

Bringing Three Cases to Life Through the Lens of The Sharpe Group



PRESENTED BY

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EXECUTIVE SUMMARY

This presentation highlights our approach to wealth advisory, emphasizing our role in managing financial complexities during divorce proceedings. We focus on helping out-spouses, who are often less involved in financial matters, navigate asset division, financial planning, child and spousal support, and long-term security. Our expertise spans from working closely with divorce attorneys, CPAs, and business managers to providing personalized financial strategies for a seamless transition to post-divorce independence.

The case studies featured illustrate diverse family structures and asset portfolios, from celebrity spouses managing trust assets to executives' partners handling complex retirement accounts. In each case, we collaborate with legal teams to ensure our clients make informed financial decisions with both short- and long-term implications.

KEY OBJECTIVES

- **Expertise in Divorce Financial Planning:** We specialize in asset division, tax planning, QDROs, and ensuring financial stability post-divorce, offering customized scenarios for our clients.
- **Collaborative Approach:** We work hand-in-hand with attorneys and financial professionals, often serving as either the primary financial manager or as a specialized advisor during settlements.
- **Advocating for Out-spouses:** Our team focuses on educating and financially preparing out-spouses, ensuring equitable asset division and sustainable long-term financial plans.
- **Post-Divorce Transition:** We assist clients with reinvesting assets, budgeting, education expenses, and cash flow management to ensure financial security post-divorce.

Our involvement with clients often spans years, from early mediation through asset transfers. Whether managing entire financial processes or specific mandates, we consistently add value through strategic capital allocation, tax efficiency, and cash flow management.

Our dedication lies in empowering out-spouses with the financial expertise they need for a confident future. Through collaboration with legal and financial professionals, we ensure a smooth transition from marriage dissolution to post-divorce financial independence.

CASE STUDY

Downsizing for Lasting Financial Security



CLIENT PROFILE

Sarah is a 68-year-old woman who has recently divorced her second husband of less than 10 years, following his infidelity. She owns a 30% interest in a commercial building valued at \$25 million, generating \$15,000 in monthly passive rental income. Sarah has downsized her home to reduce overhead and currently has \$35,000 in monthly net after-tax spending needs. Her financial assets include a revocable living trust worth \$9 million, a beneficiary IRA with \$600,000, and a SEP IRA with \$95,000.

OBJECTIVES

Sarah's primary objective is to ensure a steady monthly income that meets her \$35,000 net after-tax spending needs. Secondary goals include growing her investment portfolio for long-term security and potential legacy purposes, managing her debt efficiently, maintaining robust insurance coverage, and ensuring healthy cash flow. Additionally, she seeks emotional and psychological stability post-divorce.

PORTFOLIO ALLOCATION

Sarah's revocable living trust, valued at \$9 million, is allocated 55% to equity, 10% to alternatives, and 35% to fixed income, aiming for income and growth. Her beneficiary IRA, valued at \$600,000, and SEP IRA, valued at \$95,000, both have an allocation of 65% equity, 10% alternatives, and 25% fixed income, focusing on long-term growth.

KEY COMPONENTS

The financial plan for Sarah includes a thorough assessment of her assets, liabilities, income, and expenses, along with a review of immediate financial concerns. Budgeting and cash flow strategies will be developed to meet her financial needs, while debt management plans will focus on efficient mortgage repayment and credit score maintenance. Savings strategies will emphasize maintaining and growing her emergency fund, and retirement planning will ensure a secure future. Insurance coverage will be evaluated for necessary adjustments, and a diversified investment strategy will be provided to balance income and growth. Future financial goals will be defined and prioritized, with a step-by-step plan to achieve them, considering both financial and emotional aspects of recovery.

CONCLUSION

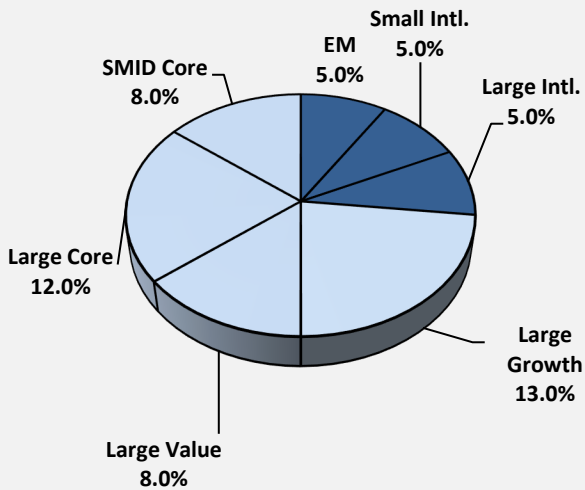
By addressing these areas comprehensively, guide Sarah towards regaining financial stability and achieving her future aspirations. The plan will be tailored to her unique situation, balancing the need for income with the desire for growth and security, while also considering her emotional well-being post-divorce.

ASSET ALLOCATION

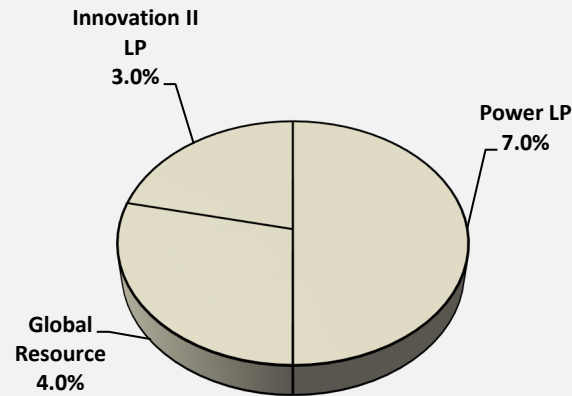
Downsizing for Lasting Financial Security

\$6,564,047

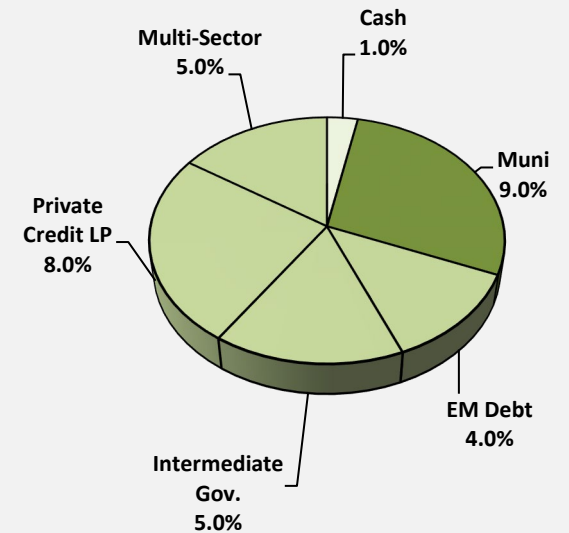
EQUITY 54%



ALTERNATIVES 15%



FIXED & STRATEGIC INCOME 31%



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CASE STUDY

Education and Planning for Stability and Peace of Mind



CLIENT PROFILE

Jane, a 52-year-old woman, was divorcing her husband, a former CEO. They were married for 30 years, and their three adult children (ages 27, 26, and 22) lived at home. Despite mediation efforts, the divorce became contentious, particularly over asset division. Their joint holdings, including real estate, non-liquid investments, and retirement assets, had been impacted by the 2008 recession. As a homemaker, Jane relied on her husband's income, seeking financial security post-divorce, especially regarding the \$15 million settlement.

OBJECTIVES

- Understand the impact of her divorce settlement on her long-term financial stability.
- Create a sustainable budget based on \$25,000 net per month from spousal support.
- Preserve and protect her share of real estate and investments for future appreciation.
- Plan for long-term income and retirement security in case spousal support ended.
- Minimize legal fees and avoid prolonged disputes that could reduce her settlement.

PORTFOLIO ALLOCATION

To achieve Jane's financial goals, we used our proprietary divorce planning model, considering her income, expenses, and asset allocation:

Real Estate: Jane retained a home, purchased with part of the settlement in cash, avoiding a mortgage and providing stable housing.

Investments: Her stock positions were transferred "in-kind" to avoid capital gains taxes and benefit from potential market recovery.

Retirement Assets: The couple's 401(k) plans were split, with 50% rolled into separate IRAs, ensuring an equitable division with no tax penalties.

KEY COMPONENTS

Financial Modeling: Our model helped Jane visualize various settlement outcomes, incorporating factors like taxes and inflation.

Asset Preservation: Purchasing her home in cash eliminated mortgage payments, and keeping stock positions intact allowed for future growth.

Legal Efficiency: Avoiding a QDRO saved thousands in legal fees. Close collaboration with her ex-husband's advisors ensured smooth asset division.

Budgeting: Establishing a budget based on \$25,000 net per month ensured that Jane didn't need to tap into her assets, allowing them to grow.

CONCLUSION

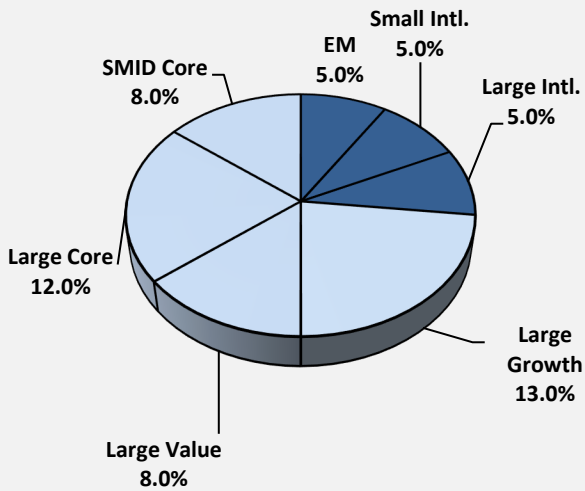
Involving a financial expert early in the divorce process was crucial for Jane's financial security. By utilizing detailed financial modeling and effective asset allocation, we helped her secure her future, avoid costly mistakes, and establish a sustainable budget. Our guidance minimized tax liabilities and ensured a smooth asset transition, particularly with real estate, investments, and retirement accounts. This not only allowed Jane to maintain her lifestyle but also ensured the preservation of her wealth for future needs, giving her confidence in her financial independence post-divorce.

ASSET ALLOCATION

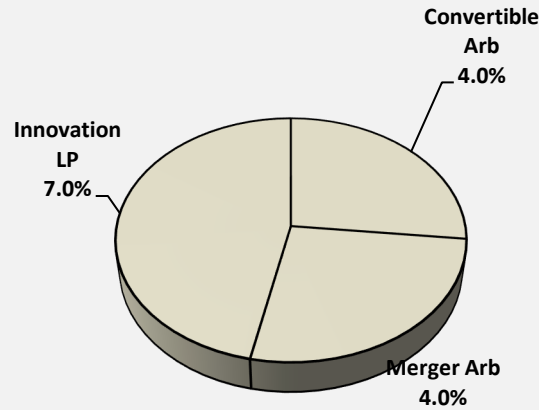
Education and Planning for Stability and Peace of Mind

\$4,579,000

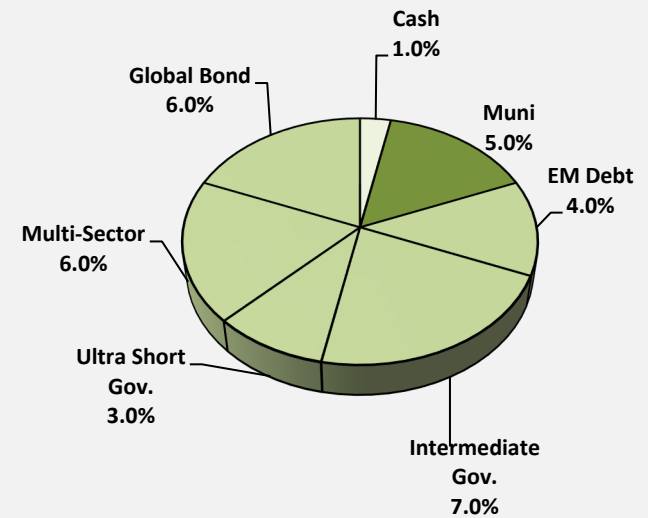
EQUITY 54%



ALTERNATIVES 15%



FIXED & STRATEGIC INCOME 31%



CASE STUDY

Addressing Family Dynamics for Long-Term Sustainability



CLIENT PROFILE

Jill is married to actor Jack, who earns \$6-7 million annually. They live with their three children (ages 5, 9, and 15) and have been married for 16 years. Their lifestyle involves monthly spending of \$100,000 to \$150,000 on vacations, clothes, and private school. Their assets include an \$8 million home, a retirement account, and \$16 million in trust investments. Due to Jack's infidelity, Jill is seeking a divorce, focusing on alimony, child support, asset division, and maintaining the children's lifestyle and education post-divorce.

OBJECTIVES

- Jill's primary goals are to:
- Secure sufficient alimony and child support to maintain the children's education and lifestyle.
 - Divide the home, retirement account, and \$16 million trust fairly.
 - Protect her share of Jack's retirement using a QDRO and ensure continued trust growth for long-term security.
 - Adjust lifestyle expenses to prioritize essential needs post-divorce.

PORTFOLIO ALLOCATION

The couple's finances involve multiple asset types:

Real Estate: The \$8 million home, which may need to be sold and proceeds divided.

Retirement Account: A significant account requiring a QDRO for fair division.

Trust Assets: \$16 million primarily in stocks and private equity.

Income: Jack earns \$6-7 million annually, while Jill has not worked during the marriage.

KEY COMPONENTS

Alimony, Child Support & Asset Division: Jill will seek support to cover living expenses and school tuition.

Trust Management & Financial Security: The \$16 million trust will be adjusted to provide income and growth, supporting Jill alongside alimony and child support.

Private School & Visitation: Plans will cover private school tuition and set a flexible visitation schedule for Jack's irregular work.

Lifestyle Adjustments: Jill will need to reduce spending and create a realistic post-divorce budget.

CONCLUSION

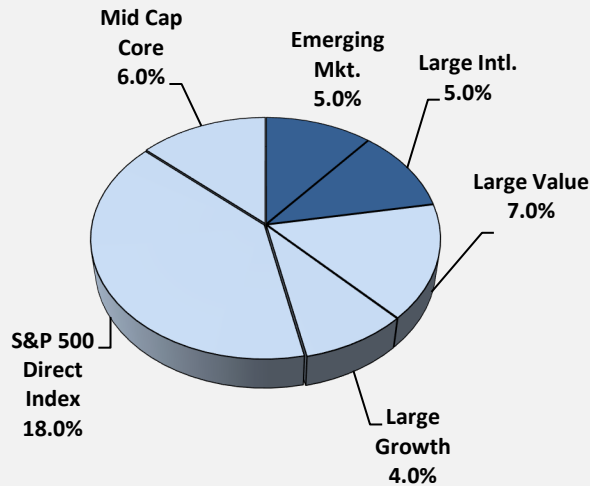
Jill must navigate asset division, income management, and family stability. Her priority is financial security for herself and the children. The home, alimony, and child support will be key. We'll collaborate with her legal team to secure a fair settlement and help her make informed decisions on trust management, budgeting, and retirement planning. A comprehensive strategy will ensure Jill's financial well-being and support for her children.

ASSET ALLOCATION

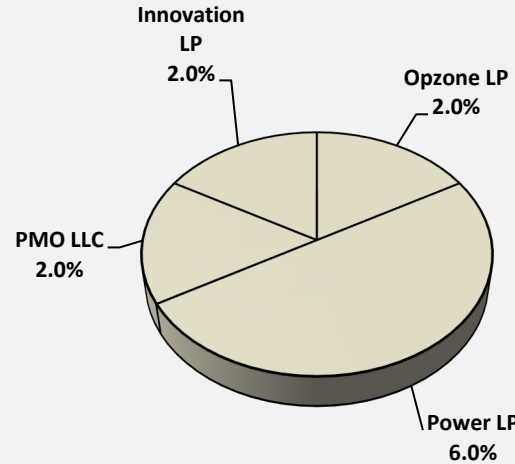
Addressing Family Dynamics for Long-Term Sustainability

\$23,709,000

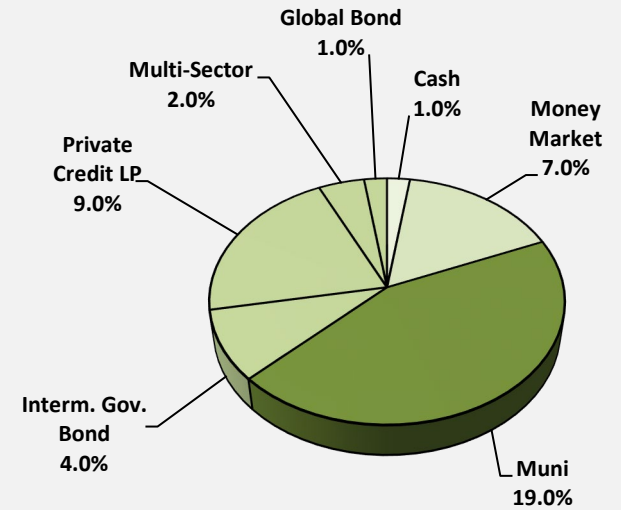
EQUITY 45%



ALTERNATIVES 12%



FIXED & STRATEGIC INCOME 43%



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FOUNDER'S GUIDE

Optimizing your exit through strategic and proactive planning

TAX

ESTATE

WEALTH MGMT

Seed Rounds

Ensure you are working with a battle tested CPA who has experience in the relevant areas.

Evaluate the most tax-efficient business structure considering personal liability, tax implications and future growth plans.

Form corporation, consider jurisdiction, know Sec. 1202 (QSBS). File 83(b) for stock received (prevents income recognition issues).

Be careful with employment classification for service providers.

Pre-seed rounds: convertible securities (SAFEs/convertible notes).

Secure a highly competent Trust & Estate attorney, understanding your family structure & long-term estate wishes.

Obtain an employer identification number, open bank accounts, issue stock, and appoint directors and officers.

Ensure a well-drafted founder's agreement to address equity distributions, roles, and potential buy-sell provisions.

Consider life insurance policies to protect the founder's family and business interests.

Through qualified resources, identify, interview and select an advisory team with a long history of advising founders on the complexities of large scale transactions/liquidity events.

Initiate qualitative and quantitative planning discussion to establish "consider list" for all trust, tax and financial planning objectives.

Establish timeline for pressing action items well in advance of any future transaction.

Series A

Define general capital structure & equity split.

Include IP assignment in stock purchase agreements and establish vesting schedules.

Be aware of liquidation preference & protective provisions for investors. Consider drag-along rights, IPO registration rights, and investors' appetite for follow-on funding. Avoid setting unfavorable precedents in early rounds.

Follow all corporate formalities and consider early option plans for advisors, consultants, and employees.

Maintain an up-to-date cap table.

Understand the impact of equity dilution on the founder's overall net worth and revise estate plans accordingly.

Start early gifting to Irrevocable Trusts or kids' Trusts with lower value stock.

Establish retirement plan, review balance sheet liabilities, discuss buy/sell agreement.

Discuss insurance: LTC, Life, Homeowners, Auto, Umbrella, E&O.

Review income/expenses and other liabilities.

Advisory team meeting to collaborate on all tax, estate, and financial planning considerations at closing of Series A.

Series B

Set up stock option plans properly and comply with Section 409A.

Ensure compliance with regulations to avoid fundraising complications and sale issues.

Initiate a discussion about secondary sales in series A and beyond. Need to make sure it is done correctly to avoid the sale being deemed compensation.

Revise stock option and (RSU) plans for key employees.

Include IP assignment in stock purchase agreements and establish vesting schedules.

Execute IP assignment agreements with founders.

Update & review any older estate planning documents.

Review gifting/philanthropic strategies, necessary approvals, and process/timeline for the sale.

Include quantitative information about assets, liabilities, income, and expenses.

Incorporate family's views on risk, investment returns, and other factors and build a financial plan.

Review family structure and outside personal investments.

Incorporate private/public asset allocation.

Series C-F

Maintain clean corporate records.

Build/update data room consistently.

Discuss the benefits and risks of shareholder loans.

Make sure any gifting is completed before sales process has started (no active LOIs in play).

Understand valuation as well as terms beyond valuation.

Evaluate the feasibility of an estate freeze.

Review all assumptions and prepare for a future liquidity event.

Advisory team meeting to collaborate on all tax, estate planning and financial planning considerations at closing of Series C-F.

Explore strategies to diversify the founder's wealth.

Liquidity Event / IPO / Exit

Consult advisors early, prepare distribution waterfall model.

Consider QSBS eligibility, equity compensation arrangements, and 280G implications.

Review credit facilities, update financial planning documents, and review tax setup.

Consult advisors early, prepare distribution waterfall model.

Consider advanced estate tax planning techniques, such as dynasty trusts, to minimize the impact of estate tax.

Focus on wealth preservation through trusts, family limited partnerships, or other structures to protect assets for future generations.

Understand IPO implications, conversion of preferred stock, lock-up periods, stock hedging, and 10b5-1 plans.

Advanced "Safety-Net Planning" discussion as valuations and net after tax monetization figures come into focus.

Confirm wire instructions to financial institution to ensure cash is earning maximum risk free yield until longer term plan is finalized.

This reference guide provides a comprehensive overview of the startup to sale process, including legal, tax, and wealth management aspects. However, every startup's situation is unique, and founders should consult with professionals for personalized advice. Oppenheimer & Co. Inc. does not provide legal or tax advice. However, your Oppenheimer Financial Professional will work with clients, their attorneys and their tax professionals to help ensure all of their needs are met and properly executed. If you select one or more of the advisory services (i.e.; Planning Services) offered by Oppenheimer & Co. Inc. or its affiliate Oppenheimer Asset Management Inc., we will be acting in an advisory capacity. If you ask us to effect securities transactions for you, we will be acting as a broker-dealer. Oppenheimer & Co. Inc. Transacts Business on All Principal Exchanges and Member SIPC. 6197612.1

The Sharpe Group is committed to empowering company founders, private business owners, and their trusted tax and legal advisors with the intellectual capital, tools, and resources needed to optimize the economics of their exit – whether through an IPO, strategic sale, or financial transaction.

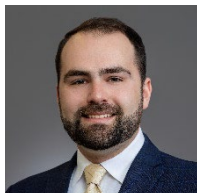
Success in this endeavor requires a deliberate and intentional commitment to collaboration with battle-tested professionals who have the knowledge to guide you through every stage of your company's life.

Created by Sharpe Group members with insights from leading tax and legal professionals, *The Founder's Guide* serves as a comprehensive resource, providing insights into the tax, legal, and financial planning tools at your disposal. It is designed for those who aim to be prudent and responsible in optimizing their exit strategies.



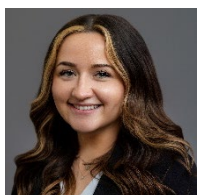
**Lawrence
Rubinstein**

Managing Director–Investments



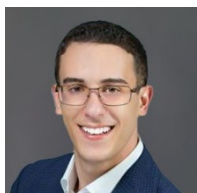
**Michael
Corcione, CPFA®**

Associate Director - Investments



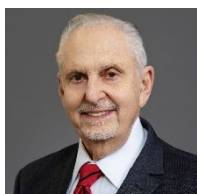
**Amanda
Pelczar**

Client Service Associate



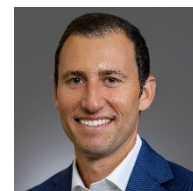
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Associate Director - Investments



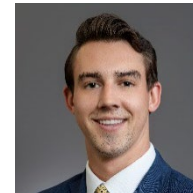
**Carl
Reich**

Senior Director - Investments



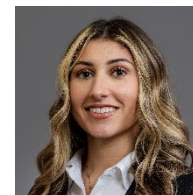
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**Matt
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**Dana
Diserio**

Client Service Associate



**James
Bladel**

Senior Director - Investments

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