MONETIZATION

Monetization is a way of generating cash from a stock position. As an alternative to the outright sale of a concentrated position, there are other techniques that may be more appropriate from a tax-planning perspective, so be sure to consult your tax professional to determine which, if any, are appropriate for your individual circumstances.

OUTRIGHT SALE

The most obvious method to reduce the risk of a concentrated position is to simply liquidate a portion of the stock and use the proceeds to invest in a more diverse group of securities. However, selling outright may result in significant capital gains taxes related to the low cost-basis of the stock. Selling shares and paying the subsequent taxes may be the most immediate and appropriate action for your portfolio, so keep in mind that you should avoid basing the decision to sell exclusively on the impact of taxes.

AFFILIATE TRANSACTION PLANS (10b5-1 PLANS)

10b5-1 plans offer a valuable solution for executives who often find they are prohibited from executing trades in their employers' stocks for as many as nine months of the year. These periods are often referred to as the "Blackout Periods."

Rule 10b5-1 creates an affirmative defense to charges of insider trading for an executive transacting in his or her company's stock.

Rule 10b5-1 says that, so long as the plan is adopted at a time when the executive has no material, non-public information, the executive is protected from insider trading liability even if he or she has material, non-public information at the time the transaction actually occurs.

Please be aware, corporations will frequently have restrictions on the sale of their own stock by insiders that may far exceed the restrictions discussed above.

Rule 10b5-1 plans can be used to buy or sell stock, exercise stock options, or facilitate other transactions in an executive's stock including certain hedging and monetization strategies. One of the key features of these plans is that they can be tailored to each individual's specific set of circumstances. This allows an executive to define the number of shares or dollar values, prices at which executions can occur and the timing of transactions over the course of the plan.

Raymond James has several plan templates that can be used for various transactions by corporate insiders. Your financial advisor can help you determine the inputs that best fit your objectives and facilitate the execution of a 10b5-1 plan.

SECURITIES-BASED LENDING[1]

Securities Based Lending may enable you to use your investment portfolio as a flexible alternative to traditional financing. This strategy provides access to cash by utilizing the borrowing power of your investments, providing increased accessibility of wealth, but allows you to stay invested and maintain any dividends, interest, or capital appreciation of your portfolio. Proceeds from a Securities Based Line of Credit can be used for any purpose except to purchase securities, and common uses include home renovations, real estate purchases, unexpected expenses such as taxes, luxury purchases, and business opportunities or expenses. However, if you have an outstanding loan balance and the portfolio used to secure that loan declines in value, you may have to post additional collateral or repay all or part of the loan. The lending institution may also liquidate all or part of your portfolio to cover losses.

[1] A securities based line of credit may not be suitable for all clients. The proceeds from a Securities Based Line of Credit cannot be used to purchase or carry margin securities. Borrowing on securities based lending products and using securities as collateral may involve a high degree of risk. Market conditions can magnify any potential for loss. If the market turns against the client, he or she may be required to deposit additional securities and/or cash in the account(s) or pay down the loan. The securities in the pledged account(s) may be sold to meet the collateral call, and the firm can sell the client's securities without contacting them. The interest rates charged are determined by the market value of pledged assets and the net value of the client's Capital Access account. Securities Based Line of Credit provided by Raymond James Bank. Raymond James & Associates, Inc. and Raymond James Financial Services, Inc. are affiliated with Raymond James Bank, N.A., a federally chartered national bank.

VARIABLE PREPAID FORWARD

A variable prepaid forward ("VPF") is another common technique for monetizing a large stock position that addresses some of the common concerns associated with an immediate sale. A VPF provides similar protection to a collar, but with the added benefit of an immediate cash payment. A VPF is an agreement to sell a variable number of shares at a specified future date (typically one to three years) in exchange for an upfront cash payment. This cash advance is normally between 70% and 90% of the stock's current market value and is determined based on factors such as the stock position, size, interest rates, volatility, duration and structure.

It is important to note that VPFs protect against losses related to downside movement in the stock price (at an amount equal to the initial cash payment) but may also limit potential upside in the stock. At the contract's expiration, you're responsible for delivering a specific number of shares (or the cash equivalent) as determined by the stock price at maturity. Taxes are generally deferred until the contract expiration date. Seek counsel from your tax advisor about your specific situation because tax considerations may impact this strategy.

Potential benefits of a VPF include the ability to:

- Invest initial proceeds in other holdings to diversify your portfolio
- Maintain limited upside in the performance of the concentrated stock
- Continue to receive current dividends
- Maintain your voting rights
- Potentially defer capital gains taxes associated with the eventual sale

Sample VPF Transaction	
Number of shares	100,000
Current price	$50
Total value	$5,000,000
Put (floor) price	100% ($50)
Call (ceiling) price	120% ($60)
Upfront payment	85% ($4,250,000)
TERM	24 MONTHS

SHARE DELIVERY

% Change	Stock Price	Shares Delivered	Shares Retained	Net Value Retained by Client
-50%	$25	100,000	0	$0
-25%	$37.50	100,000	0	$0
-15%	$42.50	100,000	0	$0
-10%	$45	100,000	0	$0
-5%	$47.50	100,000	0	$0
0%	$50	100,000	0	$0
5%	$52.50	95,238	4,762	$250,000
10%	$55	90,909	9,091	$500,000
15%	$57.50	86,957	13,043	$750,000
20%	$60	83,333	16,667	$1,000,000
30%	$65	84,615	15,385	$1,000,000
50%	$75	86,667	13,333	$1,000,000

This example is for illustrative purposes only and does not reflect the performance of any specific investment. The NetValue Retained by Client column equals the product of theshares retained and the assumed stock price at maturity.

Fees charged in a VPF vary by transaction and are generally 3% or less. Factors such as the size, duration and structure of the VPF impact this fee, which is built into the discount on the upfront payment.

A VPF is an alternative to an outright sale and holding long