

# FAQ: Building and Managing Wealth with PNC's Acquisition of FirstBank

As the PNC acquisition is finalized, you face important decisions about your FirstBank stock holdings—decisions that will affect your financial security, long-term goals, tax exposure, cash flow, estate plan, and retirement strategy. These choices go far beyond watching PNC's stock price.

For over 50 years, AMG has helped business leaders turn concentrated stock holdings into lasting wealth. Headquartered in Denver and serving clients through offices in seven other markets, we combine local insight with a national perspective. This kind of experience and expertise is especially valuable as you navigate this major event impacting your wealth.

AMG helps guide clients to clarify liquidity needs and align investment and cash-flow strategies with personal goals, like retirement, family gifting, and philanthropy. Our integrated approach—combining financial security analysis, investment management, tax planning, estate planning, tax compliance, and trust services—guides your financial plan to evolve with your changing financial reality.

AMG has worked with FirstBank shareholders for over 14 years. We are invested in your success and hope this brief FAQ helps highlight some key considerations and answer questions you may have. If you want to discuss your personal situation, please call **Masood Dhunna, President Wealth Management, Bret Duvall, SVP Commercial Banking Division**, or **Emily Musser, VP of Client Relations** at 303.694.2190.

## What does a cash-and-stock acquisition mean for me, as a FirstBank shareholder?

Since shareholders may elect to receive a combination of cash and PNC stock in exchange for FirstBank stock, pre-planning can help manage income tax liabilities and create a comprehensive investment strategy.

## When will I need to pay the taxes associated with the acquisition and stock sales?

The timing of tax payments will be tied to your election to receive cash and/or PNC stock. Gains related to cash received are immediately taxable and should be considered in tax withholdings or estimated tax payments when the cash is received. Gains on the stock portion are generally deferred until the stock is sold.

## How will the acquisition affect my stock grants that vest right before the acquisition is final?

If your restricted stock units (RSUs) or other grants vest before the transaction, the vesting event is typically taxable as ordinary income. Consider working with a partner that can help you estimate your tax exposure and plan cash reserves accordingly, ensuring you're prepared for payment deadlines.

## What do I need to consider when deciding to diversify my PNC stock?

As a member of the FirstBank family, it's understandable that you've felt confident keeping a substantial portion of your wealth invested in the company. Transitioning to PNC stock could feel less familiar and potentially more uncertain. It's a good time to evaluate whether diversifying your portfolio makes sense after the acquisition is complete, especially in light of your broader financial goals and risk tolerance. There are a number of factors to consider in making this decision.

- Do you want to continue to tie your wealth to one company, especially now that you may not be as familiar with that company?
- What are your capital gains, and the related tax liability, likely to be?

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- How do you plan to cover the taxes generated by the capital gains realized through diversifying?
- How might diversifying PNC stock strengthen your financial security and the opportunity to grow your wealth?

Concentrated stock exposes you to “idiosyncratic risk” (the risk of a negative event that is specific to a single asset, company, or industry, rather than affecting the entire market). Building a diversified portfolio can smooth out returns and reduce volatility.

### **I want to diversify my PNC stock. How can I manage capital gains taxes in light of my cash flow needs?**

Your diversification strategy should be aligned with your broader wealth management plan, taking into account short- and long-term cash flow needs, tax efficiency, charitable giving inclination, and your estate plan. AMG helps clients evaluate many diversification options.

- **Diversifying (selling) PNC stock over multiple years**, if you are comfortable holding the shares, can help spread out the tax liability. At AMG, we provide forward-looking advice, helping our clients manage changing situations:
  - i. How to manage capital gains in light of other income, market opportunities, and tax legislation outlook.
  - ii. How to put the after-tax proceeds to work.

- **Make charitable gifts of appreciated stock to a charity, donor-advised fund (DAF) or private foundation.**

When making gifts of appreciated stock, the donor does not realize capital gains, and the value of the donation may reduce the donors’ taxable income for the year. Making a gift to a DAF or private foundation can be an especially powerful way to gift appreciated stock in the year of the acquisition, when you are likely to realize higher-than-normal income. You could make a large gift to one of these two vehicles, create a large tax deduction, and establish a platform from which to handle your charitable giving for many years to come.

- **Pair investment gains with investment losses**

It’s worth reviewing any unrealized investment losses that can offset capital gains from the sale. AMG’s advisors help clients by modeling projected tax exposure, identifying losses to realize, and carrying forward remaining losses to future years.

- **Exchange Funds**

An exchange fund is a tax-deferral technique that allows investors with large, concentrated stock positions to diversify their portfolio quickly and realize capital gains later, on their terms. Investors contribute their shares to a pooled investment vehicle in exchange for diversified portfolio exposure—without triggering immediate capital gains taxes. Over time, participants receive a proportional interest in the fund’s diversified holdings, helping reduce single-stock risk while maintaining long-term tax deferral.

This can be a compelling opportunity, but exchange funds are complex investments, and you need to consider the many factors disclosed by the fund, which normally include the following key considerations.

#### **Why Diversification Matters**

When a large portion of your wealth is tied to one company’s stock, your financial future rises and falls with that company’s fortunes. Diversifying doesn’t mean giving up potential—it means spreading opportunity and reducing vulnerability.

At AMG, we help clients turn concentrated holdings into balanced portfolios designed for growth, income, and peace of mind.

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## Key Considerations for Investing in an Exchange Fund:

FACTOR	WHAT IT MEANS
7-year investment period for tax benefits	You'll generally need to keep your money in the fund for at least seven years to receive the full diversification of securities. Pulling out early could mean penalties, lost benefits or receiving the same stock back instead of a diversified portfolio.
Liquidity lock-up	Many fund managers have a "lockup period" separate from the 7-year investment term. Your investment won't be easily accessible during the lock-up period, so make sure you have other funds available for emergencies or big expenses.
Fees	Exchange funds often come with management fees and other costs. These can add up over time, so it's smart to compare and understand all layers of fees.
Are you getting real diversification?	Some funds may be concentrated in certain sectors or companies. Check the holdings to make sure you're actually spreading your risk.
Can the fund accept PNC stock?	Not all exchange funds will take PNC stock. You'll need to confirm whether your shares qualify for the fund.
Do you qualify?	Many exchange funds require a minimum investment—often \$500K to \$1MM—and may be limited to accredited investors or qualified purchasers. Make sure you meet the criteria.
Are you trading one risk for another?	While you reduce single-stock risk, you may take on new risks like fund manager performance or tracking error. Know what you're signing up for.

### General Disclosures:

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For more information, contact Masood Dhunna, Bret Duvall or Emily Musser at 800.999.2190.



AMG helps executives, high net worth individuals, business owners, and institutions discover a better way to wealth. We work closely with you to develop integrated financial solutions customized to your unique goals and backed by our insightful research, thoughtful innovation, and decades of experience. Capitalize on your opportunities with a knowledgeable partner focused on your vision and your success.

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