



CLIENT CHARACTERISTICS

- **Assets:** \$6 million in cash, marketable securities and vested options. Unvested options and restricted stock represent an additional \$4 million.
- **Interests:** Immediate goal to reduce risk of concentrated position, limit California state income tax as much as possible and reinvest into high-growth assets.

Nick, a 30-year-old software engineer, lives in the Bay Area, and his company recently underwent a successful initial public offering (IPO). Nick's personal balance sheet grew substantially with this liquidity event and catalyzed the need for a strategy around this volatile, concentrated position.

With the help of a family member, we were first introduced to Nick after the IPO as he was determining a funding plan for a newly created NING (Nevada Incomplete Gift Non-Grantor) Trust, whereby exercised stock could be transferred to avoid California's 13.3% state income tax upon sale. We met with Nick and his estate attorney to understand the scope of the trust and come up with actionable next steps. Nick wanted to retain his individual qualified purchaser status to participate in private equity opportunities, so we provided Nick with options to fund the trust over a period of three years, shared perspective on the company from our internal research analyst and shared certified public account (CPA) recommendations.

Nick benefited from a partnership that engaged with him from multiple perspectives and offered a bespoke approach to help accomplish his goals.

SOLUTIONS

Relationship Quarterback | We worked with Nick to build a holistic view of his investments in balance sheet form with a summary schedule of his various equity compensation. Engaging with his outside advisor was paramount as an early first step, and we provided suggestions for a new team member in a CPA.

Concentrated Position Management | Nick's volatile, concentrated position was the vast majority of his net worth. Even though Nick works at the company, he appreciated our analyst's unbiased opinion on the stock's valuation and growth trajectory. These thoughts helped shape price targets for future option exercise and timing for funding the NING Trust. For nonqualified options Nick exercised and subsequently sold, we proposed a portfolio that took the concentrated position into account from a diversification perspective. If Nick ever felt the need to hedge his position, we could explore using options to protect his position from downside risk.

Access to Differentiated Investments | Nick saw firsthand the value creation that can occur in private markets. Given his long-term investment time horizon, lack of liquidity needs and ability to accept risk, we recommended Nick participate in a venture capital opportunity that offered direct exposure to leading managers like Andreessen Horowitz and Accel. This drawdown vehicle was accessible to Nick at a \$100,000 commitment level and achieved the goal of reinvesting option exercise proceeds into high-growth opportunities.*