Monetization Planning for Owners of Privately Held Businesses

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.

CONSIDERATIONS AND RESOURCES AT EACH STAGE OF THE MONETIZATION PROCESS

Assembling an Advisory Team

CONSIDERATIONS

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:

- 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 CPA with sophisticated capabilities in valuation tax and financial reporting.

RESOURCES

- Network of Private Wealth Advisors
- Goals-Based Financial Planning
- Estate Planning Strategies Group

Evaluating Readiness

CONSIDERATIONS

Create a goals-based financial plan to determine the income you will need to support your lifestyle.

Have a formal valuation of your business conducted and determine whether after-tax proceeds can meet post-sale income needs.

Examine your current estate plan, estimated estate tax exposure and flow of funds details to identify planning opportunities.

Consider your personal readiness and how you will reallocate your time and energies.

RESOURCES

- Goals-Based Financial Planning
- Estate Planning Strategies Group
- Trust Services
- Family Governance and Wealth Education
- Philanthropy Management

Pre-Monetization Preparation

CONSIDERATIONS

Examine different monetization paths and develop a plan for managing post-transaction liquidity.

Create and/or update basic estate documents.

Explore strategies to mitigate gift and estate taxes.

Work with your CPA firm to convert your financials to GAAP and have a quality of earnings report prepared.

RESOURCES

- Estate Planning Strategies Group
- Estate Freeze Transactions
- Charitable Remainder Trusts
- Insurance Planning
- Family Governance and Wealth Education
- Philanthropy Management

Transaction Execution

CONSIDERATIONS

Identify and retain an investment banker or transaction expert who specializes in the monetization strategy you have chosen to help solicit and evaluate offers.

Take advantage of pre-liquidity strategies and techniques to reduce personal taxes, transfer wealth to family and fund philanthropic goals.

RESOURCES

- Strategic Client Management
- Middle-Market Investment Banks
- Estate Planning Strategies Group

Post-Liquidity Planning

CONSIDERATIONS

Implement a customized wealth management plan that encompasses investment strategy, liability management and multi-generational legacy considerations.

RESOURCES

- Investment Management
- Securities Based Lending
- Tailored Lending
- Home Loans
- Family Governance and Wealth Education
- Philanthropy Management

PLANNING YOUR MONETIZING 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

Exit Strategy

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

COMPREHENSIVE CAPABILITIES

Investment Management

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

Asset Allocation does not assure a profit or protect against loss in declining financial markets.

Family Office Services

- Family Governance and Wealth Education
- Philanthropy Management
- Signature Access Lifestyle Advisory Services²
- Educational Programs
- Family Office Consultive Services
- Health and Wellness Education

Trust, Estate and Legacy Planning

- Wealth Transfer and Trust Strategies
- Current Will, Trust and Insurance Review¹
- Foundation and Other Charitable Giving Strategies
- Coordination With Outside Legal and Tax Advisors
- A Robust Donor-Advised Fund ("Morgan Stanley GIFT")

The Morgan Stanley Global Impact Funding Trust, Inc. (MS GIFT) 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. Back office administration provided by RenPSG, an unaffiliated charitable gift administrator.

Financial Planning and Goal Analysis

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

ADDITIONAL FIRM CAPABILITIES

A globally respected financial services leader with an 85-year history, our firm has the vast resources and intellectual capital to support the growth of vour enterprise.

- Global Research
- Sales and Trading—Equity/Fixed Income
- Morgan Stanley Investment Management/ Eaton Vance
- Morgan Stanley Institute for Sustainable Investing
- Multicultural Innovation Lab
- Morgan Stanley Institute for Inclusion

MORGAN STANLEY AT WORK

Comprehensive suite of workplace financial solutions, including:

- Financial Wellness
- Retirement
- Global Equity Plan Management Solution

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
- Morgan Stanley CashPlus Brokerage Account

The Morgan Stanley CashPlus Account is a brokerage account offered through Morgan Stanley Smith Barney LLC. Conditions and restrictions apply. Please refer to the Morgan Stanley CashPlus Account Disclosure Statement for further details at https://www.morganstanley.com/ wealth-disclosures/cashplusaccountdisclosurestatement.pdf

Corporate and Institutional **Equity Solutions**

- Directed Shares, Stock Plans, 10b5-1 Programs
- Cash Management Services
- Retirement and Pension Plans
- Industry leading employee equity plan platform for Private and Public Issuers
- Dedicated liquidity solutions support for tender offers, secondaries and IPOs

Risk Management

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

- ¹ Morgan Stanley Smith Barney LLC and its affiliates and employees do not provide tax or legal advice.
- ² 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 throughout due diligence and make your own independent decision.

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 below.

DISCLOSURES

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

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.

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 offers a wide array of brokerage and advisory services to its clients, each of which may create a different type of relationship with different obligations to you. Please consult with your Private Wealth Advisor to understand these differences. Morgan Stanley Smith Barney LLC is a registered broker-dealer, member SIPC, and not a bank.

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 pledgedasset 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.

With the exception of a margin loan, the proceeds from securities based loan products may not be used to purchase, trade, or carry margin stock (or securities, with respect to Express CreditLine); repay margin debt that was used to purchase, trade or carry margin stock (or securities, with respect to Express CreditLine); and cannot be deposited into a Morgan Stanley Smith Barney LLC or other brokerage account.

To be eligible for a securities based loan, a client must have a brokerage account at Morgan Stanley Smith Barney LLC that contains eligible securities, which shall serve as collateral for the securities based loan Securities based loans are provided by Morgan Stanley Smith Barney LLC, Morgan Stanley Private Bank, National Association or Morgan Stanley Bank, N.A, as applicable.

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 mand 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.

This material does not provide individually tailored investment advice. It has been prepared without regard to the individual financial circumstances and objectives of persons who receive it. The strategies and/or investments discussed in this material may not be appropriate for all investors.

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:

- due to leveraging, short selling or other speculative practices
- Lack of liquidity in that there may be no secondary

 Absence of information regarding valuations and market for the fund and none is expected to develop
- Volatility of returns
- Restrictions on transferring interests
- Loss of all or a substantial portion of the investment 🌘 Potential lack of diversification and resulting higher risk due to concentration of trading authority when a single advisor is utilized

 - Complex tax structures and delays in tax reporting Less regulation and higher fees than mutual funds
 - Manager risk

When a client is eligible for both products and either product can meet their lending need, then the product with the most favorable pricing for the client should be selected. 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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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.

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