

## Report of Organizational Actions Affecting Basis of Securities

▶ See separate instructions.

### Part I Reporting Issuer

1 Issuer's name <b>Gemphire Therapeutics Inc.</b>		2 Issuer's employer identification number (EIN) <b>47-2389984</b>	
3 Name of contact for additional information <b>Amy Rabourn</b>	4 Telephone No. of contact <b>734-245-1700 x 208</b>	5 Email address of contact <b>arabourn@gemphire.com</b>	
6 Number and street (or P.O. box if mail is not delivered to street address) of contact <b>17199 N. Laurel Park Dr., Suite 401</b>		7 City, town, or post office, state, and Zip code of contact <b>Livonia, MI 48152</b>	
8 Date of action <b>8/10/16</b>		9 Classification and description <b>Preferred Stock Dividend paid through issuance of common stock</b>	
10 CUSIP number <b>36870A108</b>	11 Serial number(s)	12 Ticker symbol <b>GEMP</b>	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 10, 2016, in conjunction with the Company's Initial Public Offering ("IPO"), all issued and outstanding Series A Preferred Stock held prior to the IPO was converted into Common Stock of Gemphire Therapeutics Inc.. Accordingly, 745,637 shares of Series A Preferred Stock were converted into 745,637 shares of Common Stock on August 10, 2016.**

**In addition, holders of Series A Preferred Stock were entitled to receive cumulative dividends at an annual rate of 8%. On August 10, 2016, the outstanding, accrued dividends of \$546,849 were paid through the issuance of 81,568 shares of Common Stock in Gemphire Therapeutics Inc..**

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 ▶ **A shareholder's tax basis in the Common Stock received upon conversion of the Series A Preferred Stock on August 10, 2016 should equal the shareholder's tax basis in the shares of the Series A Preferred Stock immediately prior to the conversion, reduced on a per share basis for the pro rata impact of the accrued dividends.**

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 ▶ **Gemphire Therapeutics, Inc. did not have any Current or Accumulated Earnings and Profits at the beginning or end of 2016. Accordingly, all distributions to shareholders on accrued dividends could reduce the basis of shareholders in their stock held. Since the distributions pursuant to the accrued dividend rights are classified as nondividend distributions, the shareholder would treat the distributions as either a return of capital or as capital gains depending upon the individual shareholders pre-distribution basis in shares held. The value of common stock issued pursuant to accrued dividend rights was \$9.34 per share on 8/10/16.**

**Part II Organizational Action** (continued)

17 List the applicable Internal Revenue Code section(s) and subsection(s) upon which the tax treatment is based **Internal Revenue Code sections 312 and 316, and the applicable regulations thereunder.**

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

18 Can any resulting loss be recognized? **\_\_\_\_\_**

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

19 Provide any other information necessary to implement the adjustment, such as the reportable tax year **The reportable tax year for the conversion of Preferred Stock to Common Stock and dividends paid in kind is calendar year 2016.**

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

<b>Sign Here</b>	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.			
	Signature ▶	<i>Amy Zaremba Raborn</i>		Date ▶ <u>2/2/17</u>
<b>Paid Preparer Use Only</b>	Print your name ▶	<i>Amy Zaremba Raborn</i>		Title ▶ <i>Director of Finance</i>
	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.