

**Baker Avenue**  
WEALTH MANAGEMENT

# Holistic Concentrated Stock Management & Executive Compensation Strategies



**CHIEF STRATEGIST &  
PARTNER**

King Lip,  
CFA, CMT



**TAX PLANNING,  
PARTNER**

Gerry O'Connell,  
Enrolled Agent



**WEALTH ADVISOR,  
DIRECTOR**

Matt Munro,  
CFP®

## DISCLOSURES

The information contained herein regarding your account(s) managed by Baker Avenue Asset Management, LP, including references to market or composite indices, benchmarks, or other measures of relative market performance over a specified period of time, has been prepared for you for informational purposes only. The results herein are based on information believed to be correct, but are subject to revision and audit adjustment. All returns are purely historical and are no indication of future performance.

This presentation may provide information regarding accounts for which you have requested to receive consolidated information. Performance is calculated net of all direct-debited fees (gross of fees if not directly debited), and include reinvestment of all interest, dividends, and other income. Accounts from different types of advisory programs may be included on the statement. Closed accounts will not be listed but the performance of these accounts may contribute to the overall performance of your portfolio or group of accounts. The consolidated Statement does not replace, and is provided in addition to, the individual account reports provided by your broker dealer or custodian.

The charts, graphs, and descriptions of investment and market history and performance contained herein are not representations that such history or performance will continue in the future or that any investment scenario or performance will even be similar to such a chart, graph, or description.

Any investment described herein is not a representation that the same or even a similar investment scenario will arise in the future or that investments made by Baker Avenue Asset Management, LP on behalf of your account will perform as the investments described herein, or will not result in a loss to your account. Investments in certain securities may involve a high degree of risk and your account may incur losses as a result of investments made on your behalf by Baker Avenue Asset Management, LP.

For comparison purposes, portfolios are measured against blended benchmarks that are calculated by Advent Software. Market indexes are included in this report only as reference reflecting general market results during the period. Baker Avenue Asset Management, LP may have long or short concentrations in a number of securities, may trade in securities that are not represented by the noted market index, and in asset classes not included in such indexes. The composition of a benchmark index may not reflect the manner in which a Baker Avenue Asset Management, LP portfolio is constructed in relations to expected or achieved returns, investment holdings, portfolio guidelines, restrictions, sectors, correlations, concentrations, volatility or tracking error targets, all of which are subject to change over time. Accordingly, no representation is made that the performance or volatility of your account will track or otherwise reflect any particular index, and reference to an index does not imply that your account will achieve returns, volatility, or other results similar to the index.

For tax purposes, please refer to the statements provided by the custodian of your account(s). Baker Avenue Asset Management, LP encourages each client to review their custodial reports that they receive directly from your qualified custodian against those quarterly reports you receive from Baker Avenue Asset Management, LP. If you have any questions on the information provided by the custodian or Baker Avenue Asset Management, LP, please contact your Baker Avenue Asset Management, LP advisor.

# Welcome & Introductions

**King Lip**, CFA, CMT, Chief Strategist & Partner

King leads the firm's specialized strategies on Concentrated Stock management and Options. King is also a member of the S&P Dow Jones Indices U.S. Index Committee Advisory Panel and a member of BlackRock's RIA Advisory Council. He is a regular commentator on CNBC and has been nominated as a Top 100 Independent Wealth Advisor in Barron's magazine and the San Francisco Business Times. King was named as one of the Top 10 Rising Stars of ETF investing by ETF Report and was named as an expert ETF strategist in the book, "ETF Investment Strategies".

**Gerry O'Connell**, Enrolled Agent & Partner

Gerry brings 25 years of tax experience gained at public accounting firms KPMG and Deloitte, investment banks Lazard and Societe Generale and most recently San Francisco tax law firm Moskowitz LLP. Gerry is an Enrolled Agent (EA), the premier tax accreditation recognized by the IRS. Areas of special interest include estate planning strategies, retirement planning, real estate tax minimization, and US reporting of assets held overseas.

**Moderated by Matt Munro**, CFP®, Wealth Advisor, Director

Matt has over 10 years of wealth management experience, specializing in concentrated stock management and equity compensation. He believes in building deep relationships with his clients to better assist them with identifying their financial goals and developing comprehensive financial plans to provide a framework for obtaining those goals.





TODAY'S  
DISCUSSION

1

About Baker Avenue Wealth Management

2

Concentrate to Build and Preserve Wealth

3

Holistic Concentrated Stock Management

4

Optimizing Executive Compensation

5

Tax Mitigation Strategies

6

Q & A

Purpose. Passion. Performance.

# About Baker Avenue

---



Founded in  
2004

Independent, Full-Service Wealth Management, SEC-Registered Investment Advisor, 100% Employee-Owned, Fiduciary, 98% Client Retention Rate

AUM: \$3.05B  
AUA: \$3.30B

In-House Strategies Focused on Low-Cost ETFs and Individual Securities, Premier Access to Alternative Investments

Highly  
Credentialed  
Team

Proactive Investment & Wealth Management Team  
Credentials: CFA, CFP®, TEP, CIMA®, CWS, CMT, Enrolled Agent, CPA, JD, LL.M.

National  
Presence

Offices in San Francisco, New York, Dallas, Houston  
Seattle, San Diego, Sun Valley, Naples



**Over 30% of our AUM**  
is from executives and  
professionals with  
Concentrated Stock

# We Manage Concentrated Positions for Some of the World's Biggest Companies

ORACLE

Microsoft



AMD



COSTCO  
WHOLESALE

Qualcomm

Meta



NVIDIA



PayPal



snowflake

Penumbra

DocuSign

ExxonMobil

LOWE'S

okta

coupang

DANAHER

airbnb

Allstate

Lam  
RESEARCH

amazon

Google

Uber

Robinhood

ConocoPhillips

APPLOVIN

lyft

TEXAS  
INSTRUMENTS

PROLOGIS

J.P.Morgan

MOODY'S

Polling Question #1

What is your primary goal for your concentrated stock position?





Concentrate to get  
rich but **how to stay  
rich?**

# The Concentrated Stock Conundrum



Most important  
decision of one's  
financial life



Highly complex

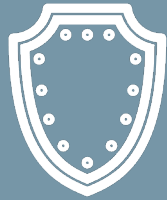


Seeking smart  
solutions

# BakerAvenue Is Uniquely Qualified to Handle Concentrated Stock Complexities



Concentrated  
Stock Expertise



Tactical Active  
Management



Proactive Risk  
Mitigation



Tax Strategy &  
Estate Planning

## Polling Question #2

*What is your primary concern for your concentrated position?*



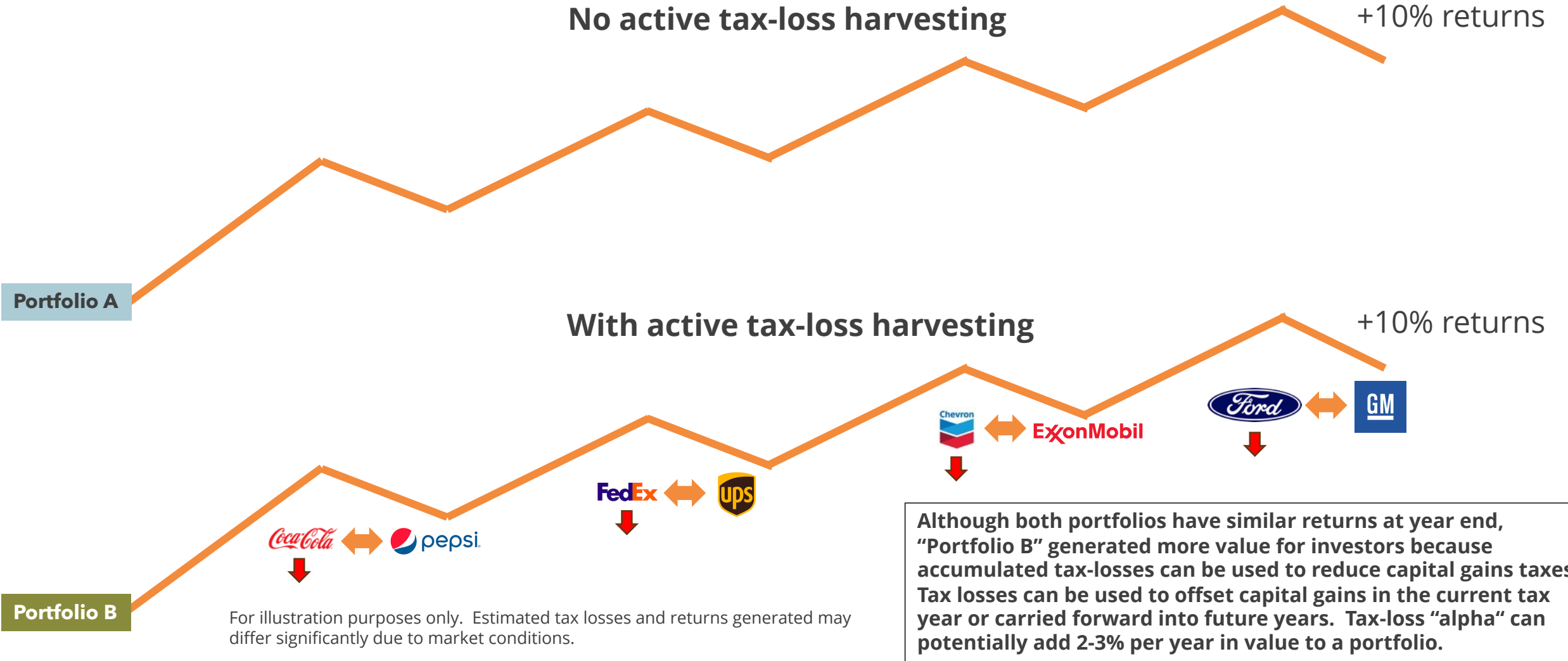
**Is it possible to  
diversify and pay little  
to no taxes?**

**Yes.**

# A Holistic Approach: Concentrated Stock Strategy Suite



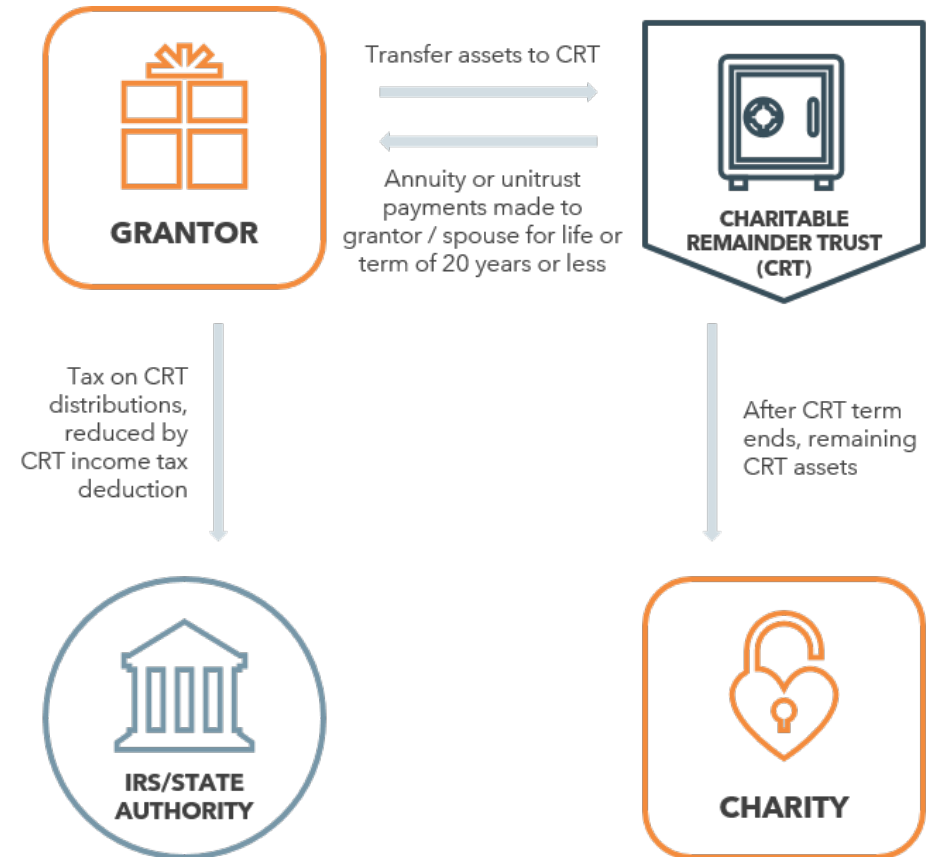
# What is Tax-Loss Harvesting?



# Charitable Remainder Trust (CRT)

The grantor initially funds the CRT with low basis, **highly appreciated assets.**

- When the CRT sells the highly appreciated assets, the CRT itself is not subject to capital gains tax, thus preserving the full value of the appreciated assets to reinvest in a diversified portfolio.
- The capital gains taxes will be spread out and payable as the Beneficiaries receive payments from the CRT.
- In addition, the grantor receives an immediate income tax deduction but usually only a 10-25% of the fair market value (FMV) of the assets funding the CRT.
- When the CRT terminates, all remaining assets in the trust go to the grantor's chosen charity or charities.





# (Costless) Collar

## Overview

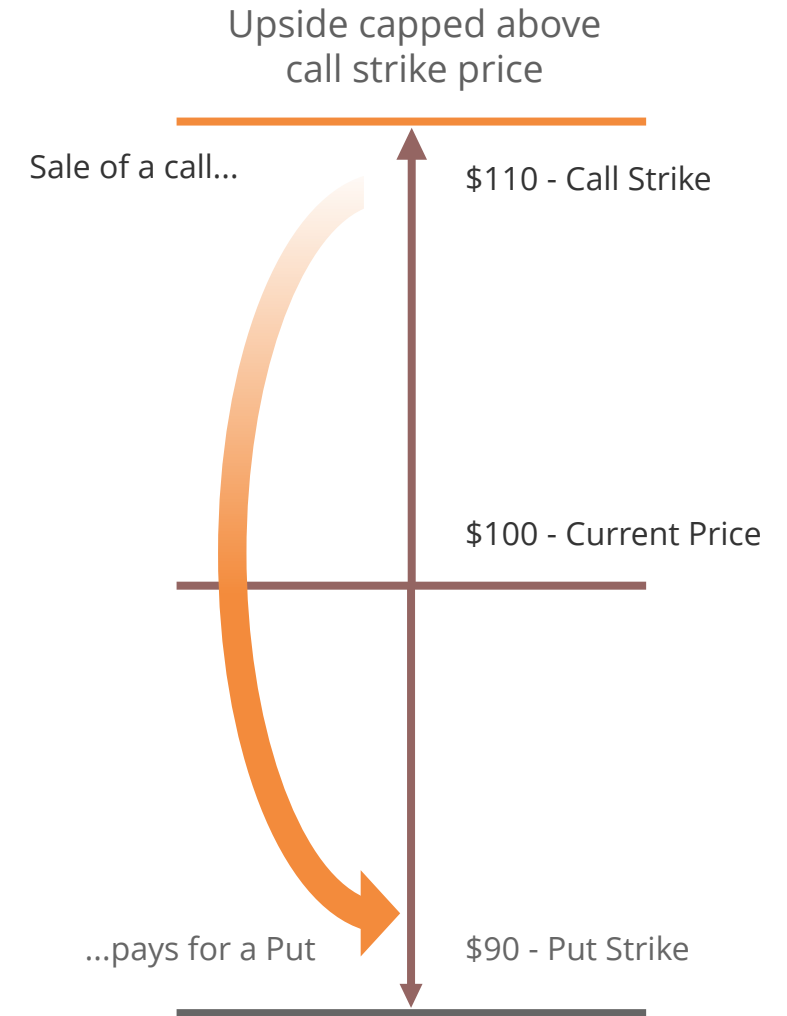
- Collars offer minimum price level for sale (put) while retaining upside exposure to call strike (call)
- Flexibility to select call and put strike prices to achieve desired payoffs and risk mitigation levels

## Potential Benefits

- Upside participation to call strike price
- Helps protect against significant declines on a stock below put strike price
- Retain shares, dividends, and voting rights

## Risks and Considerations

- Upside capped above call strike price (unless calls are bought back)
- Exposure to losses down to put strike price



Downside protected below put strike price

For illustration purposes only

Polling Question #3

What's most confusing about executive (stock) compensation?

# Differences Among Executive (Stock) Compensation Packages



**RSU**

Restricted  
Stock Units



**NQSO**

Non-Qualified  
Stock Options



**QSBS**

Qualified Small  
Business Stock



**ISO**

Incentive Stock  
Options

# RSUs: Automatic Vesting of Set Number of Units



Taxation	Taxed as ordinary income (through W2) at vest. Capital Gain thereafter with “new” cost basis being the price at vesting.
Vesting and Exercise	Automatic vest, usually every quarter in 4-year cycles. No exercise required.
Expiration	Vesting schedule applies
Upside Potential	Based on stock price
Risk	No control as to when stock gains are recognized or at what price
Key Characteristic	Employee does not have to pay to acquire RSU – infinite leverage
Key Decision	<b>Take all cash at vest or retain net shares after taxes</b>

# NQSO: Option to Buy Stock at a Set Price – The Strike Price



**NQSO**  
Non-Qualified  
Stock Options

Taxation	At the time of Exercise, taxed as ordinary income (through W2) on the difference between the stock's fair market value (FMV) at time of exercise and the exercise ("Strike") price. Capital Gains thereafter if the stock is held after exercise.
Vesting and Exercise	Usually have a vesting period. Thereafter, there is discretion when to exercise.
Expiration	Typically, must be exercised within 10 years of Grant
Upside Potential	Based on stock price
Risk	Can become worthless if stock price falls below Strike price
Key Characteristic	Employee has to fund the Strike price. Employee has control over when to exercise and take the gain through W2.
<b>Key Decision</b>	<b>Exercising early and having the financial liquidity to do so</b>

# ISOs/Qualified Stock Options

## AMT and Capital Gains



### ISO

Incentive Stock Options

Taxation	FMV at exercise – strike price = AMT Income (and possibly AMT). After exercise, capital gains tax rates apply to any gain above the Strike price, there is no W2 income between the Strike price and the FMV at exercise.
Vesting and Exercise	Usually have a vesting period. Thereafter, there is discretion when to exercise.
Expiration	Typically, 10 years
Upside Potential	Based on stock price
Risk	Can become worthless if stock price falls. AMT can be viewed as a pre-payment of tax which may be forfeited if the stock price falls.
Key Characteristic	Management of the AMT Liability and the AMT Credit
<b>Key Decision</b>	<b>Whether to incur and ways to avoid incurring the AMT</b>

# Qualified Small Business Stock: The First \$10M of Gain Is Exempt From Tax



Taxation	Up to 100% capital gains tax exclusion on first \$10M of gain if shares are held for >5 years, the company is a C corp, and the shares were acquired at a time when the company had gross assets of less than \$50M.
Vesting and Exercise	5-year clock begins when shares are acquired – must be shares, not options
Expiration	N/A
Upside Potential	Significant with capital gains exclusion
Risk	Usually, start-up risk and eligibility criteria
Key Characteristic	If the shares are QSBS at issue – they always remain QSBS shares
<b>Key Decision</b>	<b>Whether to wait the 5 years or take an earlier exit</b>





# Thank You

You will receive a follow-up email with this recording and slides. Please feel free to share.

If you'd like to discuss your specific situation,

contact us at [bakerave.com/contact](https://bakerave.com/contact) or email us at [info@bakerave.com](mailto:info@bakerave.com)



**CHIEF STRATEGIST &  
PARTNER**

King Lip,  
CFA, CMT



**TAX PLANNING,  
PARTNER**

Gerry O'Connell,  
Enrolled Agent



**WEALTH ADVISOR,  
DIRECTOR**

Matt Munro,  
CFP®

*Purpose. Passion. Performance.*

Since 2004, BakerAvenue has guided clients through personal and professional transitions. Our firm provides comprehensive wealth management and investment expertise for high-net-worth individuals, families, trusts, foundations and endowments.

We're headquartered in San Francisco with offices in New York, Dallas, Houston, Seattle, San Diego, Sun Valley, and Naples.

# Baker Avenue

## WEALTH MANAGEMENT

bakerave.com | 888.585.1750 | info@bakerave.com



FT 300 Ranking July 2020



Signatory of:



Since 2004, Baker Avenue has guided clients through personal and professional life transitions. Our firm provides comprehensive wealth management and investment expertise for high-net-worth individuals, families, trusts, foundations and endowments. Driven by our purpose, we strive to make a positive impact on society alongside financial return. We're headquartered in San Francisco with offices nationwide.

For more information, please contact us at 888.585.1750 or visit us at [bakerave.com](http://bakerave.com). To view Baker Avenue's full disclosures, please visit [bakerave.com/disclosures](http://bakerave.com/disclosures).

Thank You