



**Part II Organizational Action** (continued)

17 List the applicable Internal Revenue Code section(s) and subsection(s) upon which the tax treatment is based ▶ SECTION 301 (a)  
SECTION 301 (b) SECTION 301 (c) SECTION 301 (d)

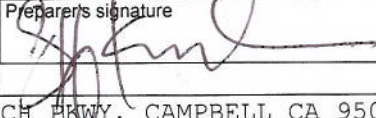
18 Can any resulting loss be recognized? ▶ PLEASE SEE ATTACHMENT

19 Provide any other information necessary to implement the adjustment, such as the reportable tax year ▶ PLEASE SEE ATTACHMENT

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 ▶ \_\_\_\_\_

Print your name ▶ \_\_\_\_\_ Title ▶ \_\_\_\_\_

<b>Paid Preparer Use Only</b>	Print/Type preparer's name	Preparer's signature	Date	Check <input type="checkbox"/> if self-employed	PTIN
	JEFFREY M. KIRKENDALL		1/30/15		P00959179
	Firm's name ▶ MOSS ADAMS, LLP			Firm's EIN ▶ 91-0189318	
	Firm's address ▶ 635 CAMPBELL TECH PKWY, CAMPBELL CA 95008			Phone no. 40-369-2400	

## **Distribution of Asterias Series A Common Stock Guidance Regarding Tax Basis (as of February 2015)**

This notice contains guidance regarding your tax basis in Geron common stock and Asterias Series A common stock for U.S. federal income tax purposes. ***If you did not receive shares or cash in lieu of a fractional share or excluded jurisdiction share in the Series A Distribution (as described below), this notice does not apply to you.***

### **Consult Your Tax Advisor**

The information contained in this notice represents a general understanding of the application of certain existing U.S. federal income tax laws and regulations relating to the Series A Distribution (as described below). It does not constitute tax advice and does not purport to be complete or to describe consequences that may apply to particular categories of Geron stockholders, such as stockholders residing in foreign countries, stockholders that themselves are or own their Geron stock through entities treated as partnerships or other pass-through entities for U.S. federal income taxes, stockholders that hold their Geron stock as other than a capital asset, or stockholders who received their Geron stock as compensation. Geron does not provide tax advice to its stockholders. ***You are urged to consult your own tax advisor regarding the particular consequences of the Series A Distribution to you, including the applicability and effect of all U.S. federal, state, local and foreign tax laws.***

### **Description of Series A Distribution**

On October 1, 2013, Geron Corporation (“Geron” or the “Company”) closed the transaction to divest its human embryonic stem cell assets and autologous cellular immunotherapy program pursuant to the terms of the Asset Contribution Agreement Geron entered into with BioTime, Inc. (“BioTime”) and Asterias Biotherapeutics, Inc. (“Asterias”) in January 2013. In connection with this divestiture, Asterias issued to Geron 6,537,779 shares of Asterias Series A common stock, par value \$0.0001 per share, as consideration for Geron’s contribution to Asterias of its human embryonic stem cell assets and autologous cellular immunotherapy program.

Under the terms of the Asset Contribution Agreement and subject to applicable law, Geron was contractually obligated to distribute all of the shares of Asterias Series A common stock to Geron stockholders of record as of the Record Date on a pro rata basis (the “Series A Distribution”), other than with respect to fractional shares and shares that would otherwise be distributed to Geron stockholders residing in certain excluded jurisdictions, which shares, as required by the Asset Contribution Agreement, were sold at prevailing market prices with the net cash proceeds therefrom distributed ratably to the stockholders who would otherwise be entitled to receive such shares. The Record Date set by Geron’s Board of Directors was May 28, 2014. The ex-Dividend Date set by Nasdaq was July 22, 2014. The distribution (payable) date of the Series A Distribution was August 15, 2014.

Using the number of outstanding shares of Geron common stock as of the May 28, 2014 Record Date, or 156,924,100 shares, eligible stockholders received approximately 0.0417 of a share of Asterias Series A common stock for each share of Geron common stock in the Series A Distribution, or cash in lieu thereof, as described above. This ratio equates to one whole share of Asterias Series A common stock for every approximately 24 shares of Geron common stock. There was no impact to the number of shares of Geron common stock outstanding in connection with the Series A Distribution.

Asterias Series A common stock originally started trading on the over-the-counter market (OTCBB) under the ticker symbol ASTY. Currently, Asterias Series A common stock trades on the New York Stock Exchange (NYSE) under the ticker symbol AST. Further information about Asterias and the Series A Distribution is contained the Registration Statement and the prospectus. The Registration Statement and a final Prospectus, which may be amended from time to time, are available at the website maintained by the Securities and Exchange Commission at <http://www.sec.gov>. You should read the Registration Statement and the Prospectus carefully, including the Risk Factors section of the Prospectus.

The foregoing discussion of the Series A Distribution is for informational purposes only and shall not constitute an offer to sell or the solicitation of an offer to buy any securities of Asterias or BioTime, nor shall there be any sale of these securities in any state or other jurisdiction in which such offer, solicitation or sale would be unlawful prior to the registration or qualification under the securities laws of any such state or other jurisdiction. Further, the foregoing discussion is not intended to comprise, and should not be taken as, tax advice. You are encouraged to consult your tax advisor.

A copy of the Prospectus may be obtained from Asterias upon request to their Chief Financial Officer at 230 Constitution Drive, Menlo Park, CA 94025 or contacting their investor relations representative at [InvestorRelations@asteriasbio.com](mailto:InvestorRelations@asteriasbio.com).

### **Tax Basis Information**

The Series A Distribution does not qualify as a tax free spin off under Section 355 of the Internal Revenue Code of 1986, as amended, or the Code. In addition, since Geron does not expect to have current earnings and profits for 2014, the Company does not believe the distribution of the Asterias Series A common stock will result in dividend income to Geron stockholders and instead for U.S. federal income tax purposes, will be treated as a return of capital.

In the case of a return of capital, you will need to reduce the tax basis of your Geron common stock, but not below zero, for the fair market value of ("FMV") of the shares of Asterias Series A common stock that you received. If the FMV of the Asterias Series A common stock exceeds the basis of your Geron common stock, then the excess will be treated as capital gain income. There is no direct guidance under U.S. federal income tax law as to the proper approach or method for determining the FMV of shares of Asterias Series A common stock. In general, the FMV of an item of property means the price at which the property would change hands between a willing buyer and a willing seller, neither being under any compulsion to buy or sell and both having reasonable knowledge of the facts.

### **Approach for Tax Basis Calculation**

A typical approach for determining FMV is to utilize the closing price of a stock on the first day of trading. On August 18, 2014 (first trading day following the Series A Distribution), the closing price for Asterias Series A common stock, as quoted on the OTCBB, was \$2.32 per share.

## Example of Tax Basis Calculation

The following is an example of how to calculate the tax basis for your Geron common stock immediately after the Series A Distribution (using the first trading day price approach). This example is for illustrative purposes only.

### *Assumptions:*

Shares of Geron common stock owned	1,000
Price paid per share for Geron common stock	\$3.00
Aggregate basis for Geron common stock	\$3,000 (1,000 * \$3)
Shares of Asterias stock received in the Series A Distribution	41
Cash received for fractional share	\$1.48
FMV for Asterias Series A common stock	\$2.32 per share
Aggregate FMV for Asterias Series A common stock	\$96.60 ((41*\$2.32) + \$1.48)

### *Calculation of Adjusted Tax Basis for Geron Common Stock:*

Aggregate basis for Geron common stock	\$ 3,000
Less: Aggregate FMV for Asterias Series A common stock	<u>(\$96.60)</u>
Adjusted basis for Geron common stock	\$2,903.40
Per share adjusted basis of Geron common stock	\$2.903 (2,903.40/1,000)

## **Additional Information**

The information in this document does not constitute tax advice and is not intended or written to be used, and cannot be used, for the purposes of (i) avoiding penalties under the Code or (ii) promoting, marketing or recommending to another party any transaction or matter addressed herein. Geron stockholders are encouraged to consult their tax advisors regarding their own specific tax position. Information regarding the Series A Distribution and the computation of tax basis may also be reported to the Internal Revenue Service.

You will receive a tax form (either a 1099-DIV or 1099-B) reporting the value you received in the Series A Distribution. If you received shares of Asterias Series A common stock, a 1099-DIV will be issued to you reporting the value of Asterias Series A common stock you received (as discussed above). If you received cash in lieu of shares (as discussed above), a 1099-B will be issued to you reporting the cash proceeds you received. If you received a stock certificate for Asterias Series A common stock or a check in the mail, you are considered a stockholder of record, or registered owner, and you should receive a tax form from American Stock Transfer & Trust Co. (Asterias' transfer agent). If you electronically received Asterias shares or cash in your brokerage account, you should receive a tax form from your broker.

**This notice reflects guidance regarding your tax basis in Geron common stock and Asterias Series A common stock for U.S. federal income tax purposes.**