AMPLIUS
WEALTH ADVISORS

Concentrated Stock Playbook

Tax Optimization & Strategic Diversification for SpaceX Stockholders

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About
Amplius Wealth Advisors

Amplius Wealth Advisors specializes in comprehensive financial planning, with deep expertise in tax strategy, equity compensation, retirement, and legacy planning. As an independent, fiduciary advisor, we provide unbiased guidance aligned with your best interests—whether you're navigating complex employee benefits, planning for retirement, or building a multi-generational wealth strategy.

Trusted By Professionals From Leading Organizations Including:

EQUITY COLLAR

Protect the downside without selling today.

How It Works:

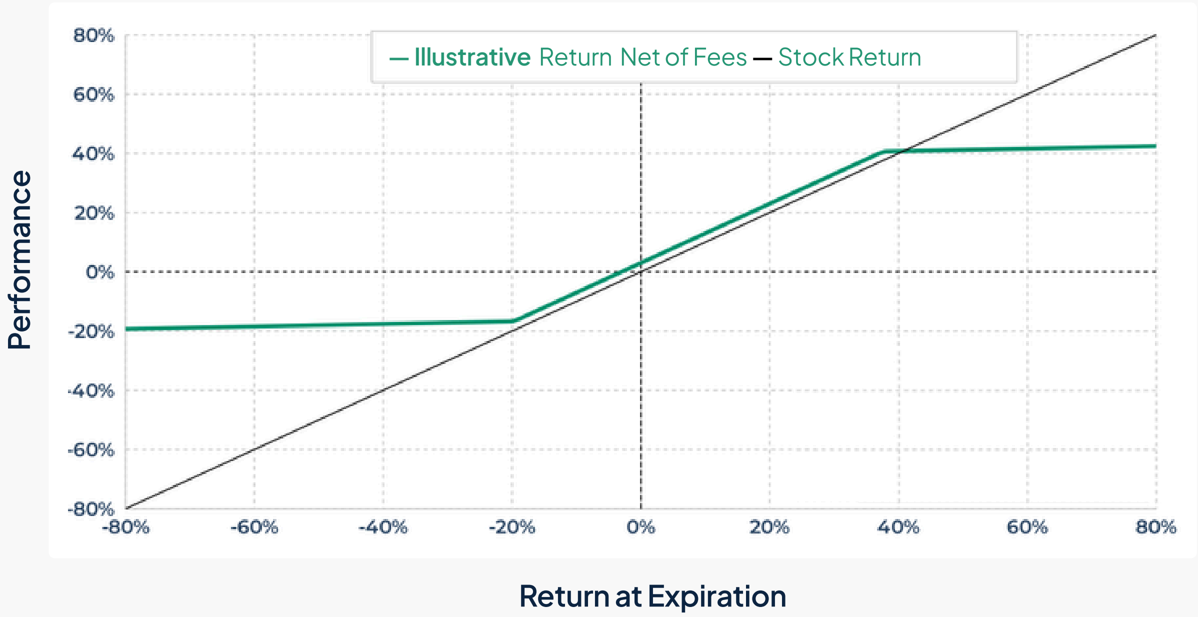
A collar wraps your stock in a protective band. You buy a "put" option to set a floor (you can’t lose more than X%), and you finance that protection by selling a "call" option (capping your upside at Y%).

Why Use It:

- Sleep at Night: You know your absolute worst-case scenario.
- Cost Effective: Often structured as "zero-cost" or low-cost because the income from the call pays for the put.
- Maintain Ownership: You keep voting rights and dividends (unless the stock is called away).

The Trade-Off:

Like the covered call, your upside is capped. You are trading "home run" potential for "safety net" peace of mind.



LONG/SHORT TAX LOSS HARVESTING

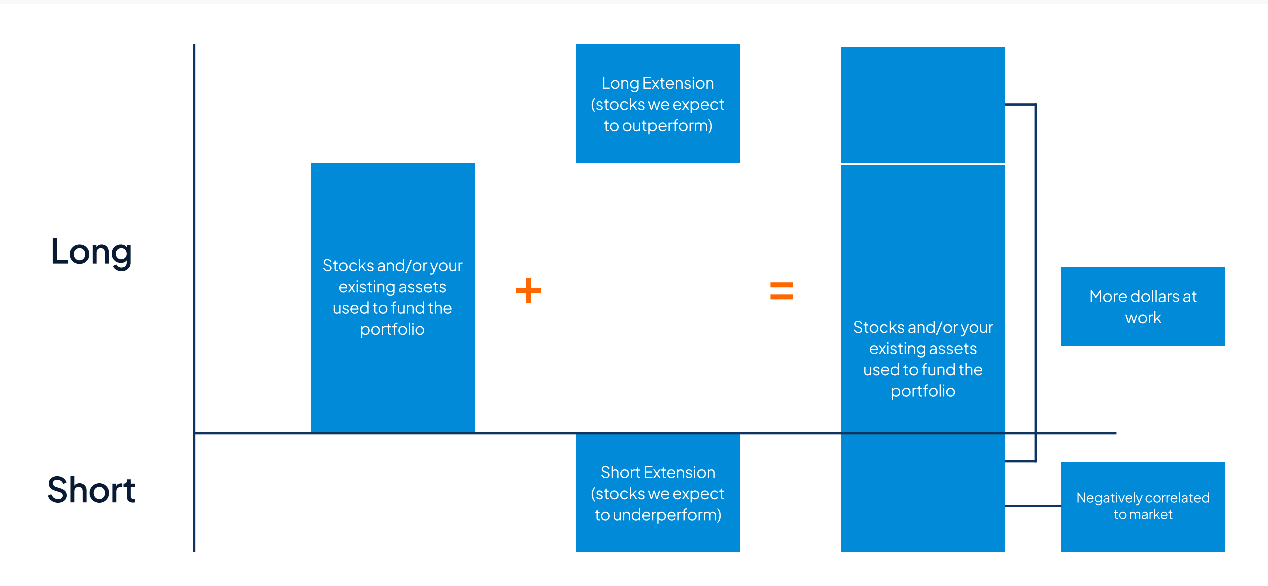
Technology-enabled diversification with daily liquidity.

The Concept:

In the past, you had to sell stock and pay a huge tax bill to diversify. Today, we use "Long/Short" portfolios to replicate the market while systematically harvesting tax losses. These losses can be used to offset the gains from selling your concentrated stock, lowering your overall tax bill.

The Advantage:

- Daily Liquidity: No 7-year lock-ups. You can access your money anytime.
- Transparency: You own the individual securities in your own account.
- Tax Efficiency: Realized losses can be as high as 30% of invested capital in year 1
- Lower Fees: Typically significantly lower costs than traditional exchange funds.



All figures and projections are estimates for illustrative purposes only and actual results will vary. Amplius Wealth Advisors does not provide tax or legal advice; please consult your tax professional regarding your specific situation.

EXCHANGE FUND REPLICATION (EFR)

A flexible alternative to traditional exchange funds.

Overview:

EFR uses options to provide diversification without the baggage of traditional exchange funds. We aim to reduce your specific stock risk by ~70% and replace it with broad market exposure—all without triggering a taxable event today.

Exchange Fund Replication: TSLA

Date Jan 26, 2026 | TSLA $436 | SPY $693

Equity Value
$1,001,641

Idiosyncratic Risk Reduction
66.86%

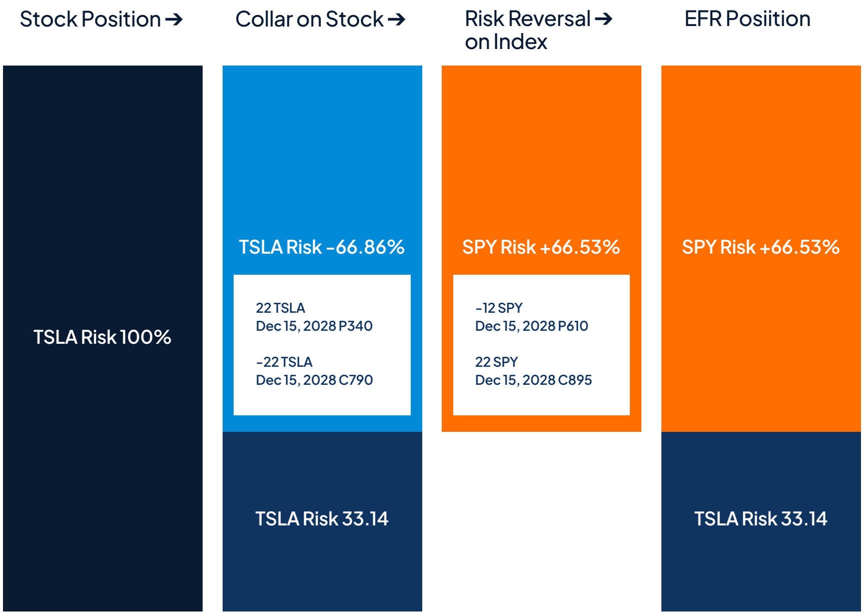
Market Risk Replacement
66.53%

Dividend
0.00%

Annual Fee
0.85%

Net Annualized Yield [1]
0.02%

Minimize Stock-Specific Risk: Hold Only 33.14% TSLA Risk and 66.53% Market Risk



1. Illustration assumes market conditions remain constant from date of proposal. Actual account performance will vary.

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TRADITIONAL EXCHANGE FUNDS

The "Old School" Diversification Tool

What They Are:

An exchange fund (or "swap fund") is a private partnership where many investors pool their concentrated stocks together. You contribute your shares, and in return, you get a "share" of the diversified pool.

The Mechanics:

- Contribution: You move your stock into the fund (no immediate tax).
- The Lock-Up: You must stay in the fund for 7 years to comply with tax rules.
- The Exit: After 7 years, you receive a basket of stocks back.

Why They Are Harder to Use Today:

- Strict Eligibility: Many funds are closed to new investors or reject specific stocks.
- Illiquidity: Your capital is tied up for 7+ years.
- High Fees: Upfront loads (often 1%+) and ongoing management fees (approx. 1-2%).

COMPARISON:
EXCHANGE FUND VS EFR

Potential risks	Traditional exchange fund	Exchange Fund Replication (EFR)
Control	• Exchange funds no longer accept many stocks • Basket returned will be low-cost basis and may contain "rejects"	• Customized strategy based on daily liquid option positions • Ability to select which indexes you want exposure to
Expenses	• Typically Higher	• Typically Lower
Fund restrictions	• 20% of fund assets required to be in non-publicly traded securities or real estate	• No leverage used • No similar requirement to exchange funds
Funding source	• Stock availability by portfolio manager discretion	• Potential to work with any stock
Liquidity	• Limited liquidity prior to 7th year • Penalties for early redemption • Early redemptions don't receive basket	• Daily liquidity • No lock-up period • No penalties for closing account
Qualified purchaser	• Must own $5 million or more in liquid investments	• No qualified purchaser requirement • Account minimum $500,000*
Taxes	• K-1 Reporting (Complex)	• 1099 Reporting (Standard)
Dividends	• Not entitled to future dividends on the concentrated stock	• Retain dividend income on the concentrated stock. Dividends on the index are incorporated into option prices and is part of total return

COMPARISON:
EXCHANGE FUND VS TAX LOSS HARVESTING

Comparing Exchange Funds vs. Long/Short Tax Loss Harvesting.

Feature	Exchange Funds	Direct Indexing / TLH
Liquidity	❌ 7-year lockup minimum	✅ Daily liquidity
Ownership	Partnership interest	Direct ownership of securities
Tax Reporting	K-1 (complex)	1099 (standard)
Fees	Typically Higher	Typically Lower
Transparency	Limited visibility	Full position visibility
Customization	None - accept fund holdings	Highly customizable exclusions
Tax Benefit	Defers gains (no initial tax)	Harvests losses to offset gains
Diversification Speed	Immediate upon contribution	Gradual over multiple years
Exit Flexibility	Very limited	Sell anytime
Control	No control over strategy	You maintain control
Best For	Legacy situations, very large positions where no access needed for 7+ years	Most investors seeking tax-efficient diversification with liquidity

QUALIFIED OPPORTUNITY ZONES (QOZ)

Real Estate Investment for Capital Gains Deferral & Potential Tax-Free Gains

What You Are Investing In:

This is Real Estate. You are investing in physical development projects—multifamily housing, industrial centers, or hospitality—located in government-designated zones.

The "OBBBA" Update:

Under the One Big Beautiful Bill Act (OBBBA) passed last year, Opportunity Zones are now permanent.

- Permanent Program: No longer sunsets in 2026.
- New Rules (Effective 2027): Investments made after 12/31/2026 will follow a rolling 5-year deferral period.

The "Triple Threat" Tax Benefit:

1. Deferral: Defer taxes on your original gain. (Note: 2026 investments are generally less attractive unless recognized after July 2, 2026, to bridge into the new rolling 5-year window).
2. Reduction (Step-Up):
    - Standard OZ: 10% Step-up in basis after 5 years.
3. Exclusion: If you hold the investment for 10+ years, any growth on the OZ investment itself is 100% Tax-Free.

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COVERED CALL

◢ **Enhance yield while waiting for your target sell price.**

How It Works:

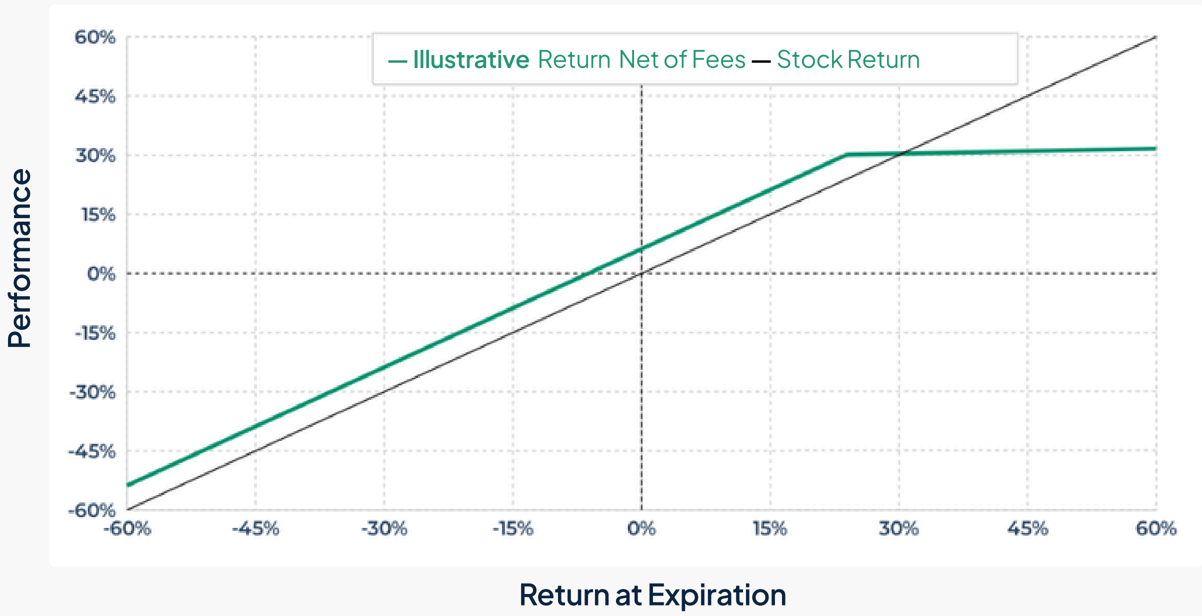
Selling a covered call gives someone else the right to buy your stock at a specific price (higher than today's). In exchange, you get paid cash (premium) immediately. You keep the stock unless it hits that higher price.

Why Use It:

- Generate Cash: Get paid while you hold the stock.
- Set a Target: Effectively get paid to place a "limit order" at a price you are happy selling at.
- Reduce Risk: The cash you receive lowers your effective break-even point.

The Trade-Off:

You cap your upside. If the stock skyrockets past your strike price, you don’t participate in those gains above that price.



PHILANTHROPIC PLANNING

Transform tax liabilities into community impact.

If you're already charitably inclined, donating appreciated stock can be more tax-efficient than donating cash. In many cases, you may avoid capital gains on the donated shares and may receive a charitable deduction, subject to IRS rules and limits.

Donor-Advised Fund (DAF)

How it works:	Contribute a block of stock in one tax year, then recommend grants to charities over time.
Why it fits executives:	Helps "bunch" deductions in high-income years (bonuses, vesting events, liquidity).
What to understand:	Gifts are irrevocable; deductions and limits are situation-specific.

Charitable Remainder Trust (CRT)

How it works:	Transfer stock to a trust, the trust can sell and diversify within the trust structure, and you receive an income stream for a term or lifetime.
Why it fits executives:	Converts concentrated stock into a diversified, income-oriented plan with charitable intent.
What to understand:	Complex setup, legal/tax coordination required.

Next Steps: Build a Concentrated Stock Strategy Roadmap

Concentrated stock planning works best when tax strategy, risk management, and investment design are coordinated—then implemented with discipline.

Schedule Your Complimentary Concentrated Stock Strategy Session

You'll walk away with:

- A clear concentration snapshot (exposure + risk)
- A high-level view of tax-aware pathways (sell, hedge, donate, exchange/QOZ)
- A practical roadmap: what to do now vs. later
- Implementation support and ongoing reviews

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