

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

▶ See separate instructions.

Part I Reporting Issuer			
1 Issuer's name Targacept, Inc. (now known as Catalyst Bioscience, Inc.)		2 Issuer's employer identification number (EIN) 56-2020050	
3 Name of contact for additional information Fletcher Payne	4 Telephone No. of contact 650-266-8654	5 Email address of contact FPayne@CatBio.com	
6 Number and street (or P.O. box if mail is not delivered to street address) of contact 260 Littlefield Ave.		7 City, town, or post office, state, and Zip code of contact South San Francisco, CA 94080	
8 Date of action August 19, 2015		9 Classification and description Common Stock - distribution of redeemable convertible notes	
10 CUSIP number 87611RAA6	11 Serial number(s)	12 Ticker symbol CBIO	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 ▶ **On August 19, 2015, in connection with their merger with Catalyst Bioscience, Inc. Targacept made a total distribution of redeemable convertible notes with a value of \$37,000,000 to its shareholders. The distribution was \$1.08 per share.**

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 ▶ **Based on reasonable assumptions, Targacept, estimates that it has no Earnings & Profits (E&P). Accordingly, pursuant to Internal Revenue Code section 301(c)(2) a portion of the distribution will be a return of capital. Generally, the portion of the distribution on the stock that is treated as a return of capital should reduce the shareholder's tax basis in the shares of stock up to a holder's adjusted basis in the stock, with any excess treated as capital gain pursuant to Internal Revenue Code section 301(c)(3).**

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 ▶ **At this time it cannot be determined what percent of the distribution is return of capital and what percent should be treated as capital gain.**

Part II Organizational Action (continued)

17 List the applicable Internal Revenue Code section(s) and subsection(s) upon which the tax treatment is based ▶ The tax treatment of the distribution is primarily based on Internal Revenue Code sections 312 (Earnings & Profits) and 301 (Distributions).

18 Can any resulting loss be recognized? ▶ Not applicable

19 Provide any other information necessary to implement the adjustment, such as the reportable tax year ▶ The reportable tax year is 2015 for calendar year taxpayers. For shareholders reporting on a basis other than a calendar year, the reportable year is their year that includes August 19, 2015.

The above information does not constitute tax advice, nor does it purport to be complete or to describe the consequences that may apply to particular categories of shareholders. Therefore, shareholders are urged to consult their own legal, financial or tax advisors with respect to their individual tax consequences related to this distribution.

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 ▶ *Fletcher Payne* Date ▶ 9/30/15

Print your name ▶ Fletcher Payne

Title ▶ CFO

Paid Preparer Use Only

Print/Type preparer's name <u>Marsha J. Tice</u>	Preparer's signature <u><i>Marsha J. Tice</i></u>	Date <u>9/29/15</u>	Check <input type="checkbox"/> if self-employed	PTIN <u>P01356354</u>
Firm's name ▶ <u>Tax Shared Services, Inc.</u>	Firm's EIN ▶ <u>68-0504938</u>		Phone no. <u>336-574-3537</u>	
Firm's address ▶ <u>1107 W. Market St., Greensboro, NC 27403</u>				