

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

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**FORM 8-K**

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**CURRENT REPORT**  
**Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

**Date of Report (Date of earliest event reported): October 18, 2006**

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**TARGACEPT, INC.**

(Exact name of registrant as specified in its charter)

**Delaware**  
(State or other jurisdiction of  
incorporation)

**000-51173**  
(Commission File Number)

**56-202050**  
(IRS Employer  
Identification No.)

**200 East First Street, Suite 300**  
**Winston-Salem, North Carolina**  
(Address of principal executive offices)

**27101**  
(Zip Code)

**(336) 480-2100**  
Registrant's telephone number, including area code

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Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
  - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
  - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
  - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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**Item 1.01. Entry into a Material Definitive Agreement**

On October 18, 2006, Alan W. Dunton, M.D. was elected to the board of directors (the "Board") of Targacept, Inc. (the "Company"). Upon election to the Board, Dr. Dunton is eligible to receive compensation in accordance with the Company's nonemployee director compensation program.

In accordance with the terms of the Targacept, Inc. 2006 Stock Incentive Plan (the "Plan"), Dr. Dunton will receive a nonqualified stock option to purchase 25,000 shares of the Company's common stock as of a grant date of October 25, 2006 (the "Grant Date"), the fifth business day after his election to the Board. The Company and Dr. Dunton will enter into a nonqualified stock option agreement on the Grant Date to evidence the stock option.

In accordance with the terms of the Plan, the exercise price per share of the stock option granted to Dr. Dunton will be \$5.69, the closing price of the Company's common stock on The NASDAQ Global Market on October 24, 2006. The stock option will vest and become exercisable with respect to one-third of the underlying shares on October 25, 2007 and with respect to the remaining two-thirds of the underlying shares in pro rata quarterly installments over the two years thereafter, in each case provided that Dr. Dunton remains in service as a director of the Company as of such dates. The stock option is subject in all respects to the terms of the Plan and the associated form nonqualified stock option agreement for nonemployee directors.

**Item 5.02 Departure of Directors or Principal Officers; Election of Directors; Appointment of Principal Officers.**

(d) On October 18, 2006, the Board increased the number of directors comprising the Board from eight to nine and, upon the recommendation of its governance and nominating committee, elected Alan W. Dunton, M.D. to serve as a director in Class I. Dr. Dunton was elected for a term coincident with the other Class I directors, to continue until the first annual meeting of stockholders following the initial classification of the Board in April 2006 and until his successor is elected and qualified. Dr. Dunton was also appointed to the Board's governance and nominating committee.

The Company's press release announcing Dr. Dunton's election is attached as Exhibit 99.1 to this Current Report on Form 8-K.

**Item 9.01 Financial Statements and Exhibits.**

(d) Exhibits

The Exhibit Index attached to this Current Report on Form 8-K is incorporated herein by reference.

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

**TARGACEPT, INC.**

Date: October 24, 2006

/s/ Alan A. Musso

Alan A. Musso

Vice President, Chief Financial Officer, Secretary and Treasurer

**EXHIBIT INDEX**

**Exhibit  
Number**

**Description**

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99.1

Press release dated October 24, 2006



### **Targacept Announces Addition of Alan W. Dunton, M.D. to its Board of Directors**

**Winston-Salem, North Carolina, October 24, 2006** – Targacept, Inc. (NASDAQ: TRGT), a clinical-stage biopharmaceutical company developing a new class of drugs known as NNR Therapeutics™, announced today that Alan W. Dunton, M.D. has been appointed to its board of directors. Dr. Dunton will also serve on the board's governance and nominating committee.

“We are very pleased to welcome Alan Dunton to our board of directors,” said J. Donald deBethizy, Targacept’s President and Chief Executive Officer. “Alan’s considerable experience in product development and portfolio management in both emerging biotechnology and large pharmaceutical settings will be valuable as we advance our portfolio of NNR Therapeutics.”

Dr. Dunton is a recognized expert in drug development and clinical research. During his 23-year career, he has played a primary role in the development of a number of products to regulatory approval including Reminyl® , Risperdal® , TOPAMAX® , Levaquin® , Regranex® and Aleve® . Dr. Dunton has also been a recipient of the prestigious Nellie Westerman Prize from the American Federation of Clinical Research for his work in medical ethics.

Dr. Dunton is currently the non-executive chairman of the board of directors of ActivBiotics, Inc., a biopharmaceutical company focused on treatments for inflammatory diseases and bacterial infections. He has previously served as president and chief executive officer of Metaphore Pharmaceuticals, president and chief operating officer of Emisphere Technologies, president of the Janssen Research Foundation, managing director of Janssen Pharmaceutica (a division of Johnson & Johnson), group vice president for development at the R.W. Johnson Pharmaceutical Research Institute, and in executive positions at Roche, CIBA-GEIGY (now Novartis) and Syntex.

Dr. Dunton received his M.D. degree from New York University School of Medicine and completed his postgraduate training at the New York University Medical Center and the Bellevue Hospital VA Medical Center. He also held a Fellowship in Clinical Pharmacology at Cornell University.

#### **About Targacept**

Targacept is a clinical-stage biopharmaceutical company that discovers and develops NNR Therapeutics, a new class of drugs for the treatment of central nervous system diseases and disorders. Targacept’s product candidates selectively modulate neuronal nicotinic receptors that serve as key regulators of the nervous system activity to promote therapeutic effects and limit adverse side effects. Targacept has product candidates in development for Alzheimer’s disease and cognitive deficits in schizophrenia, pain and depression, and multiple preclinical programs. Targacept is located in Winston-Salem, North Carolina.

## **Forward-Looking Statements**

Any statements in this press release about expectations, plans and prospects for Targacept, Inc. and all other statements that are not purely historical in nature constitute “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Actual results may differ materially from those expressed or implied by forward-looking statements as a result of various important factors, including the risks and uncertainties described under the heading “Risk Factors” in our most recent Quarterly Report on Form 10-Q and in other filings that we make with the Securities and Exchange Commission. As a result of the risks and uncertainties, the results or events indicated by the forward-looking statements may not occur. We caution you not to place undue reliance on any forward-looking statement.

In addition, any forward-looking statements in this release represent our views only as of the date of this release and should not be relied upon as representing our views as of any subsequent date. We anticipate that subsequent events and developments may cause our views to change. Although we may elect to update these forward-looking statements publicly at some point in the future, whether as a result of new information, future events or otherwise, we specifically disclaim any obligation to do so, except as required by applicable law.

*NNR Therapeutics™ is a trademark of Targacept, Inc. Other trademarks in this press release are the property of their respective owners.*

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