tax withholding obligation with respect to an Option, Restricted Shares or Performance Shares by having shares of common stock withheld by the Company from the shares of common stock otherwise to be received, or to deliver previously owned shares of common stock (not subject to restrictions hereunder).

Share Availability. This Proposal 4 is subject to the availability of at least 1,200,000 authorized but not issued shares of common stock pursuant to our Certificate of Incorporation. If Proposal 3, above, is not approved by our stockholders, such shares will not be available and this Proposal 4 will not be implemented by the Company.

Vote Required To be approved, Proposal 4 must receive FOR votes from a majority of the shares represented in person or by proxy at the Annual Meeting. If you abstain from voting, it will have the same effect as an AGAINST vote. Broker non-votes will not have any effect on the outcome of the vote to approve this Proposal 4.

THE BOARD OF DIRECTORS AND THE COMPENSATION COMMITTEE RECOMMEND THAT THE STOCKHOLDERS VOTE FOR THE APPROVAL OF THE AMENDMENTS TO THE 2010 EQUITY COMPENSATION PLAN.

PROPOSAL 5

RATIFICATION OF APPOINTMENT OF AUDITORS

Report of the Audit and Finance Committee

The Audit and Finance Committee reviews the Company's financial reporting process on behalf of the Board of Directors. Management has the primary responsibility for the financial statements and the reporting process. The Company's independent auditor is responsible for performing an independent audit of the Company's financial statements and expressing an opinion on the conformity of the audited financial statements to generally accepted accounting principles.

The Audit and Finance Committee has reviewed and discussed with management the Company's audited financial statements as of and for the year ended December 31, 2015. The Audit and Finance Committee has discussed with RSM US LLP, the Company's independent auditor, the matters required to be discussed by the statement on Auditing Standards No. 61, as amended (AICPA, Professional Standards, Vol. 1, AU section 380), as adopted by the Public Company Accounting Oversight Board in Rule 3200T. The Audit and Finance Committee has received and reviewed the written disclosures and the letter required by applicable requirements of the Public Company Accounting Oversight Board regarding communications with the Audit and Finance Committee concerning independence, and the Audit and Finance Committee discussed with RSM US LLP their independence from management and the Company. The Audit and Finance Committee has considered whether the provision of services by RSM US LLP not related to the audit of the financial statements referred to above and to the reviews of the interim financial statements included in the Company's Forms 10-Q are compatible with maintaining RSM US LLP's independence, and has determined that they are compatible and do not impact RSM US LLP's independence.

Based on the reviews and discussions referred to above, the Audit and Finance Committee recommended to the Board of Directors that the audited financial statements referred to above should be included in the Company's Annual Report on Form 10-K accompanying this Proxy Statement and filed with the SEC for the year ended December 31, 2015.

Audit and Finance Committee

James A. McClung, Chairman

George A. Vincent, III

Richard W. Siegel, Ph.D.

Appointment of Independent Auditors

The Audit and Finance Committee has appointed RSM US LLP, an independent registered public accounting firm, as auditors of our financial statements for the year ending December 31, 2016. RSM US LLP has been engaged as auditors for the Company since November 2001. The Audit and Finance Committee has determined to afford stockholders the opportunity to express their opinions on the matter of auditors and, accordingly, is submitting to the stockholders at the Annual Meeting a proposal to ratify the Audit and Finance Committee's appointment of RSM US LLP. If a majority of the shares voted at the Annual Meeting, in person or by proxy, are not voted in favor of the ratification of the appointment of RSM US LLP, the Audit and Finance Committee will interpret this as an instruction to seek other auditors. It is expected that representatives of RSM US LLP will be present at the Annual Meeting and will be available to respond to questions. They will be given an opportunity to make a statement if they desire to do so.

The following fees were incurred by the Company for the services of RSM US LLP (formerly McGladrey LLP) in relation to the 2015 and 2014 fiscal years.

Audit Fees. The aggregate amount billed by our principal accountant, RSM US LLP, for audit services performed for the fiscal years ended December 31, 2015 and 2014 was approximately \$158,000 and \$149,000, respectively. Audit services include the auditing of financial statements and quarterly reviews.

Audit Related Fees. No audit related fees were billed by RSM US LLP for either of the years ended December 31, 2015 and 2014. Such costs may include costs incurred for reviews of registration statements, assistance with Staff comment letters, and consultation on various accounting matters in support of our financial statements.

Tax Fees. There were no fees billed by our principal accountant for tax related services for the fiscal years ended December 31, 2015 and 2014.

All Other Fees. Other than those fees described above, during the fiscal years ended December 31, 2015 and 2014, there were no other fees billed for services performed by our principal accountant.

All of the fees described above were approved by our Audit and Finance Committee.

Audit and Finance Committee Pre-Approval Policies and Procedures.

Our Audit and Finance Committee pre-approves the audit and non-audit services performed by RSM US LLP, our principal accountants, in order to ensure that the provision of such services does not impair RSM US LLP's independence. Unless a type of service to be provided by RSM US LLP has received general pre-approval, it will require specific pre-approval by the Audit and Finance Committee. In addition, any proposed services exceeding pre-approval cost levels or budgeted amounts will require specific pre-approval by the Audit and Finance Committee.

The term of any pre-approval is 12 months from the date of pre-approval, unless the Audit and Finance Committee specifically provides for a different period. The Audit and Finance Committee will periodically revise the list of pre-approved services, based on subsequent determinations, and has delegated pre-approval authority to the Chairman of the Audit and Finance Committee. In the event the Chairman exercises such delegated authority, he shall report such pre-approval decisions to the Audit and Finance Committee at its next scheduled meeting. The Audit and Finance Committee does not delegate its responsibilities to pre-approve services performed by the independent auditor to management.

THE BOARD OF DIRECTORS AND THE AUDIT AND FINANCE COMMITTEE RECOMMEND THAT THE STOCKHOLDERS VOTE FOR THE RATIFICATION OF THE APPOINTMENT OF RSM US LLP AS THE INDEPENDENT AUDITORS OF OUR FINANCIAL STATEMENTS FOR THE YEAR ENDING DECEMBER 31, 2016.

MISCELLANEOUS AND OTHER MATTERS

Solicitation The cost of this proxy solicitation will be borne by the Company. We may request banks, brokers, fiduciaries, custodians, nominees and certain other record holders to send proxies, proxy statements and other materials to their principals at our expense. Such banks, brokers, fiduciaries, custodians, nominees and other record holders will be reimbursed by the Company for their reasonable out-of-pocket expenses of solicitation. We do not anticipate that costs and expenses incurred in connection with this proxy solicitation will exceed an amount normally expended for a proxy solicitation for an election of directors in the absence of a contest. In addition to soliciting proxies by mail, certain of our officers and employees, without additional compensation, may solicit proxies personally or by telephone or electronic communication on our behalf.

Proposals of Stockholders Proposals of stockholders to be considered for inclusion in our proxy statement and proxy for the 2017 Annual Meeting must be received by the Corporate Secretary of the Company on or before March 17, 2017. If a stockholder submits a proposal to be considered at the 2017 Annual Meeting other than in accordance with Rule 14a-8 under the Exchange Act, and does not provide notice of such proposal to the Company by May 31, 2017, the holders of any proxy solicited by our Board of Directors for use at such meeting will have discretionary authority to vote with respect to any proposal as to which timely notice is not given.

In addition, our By-Laws, as currently in effect, establish procedures for stockholder nominations for election of directors and bringing business before our annual meeting of stockholders. Among other requirements, to nominate a person for election as a director at our 2017 Annual Meeting of Stockholders, a stockholder's notice must be delivered to, or mailed and received by, our Corporate Secretary at our principal executive offices not less than 60 days nor more than 90 days prior to the meeting. In the event that we have not publicly disclosed the date of the meeting at least 70 days prior to the date of the meeting, notice by the stockholder must be received not later than the close of business on the 10th day following the day on which notice of the date of the meeting was publicly disclosed. Among other requirements, to bring business before our 2017 Annual Meeting of Stockholders, a stockholder's notice must be delivered to, or mailed and received by, our Corporate Secretary at our principal executive offices by March 17, 2017, except that if the date of the Annual Meeting has been changed by more than 30 days from the previous year's meeting, notice by the stockholder must be received within 10 days after we publicly disclose the date of the meeting. In each case, the notice must contain certain information concerning the proposed nominee or business and the stockholder making the proposal. The specific requirements of these advance notice provisions are set forth in Article II, Sections 2.4 and 2.5 of our By-Laws, a copy of which is available upon request. Such request and any stockholder proposals should be sent to our Corporate Secretary at our principal executive offices.

Other Business The Board of Directors is not aware of any other matters to be presented at the Annual Meeting other than those mentioned in this Proxy Statement and our Notice of Annual Meeting of Stockholders enclosed herewith. If any other matters are properly brought before the Annual Meeting, however, it is intended that the persons named in the proxies will vote such proxies as the Board of Directors directs.

Additional Information We will furnish without charge a copy of our Annual Report, as filed with the SEC, upon the written request of any person who is a stockholder as of the Record Date, and will provide copies of the exhibits to such Annual Report upon payment of a reasonable fee which shall not exceed our reasonable expenses in connection therewith. Requests for such materials should be directed to Nanophase Technologies Corporation, 1319 Marquette Drive, Romeoville, Illinois 60446, Attention: Nancy Baldwin, Vice President Human Resources and Investor Relations. The information on our website, www.nanophase.com, is not, and should not be deemed to be, a part of this Proxy Statement, or incorporated by reference into any other filings we make with the SEC.

By order of the Board of Directors

/s/ FRANK J. CESARIO
Frank J. Cesario

Chief Financial Officer

Romeoville, Illinois

July 15, 2016

ALL STOCKHOLDERS ARE REQUESTED TO VOTE VIA THE INTERNET, BY TELEPHONE OR BY COMPLETING, DATING, SIGNING AND RETURNING A PROXY CARD PROMPTLY.

THIRD AMENDMENT

TO

THE CERTIFICATE OF INCORPORATION

OF

NANOPHASE TECHNOLOGIES CORPORATION

Pursuant to the Certificate of Incorporation of Nanophase Technologies Corporation, as amended, and the Delaware General Corporation Law, the undersigned corporation, organized and existing under and by virtue of the Delaware General Corporation Law, hereby adopts the following Amendment to its Certificate of Incorporation:

FIRST: That at a meeting of the Board of Directors of Nanophase Technologies Corporation (the Corporation) resolutions were duly adopted setting forth this proposed amendment of the Certificate of Incorporation of the Corporation, declaring said amendment to be advisable and directing that said amendment be submitted to the stockholders of the Corporation for consideration at the Corporation's 2016 annual meeting of stockholders.

SECOND: Article IV, Section A of the Certificate of Incorporation of the Corporation is hereby amended and restated in its entirety to read as follows:

ARTICLE IV

A. The Corporation shall have authority to issue the following classes of stock in the number of shares and at the par value as indicated opposite the name of the class:

Class	Number of Shares Authorized	Par Value per Share
Common Stock (the Common Stock)	42,000,000	\$.01
Preferred Stock (the Preferred Stock)	24,088	\$.01

The designations and the powers, preferences and relative participating, option or other rights of the Common and Preferred stockholders, and the qualifications, limitations or restrictions thereof remain unchanged.

THIRD: Pursuant to Section 242 of the Delaware General Corporation Law, at the Corporation's 2016 annual meeting of stockholders, duly called and held upon notice in accordance with Section 222 of the Delaware General Corporation Law, a majority of the outstanding stock entitled to vote thereon and a majority of the outstanding stock of each class entitled to vote thereon as a class duly approved the amendment to the Certificate of Incorporation of the Corporation, as amended, set forth in this Certificate of Amendment.

FOURTH: That said amendment was duly adopted in accordance with the provisions of Section 242 of the Delaware General Corporation Law.

FIFTH: This amendment shall be effective on the date this Certificate of Amendment is filed with and accepted by the Secretary of State of the State of Delaware.

IN WITNESS WHEREOF, the Corporation has caused this Certificate of Amendment to be signed this ____ day of August, 2016.

Nanophase Technologies Corporation

By:

Frank Cesario
Chief Financial Officer

A-1

NANOPHASE TECHNOLOGIES CORPORATION

2010 EQUITY COMPENSATION PLAN

(As Proposed to be Amended August 25, 2016)

The purpose of the 2010 Nanophase Technologies Corporation Equity Compensation Plan (the Plan) is to provide designated employees of Nanophase Technologies Corporation (the Company) and its subsidiaries, and certain advisors, including non-employee members of the Board of Directors of the Company (the Board) who perform services for the Company or its subsidiaries, with the opportunity to receive grants of incentive stock options, non-qualified options, restricted shares, performance shares and stock appreciation rights. The Company believes that the Plan will encourage the participants to contribute materially to the growth of the Company, thereby benefiting the Company's shareholders, and will align the economic interests of the participants with those of the shareholders.

ARTICLE I

ADMINISTRATION OF THE PLAN

Section 1.1 Administration.

(a) Committee. The Plan shall be administered and interpreted by the Compensation Committee of the Board (the Committee). The Committee shall consist of three or more persons appointed by the Board, all of whom shall be outside directors as defined under Section 162(m) of the Internal Revenue Code of 1986, as amended (the Code) and related Treasury regulations, shall be non-employee directors as defined under Rule 16b-3 promulgated under the Securities Exchange Act of 1934, as amended (the Exchange Act), and shall be independent directors as defined in NASDAQ Marketplace Rule 5605(a)(2), as amended.

(b) Committee Authority. The Committee shall have the sole authority to (i) determine the individuals to whom grants shall be made under the Plan, (ii) determine the type, size and terms of the grants to be made to each such individual, (iii) determine the time when the grants will be made and the duration of any applicable exercise or restriction period, including the criteria for exercisability and the acceleration of exercisability, and (iv) make all determinations with respect to any other matters arising under the Plan. The Committee may delegate the authority to make grants during the periods between regularly scheduled meetings of the Committee; however, grants in excess of 5,000 shares or grants with non-standard terms shall be made subject to Committee approval. Any grant made pursuant to the Committee's delegated authority shall be reported to the Board at the next meeting following the grant.

(c) Committee Determinations. The Committee shall have power and authority to interpret the Plan, make factual determinations, and to adopt or amend such rules, regulations, agreements and instruments for implementing the Plan as it deems necessary or advisable, in its sole discretion. The Committee's interpretations and determinations shall be conclusive and binding on all persons having any interest in the Plan. Determinations made by the Committee under the Plan need not be uniform as to similarly situated individuals.

Section 1.2 Grants. Awards under the Plan may consist of grants of (i) incentive stock options as described in Section 2.1 (Incentive Stock Options), (ii) non-qualified options as described in Section 2.1 (Non-qualified Options) (Incentive Stock Options and Non-qualified Options are collectively referred to as Options), (iii) restricted stock as described in Section 2.2 (Restricted Shares), (iv) performance stock as described in Section 2.3 (Performance Shares) and (v) Stock Appreciation Rights as described in Section 2.4 (hereinafter collectively referred to as Grants). All Grants shall be subject to the terms and conditions set forth herein and to such other terms and conditions specified in

the individual grant instrument (the Grant Instrument). The Committee shall approve the form and provisions of each Grant Instrument. Subject to the sole discretion of the Committee as contemplated by Section 1.1(c) above, it is the intent of the Company that grants of Options will be preferred over other Grants under this Plan.

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Section 1.3 Shares Subject to the Plan.

(a) Shares Authorized.

(i) For purposes of the Plan, a Share means one share of common stock of the Company, par value \$0.01 per share. Subject to adjustments as provided in Section 1.3(b) below, the aggregate number of Shares available for Grants under the Plan shall be 4,200,000 Shares. For purposes of calculating the aggregate number of Shares available for Grants and calculating the limitations on calendar year Grants set forth in subsection (ii) below, each Grant of a Restricted Share or a Performance Share (other than New Hire Grants contemplated in subsection (iii) below) shall be the equivalent of a Grant of three (3) Shares.

(ii) For each calendar year, Grants under the Plan shall also be subject to the following limitations:

(A) Subject to adjustments as provided in Section 1.3(b) below, the maximum aggregate number of Shares that shall be subject to Grants made under this Plan during any calendar year shall be 600,000 Shares.

(B) No grant recipient (Grantee) shall receive more than twenty (20) percent of the aggregate number of any class of Grants made during any calendar year. As used in this subsection, (1) Options will be deemed a single class of Grants, and (2) Restricted Shares and Performance Shares will together be deemed a single class of Grants.

(C) Following the application of the final sentence of subsection (i) above, the aggregate number of Restricted Shares and Performance Shares (taken as a single class) granted in any calendar year shall not exceed the lesser of 100,000 Shares or fifty (50) percent of the aggregate number of Shares subject to all Grants made during any calendar year.

(D) During each calendar year, Employees shall be granted under the Plan no more than two (2) percent of the Company's outstanding Shares and Non-Employee Directors shall be granted no more than one-half (1/2) percent of the Company's outstanding Shares. The number of outstanding Shares for purpose of this subsection will be determined as of the first business day of each applicable calendar year on a fully-diluted basis.

(iii) The limitations set forth in subsection (ii) above shall not apply to Grants made to a person as an inducement material to the individual's entering into employment with the Company (New Hire Grants), except for the overall limit as described in subsection (ii)(A). In addition, New Hire Grants shall not count against the aggregate maximum amounts set forth above in subsection (ii) above except for subsection (ii)(A).

(iv) The Shares may be authorized but unissued Shares or reacquired Shares, including Shares purchased by the Company on the open market for purposes of the Plan. If and to the extent Options granted under the Plan terminate, expire, or are canceled, forfeited, exchanged or surrendered without having been exercised, the Shares subject to such Grants shall again be available for purposes of the Plan.

(b) Adjustments for Significant Events. If the number or kind of outstanding Shares change by reason of (i) a dividend, spin-off, recapitalization, split or combination or exchange of Shares, (ii) a merger, reorganization or consolidation in which the Company is the surviving corporation, (iii) a reclassification or change in par value, or (iv) any other extraordinary or unusual event affecting the outstanding Shares of the Company as a class without the Company's receipt of consideration, or if the value of outstanding Shares is substantially reduced as a result of a spin-off or the Company's payment of an extraordinary dividend or distribution the maximum number of Shares available for Grants, the maximum number of Shares that any individual participating in the Plan may be granted in any year, the number of Shares covered by outstanding Grants, the kind of Shares issued under the Plan, and the price per Share or the applicable market value of such Grants may be appropriately adjusted by the Committee to reflect any increase or decrease in the number of, or change in the kind or value of, issued Shares to preclude, to the extent practicable, the enlargement or dilution of rights and benefits under such Grants. Any fractional Shares resulting from

such adjustment shall be eliminated. Any adjustments determined by the Committee shall be final, binding and conclusive. Any Restricted Shares distributed to a Grantee, or which a Grantee is entitled to receive by reason of any of the events described in clauses (i), (ii), (iii) or (iv) above shall be subject to the restrictions and requirements imposed on such Restricted Shares as provided in Section 2.2, unless determined otherwise by the Committee.

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Section 1.4 Eligibility for Participation.

(a) Eligible Persons. All employees of the Company, its parents and its subsidiaries (Employees), including Employees who are officers or members of the Board, and members of the Board who are not Employees (Non-Employee Directors) shall be eligible to participate in the Plan. Advisors who perform services to the Company or any of its parents or its subsidiaries (Key Advisors) shall be eligible to participate in the Plan if the Key Advisors render bona fide services and such services are not in connection with the offer or sale of securities in a capital-raising transaction.

(b) Selection of Grantees. The Committee shall select the Employees, Non-Employee Directors and Key Advisors to receive Grants.

ARTICLE II

EQUITY INCENTIVE GRANTS

Section 2.1 Options.

(a) Number of Shares. The Committee shall determine the number of Shares that will be subject to each Grant of Options.

(b) Type of Option and Price.

(i) The Committee may grant Incentive Stock Options that are intended to qualify as incentive stock options within the meaning of Section 422 of the Code or Non-qualified Options that are not intended so to qualify or any combination of Incentive Stock Options and Non-qualified Options.

(ii) The purchase price (the Exercise Price) of Shares subject to an Option shall be equal to, or greater than, the Fair Market Value (as defined below) of a Share on the date the Option is granted. The Exercise Price of an Incentive Stock Option shall be equal to, or greater than, the Fair Market Value of a Share on the date the Incentive Stock Option is granted and may not be granted to an Employee who, at the time of grant, owns Shares possessing more than 10 percent of the total combined voting power of all Shares and other classes of stock of the Company or any parent or subsidiary of the Company, unless the Exercise Price per Share is not less than 110% of the Fair Market Value of a Share on the date of grant.

(iii) If the Shares are publicly traded, then the Fair Market Value per Share shall be determined as follows: (x) if the principal trading market for the Shares is a national securities exchange or the Nasdaq National Market, the last reported sale price thereof on the date of grant or, if there were no trades on that date, the earliest subsequent date upon which a sale was reported, or (y) if the Shares are not principally traded on such exchange or market, the mean between the last reported bid and asked prices of a Share on the following date, as reported on Nasdaq or, if not so reported, as reported by the National Daily Quotation Bureau, Inc. or as reported in a customary financial reporting service, as applicable and as the Committee determines. If the Shares are not publicly traded or, if publicly traded, are not subject to reported transactions or bid or asked quotations as set forth above, the Fair Market Value per Share shall be as determined in good faith by the Committee; provided that, if the Shares are publicly traded, the Committee may make such discretionary determinations where the Shares have not been traded for 10 trading days.

(c) Option Term. The Committee shall determine the term of each Option. The term of any Option shall not exceed ten years from the date of grant. For Incentive Stock Options granted to an Employee who, at the time of grant, owns Shares possessing more than 10 percent of the total combined voting power of all Shares and other classes of stock of the Company, or any parent or subsidiary of the Company, the term shall not exceed five years from the date of grant.

(d) Vesting of Options. Options shall vest in accord with the terms and conditions specified in the Grant Instrument. The Committee may accelerate the vesting of any or all outstanding Options at any time for any reason.

(e) Termination of Employment, Disability or Death.

(i) Except as provided below, an Option may only be exercised while the Grantee is an Employee, Key Advisor or member of the Board. In the event that a Grantee has a Termination of Service (as defined below) for any reason other than Disability (as defined below), death or Cause (as defined below), any Option which is otherwise exercisable by the Grantee shall terminate unless exercised within 90 days after the date of such termination, but in any event no later than the date of expiration of the Option term. Any Options that the Grantee cannot exercise at the time of a Termination of Service shall terminate as of such date.

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(ii) In the event a Grantee is terminated for Cause, unless otherwise determined by the Committee (x) any Option held by the Grantee shall terminate as of the date of such Termination of Service and (y) the Grantee shall automatically forfeit all Shares underlying any exercised portion of an Option for which the Company has not yet delivered the certificates, upon refund by the Company of the Exercise Price paid by the Grantee for such Shares.

(iii) In the event a Grantee has a Termination of Service on account of Disability, any Option which is otherwise exercisable by the Grantee shall terminate unless exercised within one year after the date of such Termination of Service, but in any event no later than the date of expiration of the Option term. Unless provided otherwise in the applicable Grant Instrument, any of the Grantee's Options which are not otherwise exercisable as of the date of such Termination of Service shall terminate as of such date.

(iv) If the Grantee dies while an Employee, Key Advisor or member of the Board or within 90 days after the date on which the Grantee has a Termination of Service, any Option that is otherwise exercisable by the Grantee shall terminate unless exercised within one year after the date of such death or Termination of Service, but in any event no later than the date of expiration of the Option term. Unless provided otherwise in the applicable Grant Instrument, any of the Grantee's Options that are not otherwise exercisable as of the date shall terminate as of such date.

(v) For purposes of the Plan:

(A) Cause shall mean a finding by the Committee that (1) the Grantee has breached his or her employment, service, noncompetition, nonsolicitation or other similar contract with the Company or its parent and subsidiary corporations, (2) has been engaged in disloyalty to the Company or its parent and subsidiary corporations, including, without limitation, fraud, embezzlement, theft, commission of a felony or dishonesty in the course of his or her employment or service, (3) has disclosed trade secrets or confidential information of the Company or its parents and subsidiary corporations to persons not entitled to receive such information or (4) has entered into competition with the Company or its parent or Subsidiary Corporations. Notwithstanding the foregoing, if the Grantee has an employment agreement with the Company defining Cause, then such definition shall supersede the foregoing definition.

(B) Disability shall mean a Grantee's becoming disabled within the meaning of Section 22(e)(3) of the Code. Notwithstanding the foregoing, if the Grantee has an employment agreement with the Company defining Disability, then such definition shall supersede the foregoing definition.

(C) Termination of Service shall mean a Grantee's termination of employment or service as an Employee, Key Advisor or member of the Board unless the Grantee continues without interruption to serve thereafter in another such capacities.

(f) Exercise of Options. A Grantee may exercise an Option that has become exercisable, in whole or in part, by delivering a notice of exercise to the Company with payment of the Exercise Price. The Grantee shall pay the Exercise Price (x) in cash, (y) by delivering Shares owned by the Grantee for the period necessary to avoid a charge to the Company's earnings for financial reporting purposes and to avoid adverse accounting consequences to the Company (including Shares acquired in connection with the exercise of an Option, subject to such restrictions as the Committee deems appropriate) and having a Fair Market Value on the date of exercise equal to the Exercise Price, or (z) by such other method as the Committee may approve, including payment through a broker in accord with procedures permitted by Regulation T of the Federal Reserve Board; provided, that, for purposes of assisting a Grantee (other than a Grantee who is a director or an executive officer of the Company) to exercise an Option, the Company may make loans to such Grantee or guarantee loans made by third parties to such Grantee, on such terms and conditions as the Committee may authorize. Such Grantee shall pay the Exercise Price at the time of exercise and shall satisfy the withholding tax requirements of Section 3.1.

(g) Limits on Incentive Stock Options. Each Incentive Stock Option shall provide that, if the aggregate Fair Market Value of the Shares on the date of the grant with respect to which Incentive Stock Options are exercisable for the first time by a Grantee during any calendar year, under the Plan and any other equity compensation plan of the Company or a parent or subsidiary, exceeds \$100,000, then the option, as to the excess, shall be treated as a Non-qualified Option. No Incentive Stock Option shall be granted to any person who is not an Employee of the Company or a parent or subsidiary of the Company (within the meaning of Section 424(f) of the Code).

Section 2.2 Restricted Shares.

(a) General Requirements. Shares issued or transferred pursuant to Restricted Share Grants may be issued or transferred for consideration or for no consideration. The period of time, if any, during which the Restricted Shares will remain subject to restrictions and any performance conditions imposed by the Committee will be designated in the Grant Instrument as the Restriction Period. All restrictions on transfer of Restricted Shares will be stated on the Grant Instrument.

(b) Number of Shares. The Committee shall determine the number of Restricted Shares to be issued or transferred.

(c) Requirement of Employment. If a Grantee, who is an Employee, has a Termination of Service during a period designated in the Grant Instrument as the Restriction Period, or if other specified conditions are not met, the Restricted Share Grant shall terminate as to all Shares covered by the Grant as to which the restrictions have not lapsed, and those Shares must be immediately returned to the Company, and the Company shall refund to the Grantee the lesser of (x) the consideration, if any, paid by the Grantee for such Shares and (y) the Fair Market Value of the Shares as of the date of such Termination of Service. The Committee may provide for complete or partial exceptions to these requirements.

(d) Restrictions on Transfer and Legend on Certificate. During the Restriction Period, a Grantee may not sell, assign, transfer, pledge or otherwise dispose of the Restricted Shares except as permitted under Section 3.2. Each certificate for Restricted Shares shall contain a legend giving appropriate notice of the restrictions in the Grant. The Grantee shall be entitled to have the legend removed from the certificate covering the Restricted Shares when all restrictions on such Shares have lapsed. The Committee may determine that the Company will not issue certificates for Restricted Shares until all restrictions on such Shares have lapsed, or that the Company will retain possession of certificates for Restricted Shares until all restrictions on such Shares have lapsed.

(e) Right to Vote and to Receive Dividends. Holders of Restricted Shares may be granted the right to vote the Restricted Shares and to receive any dividends or other distributions paid on such Shares, subject to any restrictions deemed appropriate by the Committee.

(f) Lapse of Restrictions. All restrictions imposed on Restricted Shares shall lapse upon the expiration of the applicable Restriction Period provided that all conditions imposed by the Committee are satisfied. In the event that the conditions imposed by the Committee on such Restricted Shares are not satisfied, the Restricted Shares shall be forfeited unless the Committee determines that the restrictions shall lapse without regard to any Restriction Period. Any Restricted Shares that are forfeited for failure to satisfy the conditions imposed by the Committee shall again be available for purposes of the Plan.

(g) Deferral of Receipt. Notwithstanding anything to the contrary in this Plan, a Grantee, who is a Non-Employee Director, may, in a manner prescribed by the Committee, elect to defer the receipt of all the Restricted Shares subject to a Grant Instrument. Such election must be made before the end of the calendar year prior to the year in which the Restricted Shares are granted. Any election may either: (i) continue in effect until the Grantee changes or discontinues it or (ii) apply for a single year only. Any change or discontinuance of an election shall be effective for the year beginning after the change or discontinuance notice is received by the Committee. Elections must be made on a form

and in a manner prescribed by the Committee. Any Restricted Shares deferred pursuant to this Section 2.2(g) shall be distributed to the Grantee (or his or her beneficiary, as applicable) as soon as administratively possible following the Grantee's separation from service to the Company (within the meaning provided in Code Section 409A) or upon a Change of Control or a Reorganization (as each term is defined in Section 3.3). The eventual payment of the deferred Restricted Shares shall not be secured in any way and shall be a general obligation of the Company. The Committee may hold the Restricted Shares in a grantor trust established by the Company for purposes of meeting its obligations with respect to deferred compensation under this Plan or any

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other plan established by the Company. The Restricted Shares deferred pursuant to this Section 2.2 shall be credited for the benefit of any participating Grantee pursuant to the terms of the Plan. During the deferral period, the deferred Restricted Shares shall not be available for issuance under this Plan.

Section 2.3 Performance Shares.

(a) General Requirements. Each Performance Share shall represent the right of the Grantee to receive an amount based on the value of the Performance Share, if performance goals established by the Committee are met. The value of a Performance Share shall be based on the Fair Market Value of a Share as of the date of payment in respect of such Performance Share is to be made or on such other measurement base as the Committee deems appropriate. The Committee shall determine the requirements applicable to such Shares.

(b) Performance Period and Performance Goals. When Performance Shares are granted, the Committee shall establish the period during which performance shall be measured (the Performance Period) and performance goals applicable to the Shares (Performance Goals), if any. Performance Goals may relate to the financial performance of the Company or its operating shares, the performance of Shares, individual performance, or such other criteria as the Committee deems appropriate.

(c) Payment with respect to Performance Shares. At the end of each Performance Period, the Committee shall determine to what extent the Performance Goals and other conditions of the Performance Shares have been met and the amount, if any, to be paid. Payments shall be made in Shares with any fractional Performance Share paid in cash. Unless otherwise determined by the Committee, any Performance Shares with respect to which the Committee determines that the applicable Performance Goals or other conditions have not been met within the Performance Period shall be forfeited.

(d) Requirement of Employment. If the Grantee has a Termination of Service during a Performance Period, or if other conditions established by the Committee are not met, the Grantee's Performance Shares shall be forfeited. The Committee may, however, provide for complete or partial exceptions to this requirement.

(e) Restrictions on Transfer. Rights to payments with respect to Performance Shares granted under the Plan shall not be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, attachment, garnishment, levy, execution, or other legal or equitable process, either voluntary or involuntary; and any attempt to anticipate, alienate, sell, transfer, assign, pledge, encumber, attach or garnish, or levy or execute on any right to benefits payable hereunder, shall be void.

(f) Limited Rights. Performance Shares are solely a device for the measurement and determination of the amounts to be paid to a Grantee under the Plan. Each Grantee's right in the Performance Shares is limited to the right to receive payment, if any, as may herein be provided. The Performance Shares do not constitute Shares and shall not be treated as (or as giving rise to) property or as a trust fund of any kind; provided, however, that the Company may establish a bookkeeping reserve to meet its obligations hereunder or a trust or other funding vehicle that would not cause the Plan to be deemed to be funded for tax purposes or for purposes of Title I of the Employee Retirement Income Security Act of 1974, as amended. The right of any Grantee of Performance Shares to receive payments by virtue of participation in the Plan shall be no greater than the right of any unsecured general creditor of the Company. Nothing contained in the Plan shall be construed to give any Grantee any rights with respect to Shares or any ownership interest in the Company. No provision of the Plan shall be interpreted to confer upon any Grantee any voting, dividend or derivative or other similar rights with respect to any Performance Share.

Section 2.4 Stock Appreciation Rights.

(a) General Requirements. All Employees, including Employees who are officers or members of the Board, and all Non-Employee Directors, are eligible for a grant of Stock Appreciation Rights (SARs).

(b) Exercise Price. The Committee will establish the exercise price of the SAR at the time it is granted, which exercise price will be equal to the Fair Market Value of one Share.

(c) Exercisability. A SAR shall be exercisable during the period specified by the Committee in the Grant Instrument and shall be subject to such vesting and other restrictions as may be specified in the Grant Instrument. The Committee may accelerate the exercisability of any or all outstanding SARs at any time for any reason. SARs may only be exercised while the Grantee is an Employee or a Non-Employee Director or during an applicable period

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after the Employee's or the Non-Employee Director's separation from service as specified in the Grant Instrument. No SAR may be exercised by an executive officer or director of the Company or any of its subsidiaries who is subject to Section 16 of the Exchange Act, except in accordance with Rule 16b-3 under the Exchange Act.

(c) **Value of SARs.** When a Grantee exercises a SAR, the Grantee shall receive in settlement of such SAR an amount equal to the amount by which the Fair Market Value of a Share on the date of exercise of the SAR exceeds the exercise price of the SAR specified in the Grant Instrument. Such amount shall be payable in cash or in Shares at the discretion of the Committee.

ARTICLE III

GENERAL MATTERS

Section 3.1 Withholding of Taxes.

(a) **Required Withholdings.** The Company shall be entitled to withhold from any payments or deemed payments any amount of tax withholding (including all federal, state and local taxes) determined by the Committee to be required by law. Without limiting the generality of the foregoing, the Committee may, in its discretion, require the Grantee to pay the amount that the Committee deems necessary to satisfy the Company's obligation to withhold federal, state or local income or other taxes incurred by reason of (i) the exercise of any Option, (ii) the lapsing of any restrictions applicable to any Restricted Shares, (iii) the receipt of a payment in respect of Performance Shares, or (iv) any other applicable income recognition event (for example, an election under Section 83(b) of the Code).

Notwithstanding anything contained in the Plan to the contrary, the Grantee's satisfaction of any tax-withholding requirements imposed by the Committee shall be a condition precedent to the Company's obligation as may otherwise be provided hereunder to provide Shares to the Grantee and to the release of any restrictions as may otherwise be provided hereunder, as applicable; and the applicable Options, Restricted Shares or Performance Shares shall be forfeited upon the failure of the Grantee to satisfy such requirements with respect to, as applicable, (i) the exercise of the Option or (ii) the lapsing of restrictions on the Restricted Share (or other income recognition event).

(b) **Election to Withhold Shares.** If the Committee so permits, a Grantee may make a written election to satisfy the Company's income tax withholding obligation with respect to an Option, Restricted Shares or Performance Shares by having Shares withheld by the Company from the Shares otherwise to be received, or to deliver previously owned Shares (not subject to restrictions hereunder). The number of Shares so withheld or delivered shall have an aggregate Fair Market Value on the date of exercise sufficient to satisfy the applicable withholding taxes. Where the exercise of an Incentive Stock Option does not give rise to an obligation by the Company to withhold federal, state or local income or other taxes on the date of exercise, but may give rise to such an obligation in the future, the Committee may, in its discretion, make such arrangements and impose such restrictions as it deems necessary or appropriate. The election must be in a form and manner prescribed by the Committee and shall be subject to the prior approval of the Committee.

Section 3.2 Transferability of Grants.

(a) **In General.** Except as provided in Section 3.2(b), only the Grantee may exercise rights under a Grant during the Grantee's lifetime. A Grantee may not transfer those rights except by will or by the laws of descent and distribution. When a Grantee dies, the personal representative or other person entitled to succeed to the rights of the Grantee (Successor Grantee) may exercise such rights in accordance with the terms of the Plan. A Successor Grantee must furnish proof satisfactory to the Company of his or her right to receive the Grant under the Grantee's will or under the applicable laws of descent and distribution.

(b) Transfer of Non-qualified Options. Notwithstanding the foregoing, the Committee may provide in a Grant Instrument that a Grantee may transfer Non-qualified Options to family members or other persons or entities according to such terms as the Committee may determine where the Committee determines that such transferability does not result in accelerated federal income taxation; provided that the Grantee receives no consideration for the transfer of an Option and the transferred Option shall continue to be subject to the same terms and conditions as were applicable to the Option immediately before the transfer.

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Section 3.3 Reorganization or Change in Control of the Company.

(a) Definitions.

(i) As used herein, a **Reorganization** shall be deemed to have occurred if the shareholders of the Company approve (or, if shareholder approval is not required, the Board approves) an agreement providing for (i) the merger or consolidation of the Company with another corporation where the shareholders of the Company, immediately prior to the merger or consolidation, will not beneficially own, immediately after the merger or consolidation, Shares entitling such shareholders to more than 50% of all votes to which all shareholders of the surviving corporation would be entitled in the election of directors (without consideration of the rights of any class of stock to elect directors by a separate class vote), (ii) the sale or other disposition of all or substantially all of the assets of the Company, or (iii) a liquidation or dissolution of the Company.

(ii) As used herein, a **Change of Control** shall be deemed to have occurred if any person (as such term is used in Sections 13(d) and 14(d) of the Exchange Act) or any of its subsidiaries or affiliates becomes a beneficial owner (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing a majority of the voting power of the then outstanding securities of the Company except where the acquisition is approved by the Board.

(b) Assumption of Grants. Upon a Reorganization where the Company is not the surviving corporation (or survives only as a subsidiary of another corporation), all outstanding Options that are not exercised shall be assumed by, or replaced with comparable options or rights by, the surviving corporation.

(c) Notice and Acceleration. Upon a Reorganization or a Change of Control, (i) the Company shall provide each Grantee with outstanding Grants written notice of such event, (ii) all outstanding Options shall automatically accelerate and become fully exercisable, (iii) the restrictions and conditions on all outstanding Restricted Shares shall immediately lapse, and (iv) Grantees holding Performance Shares shall receive a payment in settlement of such Performance Shares, in an amount determined by the Committee, based on the Grantee's target payment for the Performance Period and the portion of the Performance Period that precedes the Change of Control.

Section 3.4 Requirements for Issuance or Transfer of Shares.

(a) Shareholder's Agreement. The Committee may require that a Grantee execute a shareholder's agreement with respect to any Shares distributed pursuant to the Plan.

(b) Limitations on Issuance or Transfer of Shares. No Shares shall be issued or transferred in connection with any Grant hereunder unless and until all legal requirements applicable to the issuance or transfer of such Shares have been complied with to the satisfaction of the Committee. The Committee shall have the right to condition any Grant made to any Grantee hereunder on such Grantee's undertaking in writing to comply with such restrictions on his or her subsequent disposition of such Shares as the Committee shall deem necessary or advisable as a result of any applicable law, regulation or official interpretation thereof, and certificates representing such Shares may be legended to reflect any such restrictions. Certificates representing Shares issued or transferred under the Plan will be subject to such stop-transfer orders, registration and other restrictions as may be required by applicable laws, regulations and interpretations, including any requirement that a legend be placed thereon.

Section 3.5 Amendment and Termination of the Plan.

(a) Amendment. If shareholder approval for any amendment to the Plan is required by any applicable law or regulation, the Board may not make such amendment to the Plan without the approval of the shareholders. Otherwise, the Board may amend or terminate the Plan at any time.

(b) Termination of Plan. The Plan shall terminate on the day immediately preceding the tenth anniversary of the Effective Date (as defined below), unless the Plan is terminated earlier by the Board or is extended by the Board with the approval of the shareholders.

(c) Termination and Amendment of Outstanding Grants. A termination or amendment of the Plan that occurs after a Grant is made shall not materially impair the rights of a Grantee unless the Grantee consents or unless the amendment is required in order to comply with applicable law. The termination of the Plan shall not impair the power and authority of the Committee with respect to an outstanding Grant. Whether or not the Plan has terminated, an outstanding Grant may be terminated or amended in accord with the Plan or may be amended by agreement of the Company and the Grantee consistent with the Plan.

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(d) Governing Document. The Plan shall be the controlling document. No other statements, representations, explanatory materials or examples, oral or written, may amend the Plan in any manner. The Plan shall be binding upon and enforceable against the Company and its successors and assigns.

Section 3.6 Miscellaneous.

(a) Programs. The Committee may adopt one or more programs not inconsistent with this Plan pursuant to which Grants may be made under this Plan. Such programs shall be deemed merely programs of implementation of this Plan and shall not be deemed new plans.

(b) Funding of the Plan. The Plan shall be unfunded. The Company shall not be required to establish any special or separate fund or to make any other segregation of assets to assure the payment of any Grants under the Plan. In no event shall interest be paid or accrued on any Grant, including unpaid installments of Grants.

(c) Rights of Participants. Nothing in the Plan shall entitle any Employee, Non-Employee Director, Key Advisor or other person to any claim or right to be granted a Grant under the Plan. Neither the Plan nor any action taken under it shall be construed as giving any individual any rights to be retained by or in the employ of the Company or any other employment rights.

(d) No Fractional Shares. No fractional Shares shall be issued or delivered pursuant to the Plan or any Grant. The Committee shall determine whether cash, other awards or other property shall be issued or paid in lieu of such fractional Shares or whether such fractional Shares or any rights thereto shall be forfeited or otherwise eliminated.

(e) Section Headings. Section headings are for reference only. In the event of a conflict between a title and the content of a Section, the content of the Section shall control.

(f) Effective Date of the Plan. The Plan became effective on August 24, 2010, the first business day immediately following the Plan's approval by the shareholders of the Company (the Effective Date).

(g) Deferred Compensation. No deferral of compensation (as defined under Code Section 409A or guidance thereto) is intended under this Plan, except as provided in Section 2.2(g). The Committee may permit deferrals of compensation pursuant to the terms of the Grant Instrument, a separate plan or a subplan which meets the requirements of Code Section 409A and any related guidance. Participants shall only be granted Grants under this Plan that meet the requirements of Code Section 409A or qualify for an exemption under Code Section 409A or any related guidance. If any participant receives a Grant that does not comply with Code Section 409A or qualify for an exemption thereto, such Grant shall be null and void and shall be deemed to have never been granted. Additionally, to the extent any Grant is subject to Code Section 409A, notwithstanding any provision herein to the contrary, the Plan does not permit the acceleration of the time or schedule of any distribution related to such Grant, except as permitted by Code Section 409A, the regulations thereunder, and/or the Secretary of the United States Treasury.

(h) Grants in Connection with Corporate Transactions and Otherwise. Nothing contained in the Plan shall be construed to (i) limit the right of the Committee to make Grants under the Plan in connection with the acquisition, by purchase, lease, merger, consolidation or otherwise, of the business or assets of any corporation, firm or association, including Grants to employees thereof who become Employees or for other proper corporate purposes, or (ii) limit the right of the Company to grant stock options or make other awards outside of the Plan. Without limiting the foregoing, the Committee may make a Grant to an employee of another corporation who becomes an Employee by reason of a corporate merger, consolidation, acquisition of stock or property, reorganization or liquidation involving the Company or any of its subsidiaries in substitution for a stock option grant made to such employee by such corporation. The terms and conditions of the substitute grants may vary from the terms and conditions required by the Plan and from those of the substituted stock incentives. The Committee shall prescribe the provisions of the substitute grants.

(i) Compliance with Law. The Plan, the exercise of Options and the obligations of the Company to issue or transfer Shares under Grants shall be subject to all applicable laws and to approvals by any governmental or regulatory agency as may be required. With respect to persons subject to Section 16 of the Exchange Act, it is the intent of the Company that the Plan and all transactions under the Plan comply with all applicable provisions of Rule

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16b-3 or its successors under the Exchange Act. The Committee may revoke any Grant if it is contrary to law or modify a Grant to bring it into compliance with any valid and mandatory government regulation. The Committee may, in its sole discretion, agree to limit its authority under this Section.

(j) Successors. All obligations of the Company under the Plan with respect to awards granted under it shall be binding on any successor to the Company, whether the existence of such successor is the result of a direct or indirect purchase, merger, consolidation or otherwise, of all or substantially all of the business or assets of the Company.

(k) Governing Law. The validity, construction, interpretation and effect of the Plan and Grant Instruments issued under the Plan shall exclusively be governed by and determined in accordance with the law of the State of Delaware.

(l) Transition Provisions Relating to the Prior Plans. Upon the Effective Date of the Plan, the Company's 2004 Equity Compensation Plan (as amended, the 2004 Plan), 2005 Non-Employee Director Restricted Stock Plan (as amended, the 2005 Plan) and Amended and Restated 2006 Stock Appreciation Rights Plan (the 2006 Plan) shall be terminated subject to the provisions of Section 3.5(c) of the 2004 Plan, Section 3.2 of the 2005 Plan and Section 3.1 of the 2006 Plan, each relating to the post-termination effectiveness of grants under the 2004 Plan, the 2005 Plan and the 2006 Plan, respectively. The Plan shall not be deemed an amendment or restatement of the 2004 Plan, the 2005 Plan or the 2006 Plan. Nothing in the Plan shall be deemed to impair the rights of or give any new or additional rights to any person who received grants under the 2004 Plan, the 2005 Plan or the 2006 Plan.

NANOPHASE TECHNOLOGIES
CORPORATION
C/O Broadridge
P.O. Box 1342
Brentwood, NY 11717

**VOTE BY INTERNET -
www.proxyvote.com**

Use the Internet to transmit your voting instructions and for electronic delivery of information up until 11:59 P.M. Eastern Time the day before the meeting date. Have your proxy card in hand when you access the web site and follow the instructions to obtain your records and to create an electronic voting instruction form.

**ELECTRONIC DELIVERY OF FUTURE
PROXY MATERIALS**

If you would like to reduce the costs incurred by our company in mailing proxy materials, you can consent to receiving all future proxy statements, proxy cards and annual reports electronically via e-mail or the Internet. To sign up for electronic delivery, please follow the instructions above to vote using the Internet and, when prompted, indicate that you agree to receive or access proxy materials electronically in future years.

VOTE BY PHONE - 1-800-690-6903

Use any touch-tone telephone to transmit your voting instructions up until 11:59 P.M. Eastern Time the day before the meeting date. Have your proxy card in hand when you call and then follow the instructions.

VOTE BY MAIL

Mark, sign and date your proxy card and return it in the postage-paid envelope we have provided or return it to Vote Processing, c/o Broadridge, 51 Mercedes Way, Edgewood, NY 11717.

TO VOTE, MARK BLOCKS BELOW IN BLUE OR BLACK INK AS FOLLOWS:

KEEP THIS PORTION FOR YOUR RECORDS

DETACH AND RETURN THIS PORTION ONLY

THIS PROXY CARD IS VALID ONLY WHEN SIGNED AND DATED.

The Board of Directors recommends you vote

FOR the following:

For	Withhold	For
All	All	All
..	..	Except
..

To withhold authority to vote for any individual nominee(s), mark For All Except and write the number(s) of the nominee(s) on the line below.

1. Election of Directors Nominees

- 01 James A. Henderson 02 James A. McClung, Ph.D. 03 R. Janet Whitmore

The Board of Directors recommends you vote FOR proposals 2, 3, 4, and 5

	For	Against	Abstain
2. TO APPROVE, IN AN ADVISORY (NON-BINDING) VOTE, THE COMPENSATION PAID TO THE COMPANY'S NAMED EXECUTIVE OFFICERS
3. TO APPROVE AN AMENDMENT TO THE COMPANY'S CERTIFICATE OF INCORPORATION TO INCREASE THE NUMBER OF AUTHORIZED SHARES
4. TO APPROVE AMENDMENTS TO THE COMPANY'S 2010 EQUITY COMPENSATION PLAN
5. PROPOSAL TO RATIFY THE APPOINTMENT OF RSM US LLP AS THE INDEPENDENT AUDITORS OF THE COMPANY'S FINANCIAL STATEMENTS FOR THE YEAR ENDING DECEMBER 31, 2016

NOTE: EACH OF THE PERSONS NAMED AS PROXIES ARE AUTHORIZED, IN SUCH PERSON'S DISCRETION, TO VOTE UPON SUCH OTHER MATTERS AS MAY PROPERLY COME BEFORE THE ANNUAL MEETING, OR ANY ADJOURNMENTS THEREOF.

Please sign exactly as your name(s) appear(s) hereon. When signing as attorney, executor, administrator, or other fiduciary, please give full title as such. Joint owners should each sign personally. All holders must sign. If a

Explanation of Responses:

Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting:

The Notice & Proxy Statement, Form 10-K is/are available at www.proxyvote.com

NANOPHASE TECHNOLOGIES CORPORATION

1319 MARQUETTE DRIVE

ROMEDEVILLE, ILLINOIS 60446

PROXY FOR THE ANNUAL MEETING OF STOCKHOLDERS

TO BE HELD ON AUGUST 25, 2016

THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS

The undersigned stockholder(s) hereby appoints Jess Jankowski and Frank Cesario, and each of them, with full power of substitution, as attorney and proxy for, and in the name and place of, the undersigned, and hereby authorizes each of Mr. Jankowski and Mr. Cesario to represent and to vote all of the shares which the undersigned is entitled to vote at the Annual Meeting of Stockholders of Nanophase Technologies Corporation to be held at Nanophase Technologies Corporation, 1319 Marquette Drive, Romeoville, Illinois 60446, on Thursday, August 25, 2016 at 8:30 a.m., Chicago time, and at any adjournments thereof, upon the matters as set forth in the Notice of Annual Meeting of Stockholders and Proxy Statement, receipt of which is hereby acknowledged.

THIS PROXY, WHEN PROPERLY EXECUTED AND RETURNED IN A TIMELY MANNER, WILL BE VOTED AT THE ANNUAL MEETING AND AT ANY ADJOURNMENTS THEREOF IN THE MANNER DIRECTED HEREIN BY THE UNDERSIGNED STOCKHOLDER(S). IF NO CONTRARY INDICATION IS MADE, THE PROXY WILL BE VOTED FOR EACH OF THE NOMINEES LISTED IN PROPOSAL 1, AND FOR PROPOSALS 2, 3, 4, and 5 AND IN ACCORDANCE WITH THE JUDGMENT OF THE PERSONS NAMED AS PROXIES HEREIN ON ANY OTHER MATTERS THAT MAY PROPERLY COME BEFORE THE ANNUAL MEETING.

PLEASE MARK, SIGN, DATE AND RETURN THIS PROXY CARD PROMPTLY USING THE ENCLOSED ENVELOPE.

Continued and to be signed and dated on reverse side