



CED #OnTheRise Campaign Giving through a Stock Pledge

About Stock Pledges

As a way to pay it forward for others, entrepreneurs are encouraged to pledge gifts of personal stock in their company in connection with a future liquidity event.

Pledging Stock to CED

A pledge is **not a current gift of stock** to CED, but rather an **expression of your intention** to gift the shares in the future at the time of a liquidity event. Once you have decided that you wish to make a pledge of stock, the process for making the pledge is relatively simple. Decide how many of your shares of your company's stock you would like to pledge, fill out and sign the Stock Pledge Form and return it to CED at *PO Box 13353, RTP, NC 27709*.

Legal and Tax Aspects Regarding a Stock Pledge

The attached list of frequently asked questions provides information regarding various legal and tax aspects of making a stock pledge including tax benefits generally available for gifts made to a tax exempt organization. This list is not intended to be comprehensive since the effect of a stock pledge may vary with individual circumstances. It is accordingly recommended that each individual consult with their personal attorney, accountant, and/or financial advisor so that he/she is well informed regarding the legal and tax aspects of the pledge and the ultimate gift to CED.

Making Cash Gifts to CED or Other Gifts to CED

Gifts of cash or other assets are also welcome. Persons wishing to make a gift to CED should contact *CED's Donor Relations Manager at 919.226.0468* for additional information.



Stock Pledge Questions & Answers

- 1. Am I being asked to pledge stock individually or is the Company being asked to donate?** *The stock is pledged by you **individually**, and therefore there is no dilution to other shareholders.*
- 2. Will I transfer the stock now or will it be transferred later?** *A pledge is not a current gift of stock to CED, but rather an expression of your intention to gift the shares in the future at the time of a liquidity event affecting the Company. As such, all you are doing is pledging to transfer the stock (or proceeds from the sale of stock) at a time when a liquidity event occurs in the future. **Timing is critical to effective tax planning and it is accordingly important to discuss the pledge with your personal tax advisor as soon as you anticipate a liquidity event.***
- 3. Do I continue to have the right to vote the stock?** *Yes, you continue to have the right to vote the stock until the time you actually gift the shares in connection with a liquidity event, at which time the shares (or the proceeds from the disposition of the shares) are actually transferred to CED.*
- 4. Am I taxed on the appreciation in the value of the stock?** *Assuming appropriate advance tax planning and transfer of the stock itself to CED in connection with, but sufficiently prior to, the liquidity event, you will get to deduct the fully appreciated value of the stock and there is typically no tax on the appreciation.*
- 5. What will my investors think of this gift?** *Since a stock pledge is an expression of your personal intent to transfer some of your shares at the time of a Company liquidity event, it should not impact your investors. They would only have reason to be concerned if the stock were currently transferred by you or if the stock was being pledged by the Company itself. You may be asked to disclose your pledge during a funding round, but the ownership of the stock is not affected until a liquidity event so it should not have an effect on funding.*
- 6. Does this change the stock ledger for the Company?** *No, the stock is still held in your name until the liquidity event.*
- 7. What will the stock be used for?** *The stock, once transferred to CED in connection with the Company liquidity event, will be sold and the proceeds will be used to support the initiatives of the CED #OnTheRise Campaign. The goals of the campaign are to strengthen the region's support network so the most promising startups and growth-stage companies succeed; attract significantly more sources of capital to the region and; promote entrepreneurial success stories where they matter most. You may direct a more specific use of the proceeds if you wish.*
- 1. Are there any restrictions in the charter of the Company or its bylaws that would prevent the transfer?** *Some companies do have restrictions on stock transfers in the charter, bylaws, or stock transfer restriction agreements. Since the shares are not actually transferred until a liquidity event, such restrictions would typically not apply, however you should discuss this question with legal counsel to your Company.*