

Monetization Planning

Monetizing a privately held company requires seamless coordination of your personal wealth management and business monetization strategies. At Morgan Stanley Private Wealth Management, your Private Wealth Advisors can assist you at each stage of the process, highlighting key decisions, deadlines and milestones. They will work with your legal, tax and other advisors to help you increase value, reduce tax liabilities and integrate the proceeds of your sale into a comprehensive wealth management strategy.

PLANNING YOUR EXIT STRATEGY

Your Private Wealth Advisor can work with you, your tax and legal advisors and your investment bankers to identify and structure an exit strategy consistent with your business and personal financial goals.



SALE TO AN EMPLOYEE STOCK OPTION PLAN (ESOP)

- A tax-advantaged strategy to transfer ownership to your employees
- Principal, interest and dividends are tax deductible
- ESOP share of corporate income is not taxable

SALE TO STRATEGIC ACQUIRER

- Objective is to provide you with immediate liquidity
- Aim to identify well-capitalized buyers willing to fund growth and who seek market entry or market share, new technology or other competitive advantage through an acquisition

IPO

- Objective is to raise capital and generate liquidity
- You can leverage the knowledge of Morgan Stanley's¹ experienced Investment Banking team or third-party affiliate to evaluate the IPO market, in order to structure an offering that would benefit you, your employees and your investors

RECAPITALIZATION

- Provides liquidity along with potential for upside appreciation
- Can be structured so you retain control, if desired
- Leverage reduces the cost of capital

SALE TO PRIVATE EQUITY INVESTOR

- Objective is a profitable exit strategy (IPO, LBO, future sale)
- Buyer's objective is typically purely financial, seeking a high rate of return
- Transaction is often highly leveraged

CHOOSING YOUR PRIVATE WEALTH ADVISOR

The wealth created by your private business is significant, which makes the choice of a Private Wealth Advisor a particularly important decision.

Has the advisor guided other business owners through liquidity events and the resulting personal and financial transitions?

Does the advisor understand your goals and support your decision-making process?

Does the advisor typically recommend one solution or offer several alternatives with a clear analysis of each?

Is the advisor supported by an experienced team and will you have direct access to them?

Is the advisor part of a larger organization with deep resources and specializations?

Can the advisor enhance value by helping to prepare your business for sale?

Is the advisor able to analyze and help you select the most appropriate resources?

Are you confident that the advisor can help you minimize transaction obligations?

Can your advisor support a wealth strategy that involves multiple trusts, ownership vehicles and tax and investment strategies?

Is there the right chemistry with you and your family?

Does the advisor have the sensitivity and experience to help you deal with family issues and disagreements that wealth can create?

Does the advisor understand the concept of family governance?

Does the advisor understand how you think about risk?

How broad and flexible is the advisor's investment platform?

Can your advisor clearly explain his or her approach to both strategic and tactical asset allocation?

Is the advisor supported by an experienced team of professionals who can help execute a customized investment strategy?

EXPERIENCE WITH BUSINESS OWNERS

COLLABORATIVE APPROACH

ADVISOR AND FIRM STRUCTURE

TRANSACTION PLANNING

WEALTH STRUCTURING AND ESTATE PLANNING

UNDERSTANDING OF FAMILY ISSUES

INVESTMENT MANAGEMENT DEPTH

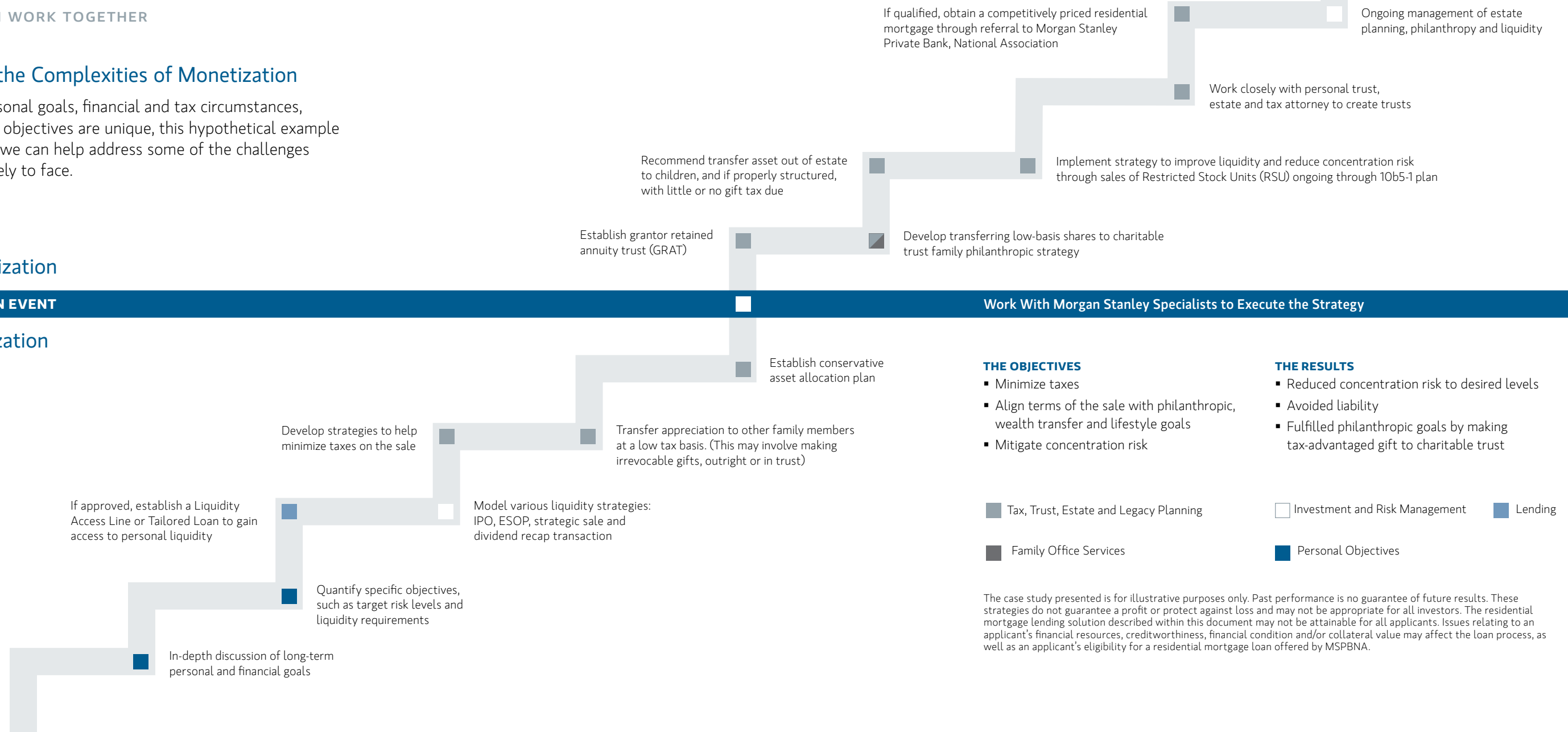
Addressing the Complexities of Monetization

While your personal goals, financial and tax circumstances, and investment objectives are unique, this hypothetical example illustrates how we can help address some of the challenges that you are likely to face.

Post-Monetization

MONETIZATION EVENT

Pre-Monetization



Work With Morgan Stanley Specialists to Execute the Strategy

THE OBJECTIVES

- Minimize taxes
- Align terms of the sale with philanthropic, wealth transfer and lifestyle goals
- Mitigate concentration risk

- Tax, Trust, Estate and Legacy Planning
- Family Office Services

THE RESULTS

- Reduced concentration risk to desired levels
- Avoided liability
- Fulfilled philanthropic goals by making tax-advantaged gift to charitable trust

- Investment and Risk Management
- Personal Objectives
- Lending

The case study presented is for illustrative purposes only. Past performance is no guarantee of future results. These strategies do not guarantee a profit or protect against loss and may not be appropriate for all investors. The residential mortgage lending solution described within this document may not be attainable for all applicants. Issues relating to an applicant's financial resources, creditworthiness, financial condition and/or collateral value may affect the loan process, as well as an applicant's eligibility for a residential mortgage loan offered by MSPBNA.

REFERENCES

¹ Morgan Stanley Smith Barney LLC and its affiliates and employees do not provide tax or legal advice.

DISCLOSURES

Tax laws are complex and subject to change. Morgan Stanley Smith Barney LLC ("Morgan Stanley"), its affiliates and Morgan Stanley Financial Advisors and Private Wealth Advisors do not provide tax or legal advice. Clients should consult their tax advisor for matters involving taxation and tax planning, and their attorney for matters involving trust and estate planning, charitable giving, philanthropic planning and other legal matters.

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Where appropriate, Morgan Stanley Smith Barney LLC has entered into arrangements with banks and other third parties to assist in offering certain banking-related products and services.

Residential mortgage loans/home equity lines of credit are offered by Morgan Stanley Private Bank, National Association, an affiliate of Morgan Stanley Smith Barney LLC. With the exception of the pledged-asset feature, an investment relationship with Morgan Stanley Smith Barney LLC does not have to be established or maintained to obtain the residential mortgage products offered by Morgan Stanley Private Bank, National Association. All residential mortgage loans/home equity lines of credit are subject to the underwriting standards and independent approval of Morgan Stanley Private Bank, National Association. Rates, terms and programs are subject to change without notice. Residential mortgage loans/home equity lines of credit may not be available in all states; not available in Guam,

Puerto Rico and the U.S. Virgin Islands. Other restrictions may apply. The information contained herein should not be construed as a commitment to lend. Morgan Stanley Private Bank, National Association is an Equal Housing Lender and member FDIC that is primarily regulated by the Office of the Comptroller of the Currency. Nationwide Mortgage Licensing System Unique Identifier #663185.

The proceeds from a residential mortgage loan (including draws and advances from a home equity line of credit) are not permitted to be used to purchase, trade or carry eligible margin stock; repay margin debt that was used to purchase, trade or carry margin stock; or to make payments on any amounts owed under the note, loan agreement or loan security agreement; and cannot be deposited into a Morgan Stanley Smith Barney LLC or other brokerage account.

Important Risk Information for Securities Based Lending: Clients must be aware that: (1) Sufficient collateral must be maintained to support the loan and to take future advances; (2) Clients may have to deposit additional cash or eligible securities on short notice; (3) Some or all of the pledged securities may be sold without prior notice in order to maintain account equity at required collateral maintenance levels. Clients will not be entitled to choose the securities that will be sold. These actions may interrupt long-term investment strategy and may result in adverse tax consequences or in additional fees being assessed; (4) Morgan Stanley Bank, N.A., Morgan Stanley Private Bank, National Association or Morgan Stanley Smith Barney LLC (collectively referred to as "Morgan Stanley") reserve the right not to fund any advance request due to insufficient collateral or for any other reason except for any portion of a securities based loan that is identified as a committed facility; (5) Morgan Stanley reserves the right to increase the collateral maintenance requirements at any time without notice; and (6) Morgan Stanley reserves the right to call securities based loans at any time and for any reason.

Borrowing against securities may not be appropriate for everyone. Clients must be aware that there are risks associated with a securities based loan, including possible maintenance calls on short notice, and that market conditions can magnify any potential for loss. For details please see the important disclosures at the end of this document.

Liquidity Access Line ("LAL") is a securities-based loan/line of credit product, the lender of which is either Morgan Stanley Private Bank, National Association or Morgan Stanley Bank, N.A., as applicable, each an affiliate of Morgan Stanley Smith Barney LLC. To be eligible for an LAL loan/line of credit, a client must have a brokerage account at Morgan Stanley Smith Barney LLC that contains eligible securities, which shall serve as collateral for the LAL. In conjunction with establishing an LAL loan/line of credit, an LAL facilitation account will also be opened in the client's name at Morgan Stanley Smith Barney LLC at no charge.

Tailored Lending is a loan/line of credit product offered by Morgan Stanley Private Bank, National Association, an affiliate of Morgan Stanley Smith Barney LLC. A Tailored Lending credit facility may be a committed or demand loan/line of credit. All Tailored Lending loans/lines of credit are subject to the underwriting standards and independent approval of Morgan Stanley Private Bank, National Association. Tailored Lending loans/lines of credit may not be available in all locations. Rates, terms and programs are subject to change without notice. Other restrictions may apply. The information contained herein should not be construed as a commitment to lend. Morgan Stanley Private Bank, National Association is a member FDIC that is primarily regulated by the Office of the Comptroller of the Currency. **The proceeds from a Tailored Lending loan/line of credit (including draws and other advances) generally may not be used to purchase, trade or carry margin stock; repay margin debt that was used to purchase, trade or carry margin stock; and cannot be deposited into a Morgan Stanley Smith Barney LLC or other brokerage account.**

The appropriateness of a particular investment or strategy will depend on an investor's individual circumstances and objectives. Diversification does not guarantee a profit or protect against a loss. An investment in alternative investments can be highly illiquid, is speculative and not appropriate for all investors. Investing in alternative investments is only intended for experienced and sophisticated investors who are willing to bear the high economic risks associated with such an investment. Investors should carefully review and consider potential risks before investing. Some of these risks may include:

- Loss of all or a substantial portion of the investment due to leveraging, short selling or other speculative practices
- Lack of liquidity in that there may be no secondary market for the fund and none is expected to develop
- Volatility of returns
- Restrictions on transferring interests
- Absence of information regarding valuations and pricing
- Complex tax structures and delays in tax reporting
- Less regulation and higher fees than mutual funds
- Manager risk
- Potential lack of diversification and resulting higher risk due to concentration of trading authority when a single advisor is utilized

Unless otherwise noted, information contained in this document is dated as of December 31, 2017. Individual funds will have specific risks related to their investment programs that will vary from fund to fund. Actual results may vary and past performance is no guarantee of future results.

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