

InVestra Internal Note:

SpaceX Equity Planning for C Suite Clients

SpaceX handles equity very differently than standard public or private tech companies, managing a liquidity event requires navigating highly specific rules. The following structural overview outlines how SpaceX equity liquidity events operate and the strategic planning actions employees must take:

1. Navigating SpaceX Equity Frameworks

- **Tender Offers:** SpaceX historically conducts internal secondary market liquidity events (often twice a year, frequently around January and July) allowing current and former employees to sell shares back to the company or to approved institutional buyers.
- **Clawback & First Refusal:** SpaceX tightly controls its private stock. The company maintains a strict Right of First Refusal (ROFR) and has historically implemented clawback provisions or restrictions on unvested and vested equity to prevent unauthorized third-party transfers.
- **RSUs vs. Stock Options:** SpaceX transitioned heavily to restricted stock units (RSUs). These RSUs typically feature a double-trigger structure, requiring both time-based vesting and a liquidity event (like a company-sanctioned tender offer or IPO) to fully vest and trigger a tax obligation.

2. Managing Tax Implications

- **Ordinary Income Tax:** When a double-trigger RSU settles during a tender offer, the entire value of the shares at settlement is treated as

ordinary income. This can instantly push you into the highest federal and state tax brackets.

- **Capital Gains Tax:** If you hold shares acquired through exercised options or previously settled RSUs, selling them during a tender offer triggers capital gains tax. If held for over one year, they qualify for lower long-term capital gains rates.
- **Withholding Shortfalls:** SpaceX usually withholds a flat statutory rate (e.g., 22% federally) for supplemental income upon RSU settlement. Because large liquidity events often push employees into the 35% or 37% brackets, you may face a significant tax shortfall that you must proactively calculate and save for.

3. Executing a Liquidity Action Plan

1. **Model Net Proceeds:** Calculate your exact pre-tax share value, subtract the estimated ordinary income and capital gains liabilities, and account for state-specific taxes (especially critical for employees at SpaceX facilities in California vs. Texas).
 2. **Determine Participation Limits:** SpaceX frequently caps the total dollar amount or the percentage of vested equity (e.g., 10% to 20%) that an employee can sell during a single tender window. Decide whether to maximize this cap to diversify your portfolio.
 3. **Establish an Emergency Fund:** Prioritize allocating a portion of your net liquid cash into high-yield savings or short-term Treasuries to cover the anticipated tax bill due by the following April.
 4. **Diversify Away from Single-Stock Risk:** Avoid keeping 100% of your net worth tied up in SpaceX. Reinvest your secondary market proceeds into a diversified portfolio of broad-market index funds, real estate, or retirement accounts.
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Always put the clients best interest first, which includes detailed explanations of the mechanics behind their stock or options in SpaceX. Refer to additional manuals and models created by InVestra specifically for our SpaceX C Suite clients.