AMPLIUS
WEALTH ADVISORS

Concentrated Stock Playbook

Tax Optimization & Strategic Diversification for OpenAI Employees, Former Employees & Investors

ampliuswealth.com

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:

CHOOSING YOUR STRATEGY

Your options depend on where you sit today.

Some strategies are available to anyone holding a concentrated position. Others are limited by company insider trading policies while you are still employed. The chart below provides a guideline.

Important:
Former employees and investors can use every strategy on this page, including all seven in the left column.

Current Employees
Still employed by the company

Strategy	Page
Direct Indexing Tax loss harvesting on an index you own	11
Long/Short Tax Loss Harvesting Ongoing tax loss generation	12
Qualified Opportunity Zones Tax deferral, with added diversification	13
351 Exchange Diversification without a taxable event	14
Philanthropic Planning Donor-Advised Fund and Charitable Remainder Trust	15
Strategic Selling Tender offers, tranches, bracket targeting, and lot selection	16
Securities Based Line of Credit / Box Spread Loans Liquidity without selling	17

Former Employees & Investors
No longer employed, or early investors

Strategy	Page
Covered Call Income generation	4
Equity Collar Stock risk reduction	5
Variable Prepaid Forward Contract Collar paired with loan	6
Exchange Fund Replication / Exchange Funds Risk reduction, with added diversification	7-10

For educational purposes only. Not investment or tax advice. Availability of any strategy depends on your specific holdings, your company's policies, and your individual circumstances. Amplius Wealth Advisors does not provide tax or legal advice; please consult your tax professional regarding your specific situation.

COVERED CALL

Enhance yield while waiting for your target sell price.

How It Works:

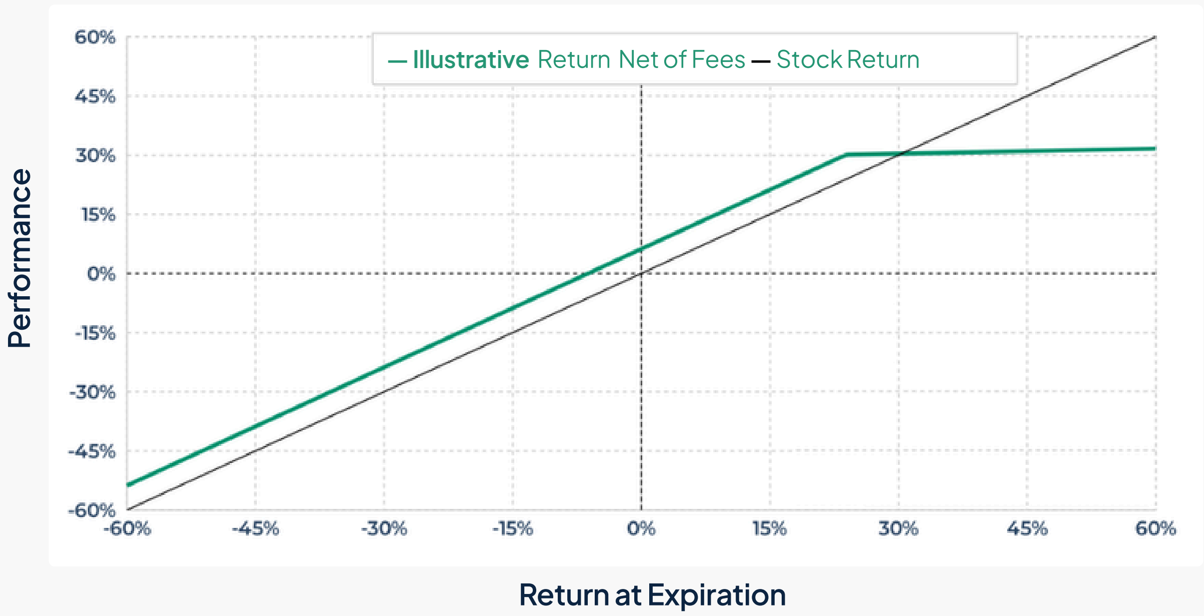
Selling a covered call gives someone else the right to buy your stock at a specific price (higher than today's). In exchange, you get paid cash (premium) immediately. You keep the stock unless it hits that higher price.

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 potentially cap your upside. If the stock skyrockets past your strike price, you don’t participate in those gains above that price if the stock gets called away (you have to sell). However, if you do not want to sell your stock, you have the ability to close out your options and retain your shares.



EQUITY COLLAR

Protect the downside without selling today.

How It Works:

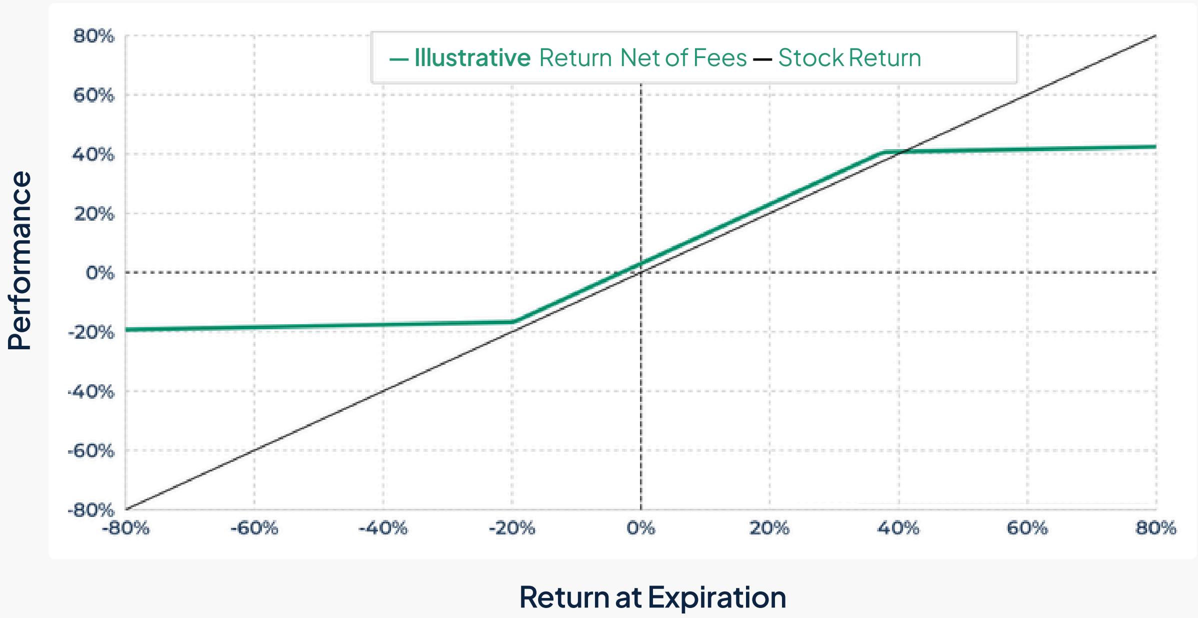
A collar wraps your stock in a protective band. You buy a "put" option to set a floor (you can’t lose more than X%), and you finance that protection by selling a "call" option (capping your upside at Y%).

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 potentially capped. You are trading "home run" potential for "safety net” peace of mind. However, if you do not want to sell your stock, you have the ability to close out your options and retain your shares.



VARIABLE PREPAID FORWARD CONTRACT (VPF)

▲ **Cash now, shares delivered later.**

How It Works:

A collar, paired with a loan. You agree to deliver shares to a counterparty at a future date and receive a cash advance today, typically 70%-90% of the position's current value. The number of shares you ultimately deliver varies with the share price at settlement, so you keep some of the upside while setting a floor under the downside.

Why Use It:

- Cash today: You receive proceeds up front without selling the position now.
- Built-in protection: The structure sets a floor on the value you realize.
- Partial upside: You keep some appreciation between the floor and the cap.

What to Understand:

- Scale: These are dealer-executed contracts and typically suit larger positions.
- Tax treatment: Prepaid forwards are governed by the constructive sale rules. Structure matters, and this needs review with your tax advisor.
- Complexity: Terms are negotiated individually rather than bought off the shelf.

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: SPCX

Date Aug 31, 2026 | SPCX $142 | SPY $766

Equity Value
$999,999

Idiosyncratic Risk Reduction
69.70%

Market Risk Replacement
68.84%

Dividend
0.00%

Annual Fee
0.80%

Net Annualized Yield[1]
0.45%

Minimize Stock-Specific Risk: Hold Only 30.3% SPCX Risk and 68.84% Market Risk

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

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.

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

DIRECT INDEXING

▲ Own the index, harvest the losses.

The Concept:

Direct indexing means owning the individual stocks that make up an index in your own account, rather than owning a fund. Because you hold each position separately, individual stocks that fall can be sold to harvest losses while the portfolio as a whole continues to track the index.

Why Use It:

- Tax loss harvesting: Losses harvested across many positions can be used to offset gains from selling your concentrated stock.
- Customization: Exclude your employer's stock, or sectors you are already overexposed to.
- Transparency: You own the individual securities in your own account.
- Daily liquidity: No lock-ups. You can access your money at any time.

What to Understand:

- Gradual: Losses accumulate over time, so reducing a concentrated position this way is a multi-year process rather than a single event.
- Harvesting slows: Most losses are captured in the early years as positions are established.
- Tracking: Excluding stocks or sectors creates modest differences from the index.

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.

LONG/SHORT TAX LOSS HARVESTING

◢ **Technology-enabled diversification with daily liquidity.**

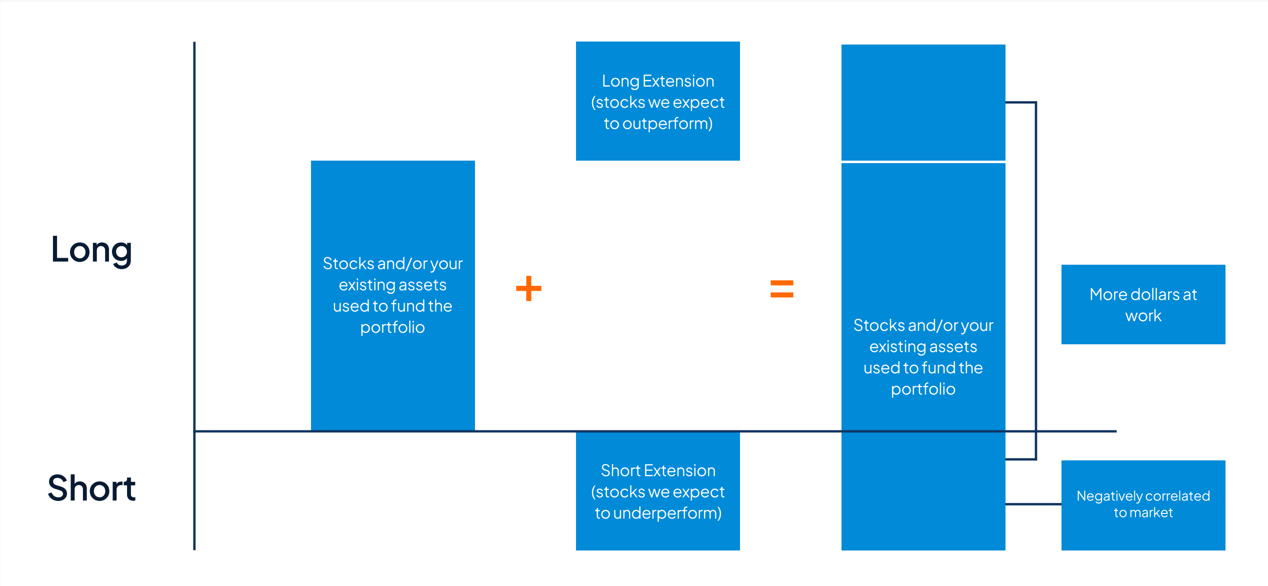
* ***Access to this strategy is currently constrained: several major custodians have paused new enrollments and raised minimum investment thresholds.***

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.

QUALIFIED OPPORTUNITY ZONES (QOZ)

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

What You Are Investing In:

You are investing in real estate development projects—located in government-designated areas.

The "OBBBA" Update:

Under the recently passed One Big Beautiful Bill Act (OBBBA), 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 realized gain for 5 years.
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 offers significant tax advantages.

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.

351 EXCHANGE

▲ Diversification without a taxable event.

What It Is:

A 351 exchange lets investors contribute appreciated stock into a newly formed fund and receive shares of that fund in return. When the contribution meets the diversification requirements under Section 351, the transfer is generally not treated as a sale, so no capital gain is recognized at the time of contribution.

The Mechanics:

- Contribution: You move stock into the fund during a defined contribution window.
- Diversification test: No single position may exceed 25% of the fund, and positions above 5% may not exceed 50% combined.
- Afterwards: You hold shares of a diversified fund rather than a single position.

Why It Fits:

- Immediate diversification: Exposure spreads across the full portfolio at contribution.
- No sale today: The contribution is generally not a taxable event.
- Lower cost: Typically cheaper than a traditional exchange fund, with no seven-year lock-up.

What to Understand:

- Timing: Contribution windows are limited and tied to a fund's launch date.
- Control: You no longer hold the individual positions you contributed.
- Deferral, not forgiveness: Your original cost basis carries over into the fund shares.

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.

STRATEGIC SELLING

▲ Sell with a plan, not on impulse.

The Idea:

Selling is often the simplest way to reduce a concentrated position. How and when you sell can meaningfully change what you keep after tax.

Four Levers:

- Tender offers: Private companies often run periodic liquidity windows. Deciding how much to sell in each one is a planning decision, not an automatic one.
- Selling in tranches: Spreading sales across multiple tax years can keep income from stacking into a single year.
- Bracket targeting: Sizing a sale to fill a tax bracket, rather than pushing income into the next one.
- Lot selection: Identifying specific higher-basis shares at sale, rather than defaulting to the oldest lots.

What to Understand:

- Windows are not guaranteed: Private company liquidity depends on the company.
- Coordination matters: Sales interact with other income, deductions, and charitable plans in the same year.
- Records matter: Lot selection depends on accurate basis records with your custodian.

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.

SECURITIES BASED LINE OF CREDIT / BOX SPREAD LOANS

▲ **Access liquidity without selling.**

How It Works:

Both approaches let you raise cash against assets you already hold, rather than selling them. A securities based line of credit is a revolving line secured by a portfolio. A box spread loan uses index options to create a fixed-term, fixed-rate borrowing, often at rates close to institutional funding.

Why Use It:

- No sale: Raising cash this way does not itself trigger a capital gain.
- Keep the position: You retain the upside and any voting rights.
- Flexible use: Proceeds can fund diversification, taxes, or other needs.

What to Understand:

- Collateral: Eligibility depends on what can be pledged. Many privately held shares cannot be used as collateral.
- Maintenance: If collateral value falls, you may need to post more or repay part of the loan.
- Cost: Rates and terms vary by lender and by structure, and a line of credit rate can move.

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

Visit: ampliuswealth.com | Email: AWA@AmpliusWealth.com