

## Report of Organizational Actions Affecting Basis of Securities

▶ See separate instructions.

<b>Part I Reporting Issuer</b>			
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 20, 2015	9 Classification and description  Common Stock - Reverse stock split		
10 CUSIP number  87611R306	11 Serial number(s)	12 Ticker symbol  TRGT	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 20, 2015, prior to closing of their merger with Catalyst Biosciences, Targacept, Inc. completed a seven-for-one reverse stock split. As a result of the stock split, every seven shares of Targacept common stock outstanding immediately prior to the merger were combined and reclassified into one share of Targacept common stock. No fractional shares were issued in connection with the reverse stock split. Instead cash, based on the closing price of Targacept common stock on The NASDAQ Global Select Market on August 20, 2015, was issued in lieu of fractions of shares.

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 ▶ As a result of the reverse stock split, Targacept shareholders will be required to allocate the tax basis of their original shares held immediately prior to the reverse stock split to their shares held after the reverse stock split.

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 ▶ The fair market value of the split shares equals the fair market value of the original shares. Therefore, the the seven-for-one stock split increases the basis in each share of the underlying common stock by 7 times the original basis. For example, if a shareholder held 700 shares before the split with a tax basis of \$2.00 per share, for total basis of \$1,400.00, after the split the total basis would still be \$1,400.00 but they would only hold 100 shares each will a basis of \$14.00. Shareholders who received cash in lieu of fractionals shares will be treated as having sold such fractional shares for cash. The amount of gain or loss recognized as a result of such exchange will be equal to the difference between the ratable portion of the basis that is allocated to the fractional share and the cash received in lieu.

**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 with respect to the reverse stock split is determined pursuant to Internal Revenue Code sections 305(a), 354(a)(1), and 368(a)(1)(E). The impact on shareholder's basis is determined pursuant to Internal Revenue Code sections 307(a) and 358(b)(1). The tax treatment to a shareholder of the cash received in lieu of a fractional share is determined pursuant to Internal Revenue Code section 302(a).

18 Can any resulting loss be recognized? ▶ No. The reverse stock split should not constitute a taxable transaction, except to the extent of any cash received in lieu of a fractional share.

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 stockholders reporting on a basis other than a calendar year, the reportable tax year is their year that includes August 20, 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 relating to this stock split.

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	Preparer's signature	Date	Check <input type="checkbox"/> if self-employed	PTIN
Marsha J. Tice	<u>Marsha J. Tice</u>	9/29/15		P01358354
Firm's name ▶	Firm's EIN ▶		Phone no.	
Tax Shared Services, Inc.	68-0504938		336-574-3537	
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