

Morgan Stanley

PRIVATE WEALTH MANAGEMENT



Morgan Stanley Private Wealth Management
Business Owners

Considerations and Resources at Each Stage of the Monetization Process

ASSEMBLING AN ADVISORY TEAM	EVALUATING READINESS	PRE-MONETIZATION PREPARATION	TRANSACTION EXECUTION	POST-LIQUIDITY PLANNING
<p>CONSIDERATIONS</p> <p>Identify and retain a highly qualified, multidisciplinary team of professionals to help guide you through the monetization process and beyond. Your core team should include:</p> <ul style="list-style-type: none">• An experienced Private Wealth Advisor to help you make timely and well-informed decisions in the context of your goals.• An Attorney with experience handling transactions similar to yours.• An Estate Attorney who specialized in working with ultra high net worth clients.• A Certified Public Accountant with sophisticated capabilities in valuation tax, and financial reporting. <p>RESOURCES</p> <ul style="list-style-type: none">• Private Wealth Advisor Professional Network• Goals-Based Financial Planning• Estate Planning Strategies Group• Trust Services• Family Governance and Wealth Education• Philanthropy Management	<p>CONSIDERATIONS</p> <p>Create a goals-based financial plan to determine the income you will need to support your lifestyle.</p> <p>Have a formal valuation of your business conducted and determine whether after-tax proceeds can meet post-sale income needs.</p> <p>Examine your current estate plan, estimated estate tax exposure, and flow of funds details to identify planning opportunities.</p> <p>Consider your personal readiness and how you will reallocate your time and energies.</p> <p>RESOURCES</p> <ul style="list-style-type: none">• Goals-Based Financial Planning• Estate Planning Strategies Group• Trust Services• Family Governance and Wealth Education• Philanthropy Management	<p>CONSIDERATIONS</p> <p>Examine different monetization paths and develop a plan for managing post-transaction liquidity.</p> <p>Create and/or update basic estate documents.</p> <p>Explore strategies to mitigate gift and estate taxes.</p> <p>Work with your CPA firm to convert your financials to GAAP and have a quality of earnings report prepared.</p> <p>RESOURCES</p> <ul style="list-style-type: none">• Estate Planning Strategies Group<ul style="list-style-type: none">– Estate Freeze Transactions– Charitable Remainder Trusts• Insurance Planning• Family Governance and Wealth Education• Philanthropy Management	<p>CONSIDERATIONS</p> <p>Identify and retain an investment banker or transaction expert who specializes in the monetization strategy you have chosen to help solicit and evaluate offers.</p> <p>Take advantage of pre-liquidity strategies and techniques to reduce personal taxes, transfer wealth to family, and fund philanthropic goals.</p> <p>RESOURCES</p> <ul style="list-style-type: none">• Strategic Client Management• Middle-Market Investment Banks• ESOP Group• Estate Planning Strategies Group	<p>CONSIDERATIONS</p> <p>Implement a customized wealth management plan that encompasses investment strategy, liability management and multi-generational legacy considerations.</p> <p>RESOURCES</p> <ul style="list-style-type: none">• Investment Management• Securities-Based Lending• Tailored Lending• Home Loans• Family Governance and Wealth Education• Philanthropy Management

Planning Your Monetizing Strategy

EXIT STRATEGY

SALE TO AN EMPLOYEE STOCK OWNERSHIP PLAN (ESOP)

- Sell some/all business to employees over period of time via loan. Rewards employees with beneficial interest in the company
- Management team remains in place
- Dividends paid to the ESOP and certain contributions made to the ESOP may be tax deductible
- ESOP share of corporate income is not taxable

SALE TO STRATEGIC ACQUIRER

- Objective is to provide you with immediate and full 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
- Earn-out may bridge valuation gap and growth prospects

IPO

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

RECAPITALIZATION

- Shareholders retain ownership structure and leverage the business to payout a dividend
- Provides liquidity along with potential for upside appreciation
- No change in ownership levels or dilution of existing shareholders
- 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
- Would likely require on- going and active participation by management
- Transaction is often highly leveraged

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

Case Study:

Sector: Medical Devices

KEY ISSUE: How do you diversify a portfolio and achieve wealth transfer goals tax-efficiently when the sale of a business results in a highly concentrated position?

RESULT

SOLUTION

SITUATION

- Founder owned 90% of a medical device company worth \$45 million.
- Held \$4 million in other investments, concentrated in medical products and Pharma.
- Wished to purchase new home and diversify portfolio to reduce risk and generate liquidity in retirement.

COMPLEXITIES

- His company was to be purchased with shares of the acquiring company's stock, leaving founder with highly concentrated position.
- He was awarded a substantial number of both Incentive Stock Options (ISO) and Non-Qualified Stock Options (NQSO) by acquiring company.

- Private Wealth Advisor began work on pre-liquidity planning two years ahead of the transaction, consulting on structuring sale to support long-term goals.
- Worked with CPA, and attorney on strategies to minimize taxes on sale and efficiently fund wealth transfer and philanthropic goals.
- Executed a diversification strategy involving solutions for black out periods, 10b5-1 plan and tax-efficient option exercise strategy.
- Worked with attorney to establish Grantor Retained Annuity Trust. (GRAT).
- Established asset-allocation plan with low correlation to concentrated position.
- Funded investment in Donor Advised Fund with private stock presale.

Case Study:

Sector: Cosmetics

KEY ISSUE: How do you gain access to the liquidity needed to carry your business through a challenging time, and what long-term planning advantages can be gained during short-term disruptions?

RESULT

SOLUTION

- The company was able to weather the crisis, and sales now exceed pre-pandemic levels.
- The founder was able to fund an estate plan which minimized impact on lifetime gift and estate tax exclusions.
- Founder has a clear and cohesive monetization in place, and understands the planning measures that can be used to mitigate tax liabilities.

SITUATION

COMPLEXITIES

- The co-founder and majority owner of a company whose beauty products were distributed through a wide retail network.
- Reduction of in-store traffic during the COVID-19 pandemic led to a 50% reduction in sales.

- The company was having difficulties raising the liquidity it required to sustain operations, and to implement new marketing campaign to increase online sales.

Case Study:

Sector: Manufacturing

KEY ISSUE: How do you reorganize your financial life after a divorce and a sale of a substantial family-owned business?

RESULT

SOLUTION

SITUATION

COMPLEXITIES

- A husband and wife had built a manufacturing business, which they were in contract to sell for \$100+ million.
- Their two adult children had each received multi-million unfettered trusts.

- The couple had recently divorced and the wife did not want to use the same Financial Advisor as her ex-husband.
- Each of the two adult children were spending funds from their trusts at an unsustainable rate.

- Private Wealth Advisor assembled an advisory team that included the family's CPA, estate attorney and the wife's divorce attorney.
- Created comprehensive pre-liquidity wealth management plan for each of the four clients encompassing tax, philanthropy, wealth transfer and other issues.
- Conducted family dynamics and wealth education consultation to address overspending issues and created liquidity projections for each family member detailing sustainable spending rates.
- Provided ongoing coordination of advisory team to ensure plans remain on track.

Case Study:

Sector: Software

KEY ISSUE: How do you know if it's the right time to sell your business, given your long-term goals, or if it's better to wait?

RESULT

SOLUTION

COMPLEXITIES

SITUATION

- The founder and 100% owner of a successful software company was interested in selling his company.
- Objective was to create the liquidity needed to fund retirement goals and transfer wealth to younger generation.

- The first time he was involved in the sale of a business, the founder needed assistance in assembling an advisory team.

- Private Wealth Advisor identified three investment banks, hosted interviews and consulted on selection of appropriate bankers.
- Conducted analysis to determine the amount of after-tax proceeds that would be needed to support personal post-sale ambitions.
- Working closely with the client's CPA and estate attorney, the Private Wealth Advisor drafted a comprehensive pre-liquidity plan to support lifestyle, retirement, philanthropic and wealth transfer goals.
- The Private Wealth Advisor created a highly customized post-liquidity investment strategy, including diversification of the potential concentrated position of the acquiring company's stock.

Private Wealth Management Highlights

Part of an exclusive boutique that specializes in the needs of affluent clients, we craft highly customized management solutions for individuals and families with \$20MM+ in investable assets.

Approximately
350 elite wealth
management
teams

Comprising
26% of Barron's
Top 100 Financial
Advisors list
for 2025⁽²⁾

Over
\$980 billion
in Assets
Under Management⁽¹⁾

Direct access to
leading
experts in
philanthropy,
family governance,
wealth transfer,
lifestyle advisory and
other areas of interest
to sophisticated
individuals

1. Morgan Stanley Wealth Management, March 2025

2. Barrons.com (April 2025) 2025 Barron's Top 100 Financial Advisors awarded in 2025. This ranking was determined based on an evaluation process conducted by Barron's during the period from Dec 2023 - Dec 2024. Neither Morgan Stanley Smith Barney LLC nor its Financial Advisors or Private Wealth Advisors paid a fee to Barron's to obtain or use the ranking. This ranking is based on in-person and telephone due diligence meetings to evaluate each advisor qualitatively, a major component of a ranking algorithm that includes client retention, industry experience, review of compliance records, firm nominations, and quantitative criteria, including assets under management and revenue generated for their firms. Investment performance is not a criterion. Rankings are based on the opinions of Barron's and this ranking may not be representative of any one client's experience. This ranking is not indicative of the Financial Advisor's future performance. Morgan Stanley Smith Barney LLC is not affiliated with Barron's. Barron's is a registered trademark of Dow Jones & Company, L.P. All rights reserved.

Firm Comprehensive Capabilities

INVESTMENT MANAGEMENT

- Assistance With your Investment Policy Statement
- Asset Allocation
- Portfolio Construction and Management
- Open Architecture Platform
- Exclusive Co-investment Opportunities
- Money Manager Due Diligence Analysis
- Alternative Investments
- Structured Investments
- Tax Management Strategies
- Advisory Platform
- Emerging Market Managers
- Global Sustainable Finance / Impact Investing

FAMILY OFFICE SERVICES

- Family Governance and Wealth Education
- Philanthropy Management
- Signature Access Lifestyle Advisory Services ¹
- Educational Programs
- Family Office Consultive Services
- Health & Wellness Education

TRUST, ESTATE AND LEGACY PLANNING

- Wealth Transfer and Trust Strategies
- Current Will, Trust and Insurance Review ²
- Foundation and Other Charitable Giving Strategies
- Coordination With Outside Legal and Tax Advisors
- A Robust Donor-Advised Fund ("Morgan Stanley GIFT")

FINANCIAL PLANNING AND GOAL ANALYSIS

- Goals-Based Planning (Retirement, Education Funding, Philanthropic, Wealth Transfer)
- Cash Flow Planning

ONLINE, E-DELIVERY AND MOBILE

Integrated suite of tools and apps designed to enhance the Private Wealth Advisor-Client relationship, including:

- Dynamic Insights Into Portfolio Data
- Latest News
- Robust Market Research Tools

ACCESS TO CASH MANAGEMENT, AND LENDING PRODUCTS AND SERVICES

- Securities Based Lending
- Residential Mortgage Lending
- Tailored Lending
- Cash Management Services
- Cash Plus

CORPORATE EQUITY SOLUTIONS

- Directed Shares, Stock Plans, 10b5-1 Programs
- Cash Management Services
- Retirement and Pension Plans

RISK MANAGEMENT

- Hedging Strategies
- Concentrated / Restricted Stock Advice
- Interest Rate Risk Management
- Currency Exposure Strategies
- Insurance Solutions

1. Lifestyle Advisory Services: products and services are provided by third party service providers, not Morgan Stanley Smith Barney LLC ("Morgan Stanley"). Morgan Stanley may not receive a referral fee or have any input concerning such products or services. There may be additional service providers for comparative purposes. Please perform a thorough due diligence and make your own independent decision.

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

Disclosures

This material has been prepared for informational purposes only and is subject to change at any time without further notice. Information contained herein is based on data from multiple sources and Morgan Stanley Smith Barney LLC ("Morgan Stanley") makes no representation as to the accuracy or completeness of data from sources outside of Morgan Stanley Smith Barney LLC. It does not provide individually tailored investment advice. Be aware that the particular legal, accounting and tax restrictions, margin requirements, commissions and transaction costs applicable to any given client may affect the consequences described, and these analyses will not be suitable to discuss with every client. The appropriateness of a particular investment or strategy will depend on an investor's individual circumstances and objectives.

Lifestyle Advisory Services: Morgan Stanley Smith Barney LLC (the "Firm") and its affiliates do not currently offer the services provided by this Service Provider(s). The Service Provider(s) is not an affiliate of the Firm. Any review of the Service Provider(s) performed by the Firm was based on information from sources that we believe are reliable but we cannot guarantee its accuracy or completeness. This referral should in no way be considered to be a solicitation by the Firm for business on behalf of the Service Provider(s). The Firm makes no representations regarding the appropriateness or otherwise of the products or services provided by the Service Provider(s). There may be additional service providers for comparative purposes. If you choose to contact the Service Provider(s), do thorough due diligence, and make your own independent decision. The Firm will not receive a referral fee for referring you to the Service Provider(s). The Firm is a diversified financial services company with millions of clients in several countries around the world. The Firm routinely enters into a variety of business relationships for which either the Firm receives compensation or pays for services, and such business relationships may include the named Service Provider(s), its employees or agents, or companies affiliated with the Service Provider.

Insurance products are offered in conjunction with Morgan Stanley Smith Barney LLC's licensed insurance agency affiliates.

Morgan Stanley Smith Barney LLC is a registered Broker/Dealer, Member SIPC, and not a bank. 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.

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 and other legal matters.

The examples presented are provided for illustrative purposes only. It does not represent any specific client situation, but it does represent generally ways that Morgan Stanley Private Wealth Management can help clients with similar circumstances. Each client's specific situation, goals, and results will differ.

Disclosures (Continued)

The Morgan Stanley Global Impact Funding Trust, Inc. ("MS GIFT, Inc.") is an organization described in Section 501(c) (3) of the Internal Revenue Code of 1986, as amended. MS Global Impact Funding Trust ("MS GIFT") is a donor-advised fund. Morgan Stanley Smith Barney LLC provides investment management and administrative services to MS GIFT.

The returns on a portfolio consisting primarily of sustainable investments may be lower or higher than a portfolio that is more diversified or where decisions are based solely on investment considerations. Because sustainability criteria exclude some investments, investors may not be able to take advantage of the same opportunities or market trends as investors that do not use such criteria.

Alternative investments often are speculative and include a high degree of risk. Investors could lose all or a substantial amount of their investment. Alternative investments are appropriate only for eligible, long-term investors who are willing to forgo liquidity and put capital at risk for an indefinite period of time. They may be highly illiquid and can engage in leverage and other speculative practices that may increase the volatility and risk of loss. Alternative Investments typically have higher fees than traditional investments. Investors should carefully review and consider potential risks before investing.

Structured Investments are complex and not appropriate for all investors, and there is no assurance that a strategy of using structured product for wealth preservation, yield enhancement, and/or interest rate risk hedging will meet its objectives.

Asset allocation, diversification and rebalancing do not assure a profit or protect against loss. There may be a potential tax implication with a rebalancing strategy. Please consult your tax advisor before implementing such a strategy.

Individuals executing a 10b5-1 trading plan should keep the following important considerations in mind: (1) 10b5-1 trading plans should be reviewed and approved by the legal and compliance department of the individual's company. (2) Most companies will permit 10b5-1 trading plans to be entered into only during open window periods. (3) Recent rule changes will require a mandatory cooling-off period between the execution of a 10b5-1 trading plan (or a modification) and the first sale pursuant to the plan (or the first sale following such modification). (4) 10b5-1 trading plans do not alter the nature of restricted and/or control stock or regulatory requirements that may otherwise be applicable (e.g., Section 16, Section 13). (5) 10b5-1 trading plans that are terminated early may weaken or cause the individual to lose the benefit of the affirmative defense. (6) 10b5-1 trading plans may require a cessation of trading activities at times when lockups may be required at the company (e.g., secondary offerings). (7) Recent rule changes will require companies to publicly disclose material terms of Section 16 director and officer 10b5-1 trading plans, and the early termination of such plans.

Morgan Stanley Smith Barney LLC does not accept appointments, nor will it act as a trustee, but it will provide access to trust services through an appropriate third-party corporate trustee.

Morgan Stanley Smith Barney LLC is a registered Broker/Dealer, Member SIPC, and not a bank. Where appropriate, Morgan Stanley Smith Barney LLC has entered arrangements with banks and other third parties to assist in offering certain banking related products and services.

Investment, insurance and annuity products offered through Morgan Stanley Smith Barney LLC are: **NOT FDIC. INSURED | MAY LOSE VALUE | NOT BANK GUARANTEED | NOT A BANK DEPOSIT | NOT INSURED BY ANY FEDERAL GOVERNMENT AGENCY**