

Tender Offer Sellers Guide

March 2022



Seller's Guide to the Tender Offer

Welcome to Carta Liquidity – the liquidity platform that's directly integrated with Carta's ownership platform. This guide explores how to sell privately-held equity in a tender offer transaction on Carta.

A tender offer is a solicitation by a company or a third party investor to purchase equity shares or units.

Employees and other eligible shareholders have the opportunity to sell (i.e., tender) a portion of their vested equity in return for either cash proceeds or more favorable terms on newly issued equity. Monetizing equity earlier can provide shareholders with an opportunity for diversification.

Carta Liquidity is a market offered and operated by Carta Capital Markets, LLC ("CCMX"), a registered broker-dealer and a wholly-owned subsidiary of Carta, Inc. In order to be eligible to participate and sell your equity, you will need to open a brokerage account with CCMX, and enter orders that represent how much of your equity you would want to sell. In this guide, we answer key questions you need to know in order to enter those orders and sell your equity:

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Note that this guide will not cover whether you should or shouldn't sell, or how much you should sell. For that, we recommend you consult with your tax and investment professionals.

Timing

How much time do I have? When do I get the proceeds if I sell?

Tender offers take place over a period of approximately six weeks, but you don't have to track the transaction the entire time — you will simply need to enter your orders prior to the end of the offering period, represented on Carta as the “Seller order entry” period, which remains open for a minimum of 20 business days.¹ Once Seller order entry closes, a multi-day settlement process begins, represented on Carta as the “Buyer allocations and funding” period. The settlement process will complete on or before the date specified on Carta. Here are the five key milestones in the transaction:

Timeline

- **At the start of Seller order entry**, you will receive a notification from Carta. By logging into your brokerage account, you will see how much of your holdings are eligible (discussed below) to be sold, the exact schedule of the transaction, and the price(s) offered by buyers for each type of equity, as well as all relevant transaction documents. Once you have decided to enter the transaction, your holdings that could be sold in the transaction will be locked in and restricted from any other activities (e.g., option exercises, transfers) until the conclusion of the transaction.
- **During the 20 business days of Seller order entry**, you have to enter and finalize your sell orders by selecting the amounts you would like to sell, up to the total number of shares that you are eligible to sell. You can enter, update, and/or cancel your orders at any time until the end of Seller order entry. After the Seller order entry period ends, you can no longer enter new orders or change your existing orders.
- **After the end of Seller order entry**, this is when the company finalizes all orders (buy and sell) and handles any necessary cutbacks. What's a cutback? When the shares tendered by sellers exceed the maximum share amount or dollar value buyers agreed to purchase, the company will follow a predefined procedure for decreasing the tendered amount to match the maximum amount. Details about this process are found in the transaction documents.
- **During Buyer allocations and funding**, the company provides each buyer with their final allocation of shares for the transaction. Buyers must wire the funds to fully cover the cost of their purchase. Also, during this time, the company is processing and verifying all tax withholdings associated with the sale of securities in the transaction.
- **Upon the close and settlement of the tender offer**, the net proceeds after any withheld taxes, fees, and acquisition costs (e.g., exercise costs) will be deposited in your Carta account. At this point, the proceeds can be transferred to an external financial institution. The shares from any unexecuted or partially executed orders will remain in your Carta account, and the restriction from transfer or exercise described above will be lifted.

¹Subject to extension – the tender offer must remain open for at least 10 business days after certain material changes to the offer.

Eligibility

How much of my equity can I sell?

Companies will have different restrictions on what type of equity is eligible to sell (e.g., preferred A shares, common shares, options) and of that, what the maximum participation percentages are. These eligibility criteria are set at the discretion of the company and can vary across equity holder groups or other factors. For example, employees could be restricted to sell no more than 25% of their vested, eligible holdings in a single transaction, while investors can only sell 10%. The eligibility criteria for a transaction are found in the transaction documents.

Your equity holdings may be split across multiple grants or securities, each of which may have different terms (e.g., acquisition date, exercise cost) and tax consequences. If that's the case, you will be able to determine which holdings you want to sell from and in what order in your account settings, and on the order entry screen. This is covered in more detail under the Holdings Prioritization section of this guide. Consider consulting your tax adviser to make sure you understand the implications of selling your holdings.

Order entry

How do I tender my shares?

In order to sell your holdings in a tender offer, you must first decide how many shares you wish to tender based on your liquidity, investment, and tax needs. *Figure 1* shows an example of an order ticket where you enter the total quantity you are interested in tendering. The chart on the right hand side will populate with gross proceeds, exercise cost (when applicable), fees, and the total proceeds before taxes. This will help you visualize the possible outcome of your election.

Submission

When you enter an order, you will have to confirm the quantity of the order. You will have the option to confirm the quantity on each of your individual eligible holdings. Once submitted, you will still be able to make changes or cancel your orders until the end of the Seller order entry period.

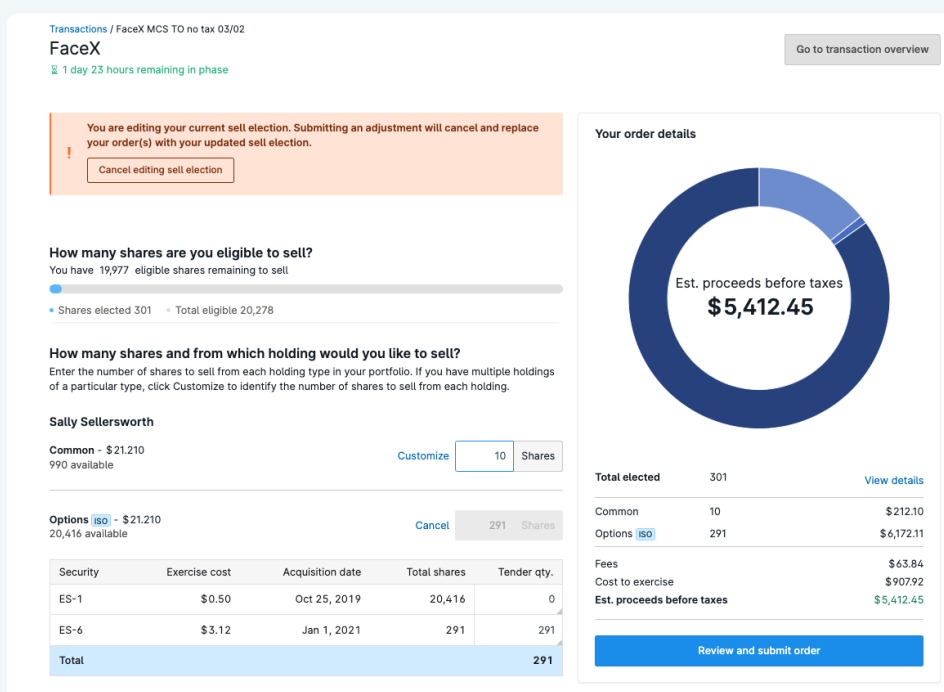


Figure 1. This figure shows the proceeds breakdown chart based on the current election totaling to \$5,412.45 before taxes and including \$907.92 in exercise costs because this participant is electing to tender 291 shares from an option grant.

Review and confirmation

In order to confirm your order, you will need to review all transaction documents, any required exercise agreements and your Settlement instructions. Exercise agreements are presented any time you have an option grant eligible for sale in a transaction.

Spousal consent

Why would I need my spouse's consent to sell?

Depending on the settings chosen by your company, participation in the tender offer may require the completion of a spousal consent agreement. In certain U.S. states, your spouse may automatically have partial ownership of any property you acquired during the marriage. This can include shares of stock or other securities you've purchased or were granted as employment compensation.

In order to ensure that you are legally entitled to transfer securities in a transaction on Carta, the issuer of the securities may require you to obtain the written consent of your spouse. If you have any questions about this requirement, we encourage you to reach out to the issuer of the securities and to your personal legal advisor.

Holdings prioritization

In what order are my holdings sold? Why does this matter?

By prioritizing your holdings, you define the order in which your holdings will be sold in a transaction on Carta. Each holding is considered a tax lot and contains the same acquisition date, cost per share, and holding period. Only the holdings designated as "Eligible" may be sold in a transaction and any holding that is "Not Eligible" will not be listed.

← Back to order entry

Complete the sections below to submit your order

Prioritize your holdings

The priorities applied below determine the order in which your holdings will be sold. This must be sent before the close of order entry. In the case of an oversubscription, your holdings will be sold according to these priorities.

Aaron Saunders Portfolio Save priority

Priority	Security	Share class	Cost basis	Acquisition date	Tended qty.
1	CS-1089	Common	\$12.34	Mar 2, 2022	1
2	CS-1091	Common	\$12.34	Mar 2, 2022	1
3	CS-1088	Common	\$0.00	Apr 1, 2020	998
4	ES-77	NSO	\$7.14	Jun 1, 2018	1,000
5	ES-15	ISO	\$0.30	Jun 1, 2017	1,000

Figure 2. During the order entry process, you will have the ability to adjust the priority of the holdings that you have to determine which holdings are sold and in what order. This is a view of the Settlement instructions section with Settings where these changes can be made and applied across all Active transactions.

You can make updates to the priority of your holdings at any time during the Seller order entry period for a tender offer. You are only directed to prioritize the holdings that you have tendered. The priority you have set at the conclusion of the Seller order entry period will be used during settlement for that tender offer. The settlement instruction functionality in your brokerage account may help you optimize the tax treatment for your sales. Consult a tax professional for assistance with your settlement instructions. Customize your settlement instructions in Settings.

Cost of exercise

How do I know if I need to pay to exercise an eligible holding?

In transactions where option grants (ISOs, NSOs, EMIs, etc.) are eligible, the final cost of exercise is calculated upon settlement, automatically subtracted from gross proceeds, and provided back to the company as part of the settlement process. The exercise cost is calculated by multiplying the strike price (i.e., exercise price) for an option grant by the number of shares sold, rounded up to the nearest whole penny. Depending on the security types you hold, the eligibility parameters of the transaction, and the priorities you have set for these holdings, this will determine the number of options that will be sold in the transaction.

The cost of exercise as shown in the chart on the order entry page is an estimate. Final calculations take into account any cutbacks or adjustments to shares tendered during the Buyer allocation and funding period.

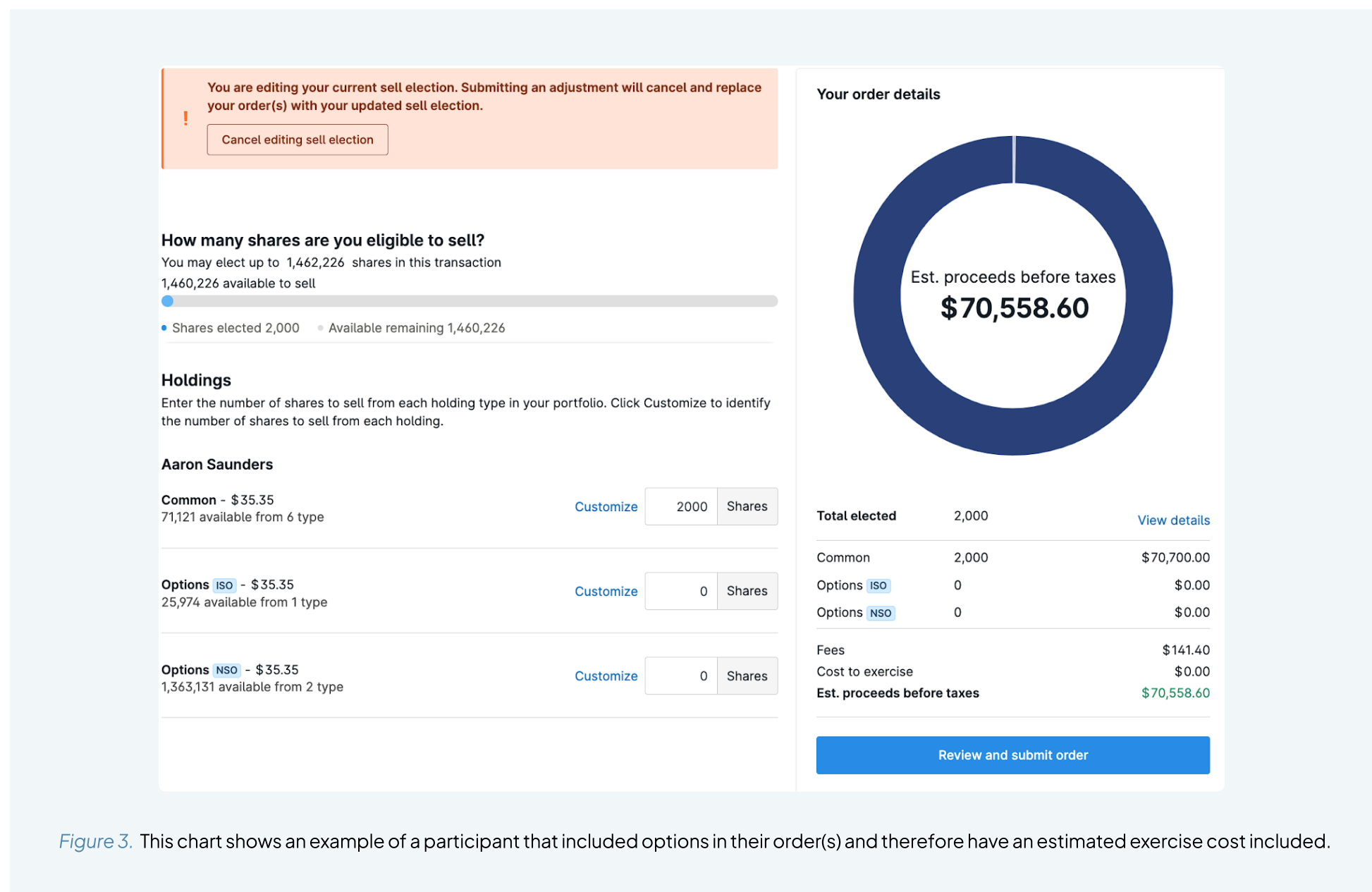


Figure 3. This chart shows an example of a participant that included options in their order(s) and therefore have an estimated exercise cost included.

Example: A seller tenders 2,000 common shares at \$35.35 per share. The brokerage fee for the transaction is 0.2% of the gross proceeds.

The seller's gross proceeds are \$70,558.60, fees are \$141.40, and there is no exercise cost. Therefore, the total proceeds before taxes are \$70,558.60. As a result of selling common shares, there is no tax withholding as part of the sale, but there may be a tax obligation at year end.

Then the seller updates her order to sell 2,000 shares from an NSO holding with a strike price of \$7.14.

The seller's gross proceeds and fees continue to be \$17,700 and \$141.40, respectively. There is now an exercise cost of \$14,280.00 (2,000 * \$7.14 = \$14,280.00). Therefore, the total proceeds before taxes are now \$56,278.60 (\$70,700 - \$141.80 - \$14,280.00 = \$56,278.60). Additionally, as a result of selling the non-qualified stock option ("NSO"), there is an additional tax withholding the seller is responsible for. The company will withhold a portion of the proceeds to cover this tax obligation. Lastly, there may be a tax obligation at year end.

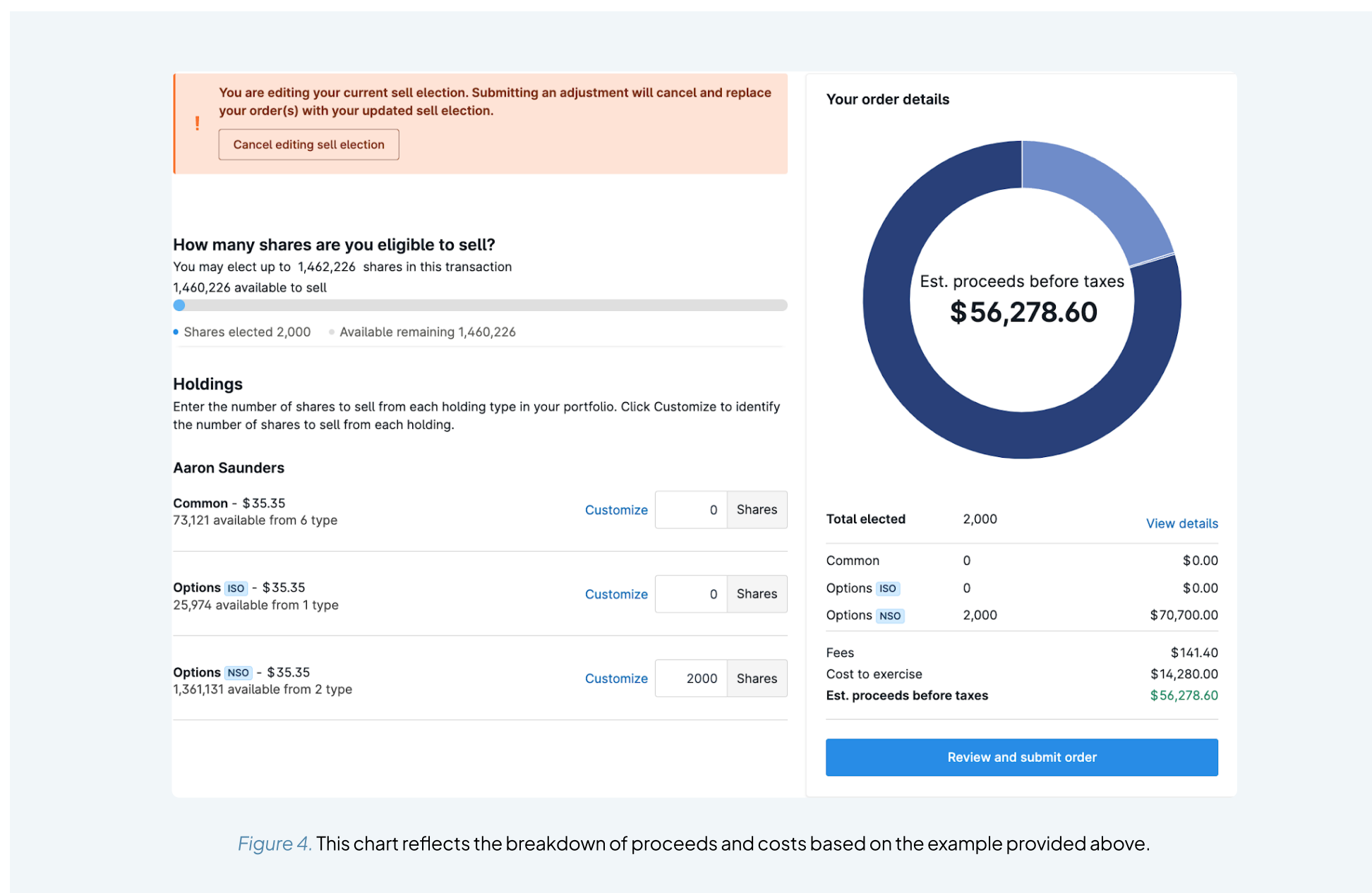


Figure 4. This chart reflects the breakdown of proceeds and costs based on the example provided above.

Tax withholding

How might taxes impact my proceeds upon sale?

Selling your holdings in a secondary transaction may be a taxable event, in which case the company may be required to withhold a portion of your proceeds to pay the taxes due on your behalf. Generally speaking, the IRS and employers treat the difference between an option's strike price and the fair market value of the stock as income, and such income is subject to payroll taxes – income taxes, Social Security and Medicare. The exact withholding is dependent on a number of factors, including, but not limited to, the type of holdings you sold in the transaction (e.g., NSOs, ISOs, or common shares), your state of residence, the terms and structure of the transaction, and the total wages paid to you by the company. At this time we do not provide an estimate of tax withholding to customers in advance of settlement. Details of any tax withholding are, however, provided to customers on the historical transaction page and in your trade confirmation upon settlement of the transaction.

You may be required to report and pay taxes on the proceeds you receive in a transaction, separate from and in addition to any withholding applied by the company. The amount of any such taxes will be determined by the factors described above, as well as the holding period and cost basis of the holdings you sold in the transaction. You will be provided with copies of any tax forms filed with the IRS on your behalf by the company or CCMX, to assist you in reporting and paying any taxes resulting from the transaction.

Consult a professional tax advisor who can assist you in understanding how taxes may or may not be withheld or applied for a particular transaction.

Congratulations!

Congratulations! You now know how to enter orders to sell your equity in a tender offer on Carta. Refer to this guide whenever you need to review the procedures.

Refer also to the [CCMX Knowledge Center](#) and if you have any questions, please reach out to us at support@cartacapitalmarkets.com



