

Report of Organizational Actions Affecting Basis of Securities

▶ See separate instructions.

Part I Reporting Issuer

1 Issuer's name NovaBay Pharmaceuticals, Inc.		2 Issuer's employer identification number (EIN) 68-0454536	
3 Name of contact for additional information Justin Hall, Associate General Counsel		4 Telephone No. of contact 510-899-8800	
6 Number and street (or P.O. box if mail is not delivered to street address) of contact 5980 Horton Street, Suite 550		5 Email address of contact ihall@novabay.com	
8 Date of action December 18, 2015		7 City, town, or post office, state, and Zip code of contact Emeryville, CA 94608	
		9 Classification and description Reverse Stock Split for Common Stock	
10 CUSIP number 66987P 201	11 Serial number(s) N/A	12 Ticker symbol NBY	13 Account number(s) N/A

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 ▶ **Effective after the close of business on December 18, 2015, NovaBay Pharmaceuticals, Inc. underwent a 1-for-25 reverse stock split of its common stock.**

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 ▶ **Upon effectiveness of the reverse stock split, each shareholder of NovaBay Pharmaceuticals, Inc. received twenty-five (25) shares in exchange for each share held. No fractional shares were issued in the reverse stock split, and no shareholder received a cash payment in lieu of fractional shares. As a result of the reverse stock split, a shareholder's aggregate tax basis in the shares of the common stock received pursuant to the reverse stock split (including any whole share received in exchange for a fractional share) will equal the aggregate tax basis of the shares of the common stock surrendered.**

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 ▶ **As a result of the reverse stock split, a shareholder's aggregate tax basis in the shares of the common stock received pursuant to the reverse stock split (including any whole share received in exchange for a fractional share) will equal the aggregate tax basis of the shares of the common stock surrendered.**

Part II Organizational Action (continued)

17 List the applicable Internal Revenue Code section(s) and subsection(s) upon which the tax treatment is based ▶ Sections 354, 358, 368, 1031 and 1036

18 Can any resulting loss be recognized? ▶ The reverse stock split should constitute a "recapitalization" for U.S. federal income tax purposes and, therefore, a reorganization within the meaning of Section 368(a)(1)(E) of the Internal Revenue Code. As a result, a shareholder should not recognize gain or loss upon the reverse stock split.

19 Provide any other information necessary to implement the adjustment, such as the reportable tax year ▶ The reportable tax year is 2015.

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.

Sign Here

Signature ▶  Date ▶ 12/15/15

Print your name ▶ Thomas J. Paulson Title ▶ CFO

Paid Preparer Use Only	Print/Type preparer's name	Preparer's signature	Date	Check <input type="checkbox"/> if self-employed	PTIN
	Firm's name ▶				Firm's EIN ▶
	Firm's address ▶				Phone no.