

# Corporate Executive Capabilities and Considerations

As a corporate leader, the commitments you make to your customers, colleagues and shareholders may leave little time to address your personal finances. Focused on the needs of prominent executives and their families, our team offers the experienced perspective and specialized resources needed to create and implement tailored solutions. In the process, you gain access to the intellectual capital and financial resources of one of the world's preeminent financial institutions, delivered with the highest level of personal service.

## Managing Incentive Compensation

### CONSIDERATIONS

The rules governing the exercise, taxation and transfer of nonqualified stock options (NQSOs) and incentive stock options (ISOs) differ significantly. Determining the optimal strategies for when and how to exercise options can be a complex process calling for specialized expertise.

### SOLUTIONS

Working with strategists within the Morgan Stanley franchise, we can help evaluate your options and analyze the potential financial and tax impact of multiple strategies, including:

- Liquidation exercise
- Hold and leveraged hold
- Leveraged exercise approaches

## Managing a Concentrated Equity Position

### CONSIDERATIONS

There are several ways to diversify a concentrated position in your company's equity, each of which must be evaluated in light of your financial objectives, overall risk profile, tax situation and time horizon. Careful analysis is also needed to minimize the possibility that required disclosures of any sales or hedges do not send inaccurate and unintended signals to your board or the public.

### SOLUTIONS

#### Reduce Exposure

- Systematic Selling Over Time
- Block Sale
- Gifting
- Grantor-Retained Annuity Trusts (GRATs)
- Exchange Fund
- Rule 10b5-1

- Rule 144
- Trust Accounts
- Ratio Call Spread
- Derivative-Based/Premium Sales

#### Enhance Yield (Potential Future Sale)

- Covered Call Writing

#### Hedge Exposure (Potential Future Sale)

- Put Purchases
- Zero-Premium Collar

#### Maintain Long Exposure

- Valuations
- Risk Analysis
- Asset Allocation

## Managing Liquidity and Balance Sheet Cash

### CONSIDERATIONS

Executives may find themselves with a substantial net worth on paper that is effectively illiquid. We can help you explore multiple strategies to create the balance sheet flexibility you may need to pursue personal and family goals.

### SOLUTIONS

- **Securities Based Lending** for income and cash flow purposes, portfolio diversification\* or even to address intergenerational wealth transfer or charitable goals.
- **Tailored Lending**, offered by Morgan Stanley Private Bank, National Association, can leverage an extensive range of collateral — from privately held stock to alternatives to art collections — to gain needed liquidity.
- **Home Loans**, both fixed and adjustable rate, for purchases and renovations of primary and secondary residences.
- **Cash Management** to help enhance returns on high levels of liquidity while mitigating concentration risk.

\*Margin or Purpose LAL only

Borrowing against securities may not be appropriate for everyone. You should 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.

### PRIVATE WEALTH MANAGEMENT HIGHLIGHTS

Part of an exclusive boutique that specializes in the needs of ultra high net worth clients, we craft highly customized management solutions for individuals and families with \$20 million in investable assets.

More than 750 clients with at least \$100 million in household net worth

Over 300 private wealth management teams

\$614 billion in assets under management<sup>1</sup>

Direct access to leading experts in philanthropy, family dynamics, wealth transfer, lifestyle advisory and other areas of interest to affluent families and individuals

<sup>1</sup>Morgan Stanley Wealth Management, March 2023

### MORGAN STANLEY STOCK PLAN SERVICES

An industry leader in administering corporate stock plans for 45 years, our unique combination of experience, expertise, service and technology enables companies to get the most out of their plans — and with seamless efficiency.

As a Senior Executive, you can work with specialist teams that have made us the top provider of Rule 144 and 10b5-1 transaction services every year since 2005.<sup>2</sup>

Drawing on the vast global resources, specialized expertise and intellectual capital of Morgan Stanley, we have access to the full range of capabilities needed to address every aspect of your personal and professional financial life.

### Family Office Resources, Global Investment Office and Investment Solutions

In addition to our own talents and experienced perspective, our team provides guided access to specialists across an extensive range of wealth management disciplines. This results in a carefully coordinated effort to help you address the full spectrum of multigenerational wealth management challenges, and to pursue your unique vision of a successful life.



### Access to the Morgan Stanley Franchise

Strongly integrated with the firm's other businesses, Private Wealth Management leverages synergistic relationships to deliver the insight, experience and extensive capabilities of a global financial leader. In addition to our Wealth Management Group, we offer connectivity to:

#### INSTITUTIONAL SECURITIES GROUP

- Investment Banking: capital raising, corporate lending and financial advisory services
- Equity and Fixed Income Securities: sales, trading, financing and market-making activities
- Other Activities: research and prime brokerage

#### INVESTMENT MANAGEMENT

- Investment management solutions for a diverse, global client base
- Global Asset Management

## MORGAN STANLEY AT WORK

Through our Morgan Stanley at Work Program, we offer financial solutions that help employees achieve their life goals. Our comprehensive offering spans equity, financial wellness and retirement solutions, plus financial empowerment so your workforce can realize the full potential of their benefits.

#### EQUITY SOLUTIONS

- 4,700 employers, including 40% of S&P companies, represented<sup>3</sup>
- Over 6 million stock plan participants<sup>4</sup>
- More than 170 countries<sup>5</sup>
- More than 260 IPOs in the past five years<sup>6</sup>
- No. 1 in Rule 144 and 10b5-1 transaction services<sup>7</sup>

#### FINANCIAL WELLNESS

- Digital Education Portal
- Financial Coaching and Comprehensive Planning
- Education Assistance

#### RETIREMENT SOLUTIONS

- 401(k) and 403(b) Plans
- Pension Plans
- Nonqualified Deferred Compensation Plans

Please contact your Morgan Stanley Private Wealth Advisor to learn more.

<sup>1</sup>Morgan Stanley Wealth Management, March 2023

<sup>2</sup>All stats refer to equity compensation administrative services for Shareworks and Equity Edge Online®. S&P 500® Companies Represented includes companies for which Morgan Stanley provides equity compensation solutions as of 2021.

<sup>3</sup>Reprinted with the permission of Washington Service. 301-913-5100. – www.washingtonservice.com. The Washington Service tracks insider trade information filed with the Securities and Exchange Commission. The above data is compiled by the Washington Service from Form 144 filings in the period from 2/1/2005 to 12/31/2017. Data from the period 2/1/2005 to 5/31/2009 reflects the formerly separate businesses of the Global Wealth Management Group of Morgan Stanley & Co. LLC and the Smith Barney division of Citigroup Global Markets Inc. that now form Morgan Stanley Smith Barney LLC. This data also includes transactions from Morgan Stanley & Co. LLC. Information contained herein was obtained from sources believed reliable, but the accuracy and completeness thereof cannot be guaranteed. Information contained herein is subject to change.

<sup>4</sup>Stock Plan Participants represents reported participants as of 1Q 2021 with total accounts with vested or unvested assets. Individuals with accounts in multiple plans are counted as participants in each plan.

<sup>5</sup>Represents number of countries we serve participants in as of 08/2022.

<sup>6</sup>Refers to equity compensation solutions by E\*TRADE Corporate Services and Solium relating to the IPO. Solium 2017–2021 + E\*TRADE 2017–2021.

<sup>7</sup>Reprinted with the permission of The Washington Service. 301-913-5100, www.washingtonservice.com. The above data is compiled by The Washington Service from Form 144 filings with the Securities and Exchange Commission in the period from 2/1/2005 to 12/31/2021; ranking is based on aggregate data for this period. This data includes transactions from Morgan Stanley & Co. LLC, the Smith Barney division of Citigroup Global Markets Inc. (through 5/31/2009) and E\*TRADE Financial Corporation (beginning in 2021). Information contained herein was obtained from sources believed reliable, but the accuracy and completeness thereof cannot be guaranteed. Information contained herein is subject to change.

The lending products [referenced or described] are separate and distinct, and are not connected in any way. The ability to qualify for one product is not connected to an individual's eligibility for another.

Cash management and lending products and services are provided by Morgan Stanley Smith Barney LLC, Morgan Stanley Private Bank, National Association or Morgan Stanley Bank, N.A. as applicable.

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 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.**

The interest rate and payments on an adjustable rate mortgage ("ARM") loan may increase over the life of a loan as interest is fixed for a specified period and then will adjust periodically thereafter. The annual percentage rate may increase after consummation of the loan.

**Important Risk Information for Securities Based Lending:** You need to understand that: (1) Sufficient collateral must be maintained to support your loan(s) and to take future advances; (2) You may have to deposit additional cash or eligible securities on short notice; (3) Some or all of your securities may be sold without prior notice in order to maintain account equity at required maintenance levels. You will not be entitled to choose the securities that will be sold. These actions may interrupt your 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") reserves 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 your 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.

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.**

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. All LAL loans/lines of credit are subject to the underwriting standards and independent approval of Morgan Stanley Private Bank, National Association or Morgan Stanley Bank, N.A., as applicable. LAL loans/lines of credit may not be available in all locations. Rates, terms and conditions are subject to change without notice. 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. Other restrictions may apply. The information contained herein should not be construed as a commitment to lend. Morgan Stanley Private Bank, National Association and Morgan Stanley Bank, N.A. are Members FDIC that are primarily

regulated by the Office of the Comptroller of the Currency. **The proceeds from a non-purpose LAL loan/line of credit (including draws and other advances) 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 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. Morgan Stanley Smith Barney LLC ("Morgan Stanley"), its affiliates and Morgan Stanley Financial Advisors or 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 legal matters.

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

Diversification does not guarantee a profit or protect against loss in a declining financial market. 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 into 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.**

