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AURIGA COMMENTARY

What are the Outcomes for Concentrated Private Security Holders?

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Loans, Block Sales, Tenders and the Monetization Spectrum

For employees, founders, and early investors holding a concentrated position in a single private company, illiquidity is rarely the real constraint. The real constraint is choosing among the liquidity structures available once a position has appreciated meaningfully — each of which carries a different profile of cost, control, and timing.

While private market valuation frameworks vary significantly across issuers, sectors, and capital structures, recent secondary activity has highlighted a notable divergence between headline valuation references and executable transaction price. As later-stage private companies stay private longer, this decision point has become a recurring one across the secondary landscape. Below, we outline the liquidity spectrum we walk holders through, from the most conservative structure to the most complete.

The Core Tradeoff: Retain vs Realize

Every liquidity structure for a concentrated private position sits somewhere between two poles:

Retain the position and borrow against it, preserving upside and deferring a taxable event
Realize the position through a sale, converting paper value into cash and eliminating concentration risk

Most holders don't need to choose one pole outright. The available structures let a holder move along this spectrum incrementally, matching the structure to their liquidity need, their conviction in the underlying company, and their tolerance for structural complexity.

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Full-Recourse Monetization Loans

The most straightforward instrument is a full-recourse loan collateralized by the private shares or options, typically originated through a platform with an existing securities-based lending infrastructure. The holder retains full ownership and upside; the lender is repaid from either loan proceeds or a future liquidity event.

This structure tends to be the fastest to execute and the easiest to underwrite, because the lender's recourse extends beyond the collateral itself. The tradeoff is that the holder retains full downside exposure — if the underlying position declines in value, the loan obligation does not.

This structure tends to suit holders who have strong conviction in the company, need liquidity for a defined purpose (tax obligations, diversification, a real estate purchase), and want to preserve optionality on a future exit.

Non-Recourse and Collar Structures

For holders seeking to cap downside, non-recourse loans and collar structures introduce a layer of protection: the lender's recourse is limited to the pledged shares, or the holder simultaneously establishes a floor and a cap on the position's realized value. These structures cost more — in interest rate, in structuring fees, or in forgone upside above the cap — but they convert an open-ended risk into a bounded one.

These structures tend to fit holders who are less certain about the company's trajectory but are not yet ready to fully exit, often because of vesting restrictions, lock-ups, or a belief that a near-term catalyst (a funding round, a strategic transaction) will clarify value.

Block Secondary Sales

At the other end of the spectrum is an outright sale of some or all of the position to an institutional buyer, typically structured as a block trade with a single anchor investor or a small syndicate. This is the only structure that fully eliminates concentration risk and converts the position to cash without an ongoing obligation.

Block sales require more lead time than a loan: identifying a buyer willing to underwrite a single-name private position, agreeing on valuation (often anchored to a recent financing round with a discount for illiquidity and lack of information rights), and, in many cases, securing consent from the underlying company under its transfer restrictions. The structuring work is more intensive, but for holders prioritizing certainty over optionality, it is often the structure best suited to the goal.

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Waiting for a Company-Led Liquidity Event

The remaining option is to do nothing: hold the position as-is and wait for the company itself to create liquidity, whether through an IPO or a company-sponsored tender offer. This preserves full upside and avoids any structuring cost or complexity in the interim.

The tradeoff is timing risk. There is no guarantee of when, or whether, a liquidity event occurs, and holders relying on this path have no ability to access value in the meantime. Tender offers, when they do occur, are typically priced at a discount to the most recent primary financing round, reflecting the company's negotiating leverage as the sole source of liquidity and the absence of a competitive bid process. An IPO removes that discount but introduces its own timing uncertainty and, frequently, a post-listing lock-up before shares can be sold.

Waiting tends to be most appropriate for holders with no near-term liquidity need, high conviction in the company's trajectory, and enough diversification elsewhere that the concentrated position does not represent outsized risk to their broader financial picture.

Sequencing the Decision

In practice, the right structure is rarely obvious at the outset. It depends on:

Time horizon — how soon does the holder need liquidity, and is that need one-time or recurring?
Conviction — does the holder want to remain exposed to further appreciation, or is diversification the priority?
Transfer restrictions — what does the company's governing documents permit, and does an outright sale require consent that a loan would not?
Tax posture — a loan defers a taxable event; a sale accelerates one. The right answer depends heavily on the holder's broader tax situation.

Summary

For most concentrated holders, weighing the available structures against these four factors is the natural starting point for the analysis. A full-recourse loan is often the more conservative first step, in that it preserves the ability to revisit the decision later, once more information — a financing round, a tender offer, a public listing — resolves some of the uncertainty around value.

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