

# Case study

## Helping entrepreneurs manage hard-earned cash Private Wealth Management

Our clients acquired significant, concentrated wealth and required strategies for addressing risk, monetization and participation in stock appreciation potential.

### Global CEO with concentrated position

#### The situation

Our client is the founder and CEO of two significant global businesses, as well as an active investor. He acquired a significant, concentrated equity position following an IPO of a healthcare company in which he was the seed investor. He expressed the dual objective of protecting the value of this position while also monetizing a portion of his holding for investment purposes.

#### The strategy

Our client is a sophisticated investor. We sought to educate him on the risks of holding a highly concentrated equity position, options for liquidating and/or helping to protect this position and the tax consequences of these strategies. Working with UBS's Equity Solutions team, we presented the client with the strategy which we thought best fit his needs, a prepaid variable forward (PPV). He agreed with us that this would achieve his dual objectives of immediate monetization and hedging for this holding.

#### Our continuing relationship

The immediate liquidity from this transaction was critical to his subsequent successful acquisition of the controlling interest in a

significant European-based global corporation that was very complementary to the businesses he already owned. As a result of our discussions, he has taken our advice to continue reviewing diversification opportunities outside of his concentrated equity holding.

### Tech entrepreneur with liquidity needs

#### The situation

Our client is the founder and former CEO of a leading technology company. His company was acquired by a publicly traded competitor. When the deal closed, virtually all his net worth was in this concentrated equity position. He was retained by the acquiring company, which limited his ability to diversify this holding. As a novice investor, our client relied on our advice and counsel in order to achieve his objective of seeing some of the stock appreciation potential while seeking to protect the value of his concentrated stock position.

#### The strategy

We spent a significant amount of time discussing the costs and benefits of various strategies to help our client gain liquidity, minimize downside risk while still participating in some potential upside. Our client required liquidity to fund real estate purchases and a trust.

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On our advice, the client agreed to start diversifying his concentrated equity holding on a scheduled basis so that emotion would not trump logic as we diversified his position. The diversification strategy reduced his concentrated holding to less than 5 percent of his net worth. This helped mitigate significant capital losses as this stock has declined 71 percent since we exited this position. We also put in place a line of credit that provides immediate additional liquidity at low cost.

#### **Our continuing relationship**

We reinvested our client's proceeds in a diversified portfolio and his net worth is less risky and more diversified than when we first started to work with him. With greater confidence in the security of his financial future, he left the acquiring company and is making venture investments and seeking other entrepreneurial opportunities.

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