

**Report of Organizational Actions
Affecting Basis of Securities**

OMB No. 1545-0123

► See separate instructions.

Part I Reporting Issuer

1 Issuer's name Skye Biosciences, Inc.		2 Issuer's employer identification number (EIN) 45-0692882	
3 Name of contact for additional information Kaitlyn Arsenault	4 Telephone No. of contact 415-340-3230	5 Email address of contact ka@skyebioscience.com	
6 Number and street (or P.O. box if mail is not delivered to street address) of contact 11250 El Camino Real, Suite 100		7 City, town, or post office, state, and ZIP code of contact San Diego, CA 92130	
8 Date of action 9/8/2023		9 Classification and description Common Stock	
10 CUSIP number 83086J200	11 Serial number(s)	12 Ticker symbol SKYE	13 Account number(s)

Part II Organizational Action Attach additional statements if needed. See back of form for additional questions.

- 14** Describe the organizational action and, if applicable, the date of the action or the date against which shareholders' ownership is measured for the action ► SEE ATTACHED

- 15** Describe the quantitative effect of the organizational action on the basis of the security in the hands of a U.S. taxpayer as an adjustment per share or as a percentage of old basis ► SEE ATTACHED

- 16** Describe the calculation of the change in basis and the data that supports the calculation, such as the market values of securities and the valuation dates ► SEE ATTACHED

Part II Organizational Action (continued)

17 List the applicable Internal Revenue Code section(s) and subsection(s) upon which the tax treatment is based ► **SEE ATTACHED**

18 Can any resulting loss be recognized? ► **SEE ATTACHED**

19 Provide any other information necessary to implement the adjustment, such as the reportable tax year ► **SEE ATTACHED**

**Sign
Here**

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

Signature ►

Kaitlyn Arsenault

Date ►

9/25/2023

Print your name ► **Kaitlyn Arsenault**

Title ► **Chief Financial Officer**

**Paid
Preparer
Use Only**

Print/Type preparer's name
Julie Laake

Preparer's signature

Julie Laake

Date

9/25/2023

Check ☐ if
self-employed

PTIN

P00992311

Firm's name ► **KBF CPAs LLP**

Firm's EIN ► **82-1030164**

Firm's address ► **400 Spectrum Center Drive, Suite 250, Irvine, CA 92618**

Phone no. **949-529-3900**

Skye Biosciences, Inc. FEIN: 45-0692882
Attachment to Form 8937
Report of Organizational Actions Affecting Basis of Securities

The information contained herein is being provided pursuant to the requirements of Section 6045B of the Internal Revenue Code of 1986, as amended (the "Code"),¹ and includes a general summary regarding the application of certain U.S. federal income tax laws and regulations relating to the effects of the Reverse Stock Split (defined below) on a holder's adjusted U.S. tax basis. The information contained herein does not constitute tax advice and does not purport to be complete or to describe the consequences that may apply to particular categories of shareholders. Shareholders should consult their own tax advisors regarding the particular tax consequences of the Reverse Stock Split to them, including the applicability and effect of all U.S. federal, state, and local and non-U.S. tax laws.

Part II:

Line 14. Describe the organizational action and, if applicable, the date of the action or the date against which shareholders' ownership is measured for the action.

On September 8, 2023 (the "effective date"), Skye Biosciences, Inc. ("the Company") effected a 1-for-250 reverse stock split of its shares of Common Stock ("the Reverse Stock Split"). In connection with the Reverse Stock Split, every 250 shares of Common Stock issued and outstanding on the effective date were automatically converted to one share of Common Stock.

Shareholders who would otherwise have been entitled to a fractional share of common stock received one (1) whole share in lieu of such fractional share (i.e., the "rounded-up share"). No cash was paid in lieu of fractional shares. The shares began trading on a split-adjusted basis at market open on September 8, 2023.

Line 15. Describe the quantitative effect of the organizational action on the basis of the security in the hands of a U.S. taxpayer as an adjustment per share or as a percentage of old basis.

The Reverse Stock Split is intended to qualify as a reorganization under Section 368(a)(1)(E). Accordingly, the aggregate tax basis of the post-Reverse Stock Split shares received by a shareholder will be equal to the aggregate tax basis of its pre-Reverse Stock Split. The holding period of the post-Reverse Stock Split shares received by a shareholder will include the holding period of the pre-Reverse Stock Split shares exchanged by such shareholder.

The federal income tax consequences of the rounded-up share are unclear. A holder of the pre-Reverse Stock Split shares may recognize income or gain to the extent of the value of the rounded-up share exceeds the tax basis of the post-Reverse Stock Split fractional share so "rounded-up." Each shareholder should consult with their tax advisor with respect to the computation of gain or loss and adjusted tax basis in the shares issued in the transaction (including the rounded-up shares) based on their specific facts.

¹ Unless otherwise specified herein, "section" references are to the Code.

Since each shareholder of shares received fewer shares of that class of shares than were surrendered, the basis in the surrendered shares must be allocated in a manner that reflects, to the greatest extent possible, that a share of stock received is received in respect of shares of stock that were acquired on the same date and at the same price. To the extent that it is not possible to allocate in this manner, the basis of the shares surrendered must be allocated to the shares of stock received in a manner that minimizes the disparity in the holding periods of the surrendered shares whose basis is allocated to any particular share received. This could result in a particular share having a split basis and a split holding period. Each shareholder should consult with their tax advisor with respect to the computation of basis in this transaction based on their specific facts.

Line 16. Describe the calculation of the change in basis and the data that supports the calculation, such as the market values of securities and the valuation dates.

Upon the effective date of the Reverse Stock Split, every two hundred and fifty (250) shares of common stock of the Company automatically converted into one (1) share of common stock. As a result, shareholders must allocate the aggregate tax basis in their shares held immediately prior to the Reverse Stock Split among the shares held immediately after the Reverse Stock Split. Shareholders that have acquired different blocks of common stock at different times or at different prices are urged to consult their own tax advisors regarding the allocation of their aggregated adjusted basis among, and the holding period of, that common stock.

Line 17. List the applicable Internal Revenue Code section(s) and subsection(s) upon which the tax treatment is based.

354(a), 358(a), 368(a)(1)(E).

Line 18. Can any resulting loss be recognized?

The Reverse Stock Split is intended to be treated as a reorganization under Section 368(a)(1)(E). Thus, shareholders will generally not recognize gain or loss as a result of the Reverse Stock Split.

The federal income tax consequences of the rounded-up shares are unclear. A holder of the pre-Reverse Stock Split shares may recognize income or gain to extent the value of the rounded-up share exceeds the tax basis of the post-Reverse Stock Split fractional share so "rounded-up." Each shareholder should consult with their tax advisor with respect to the computation of gain or loss and basis in transaction based on their specific facts.

Line 19. Provide any other information necessary to implement the adjustment, such as the reportable tax year.

The basis adjustments described above are taken into account in the tax year of a shareholder during which the Reverse Stock Split occurred (e.g., 2023 for calendar year taxpayers).