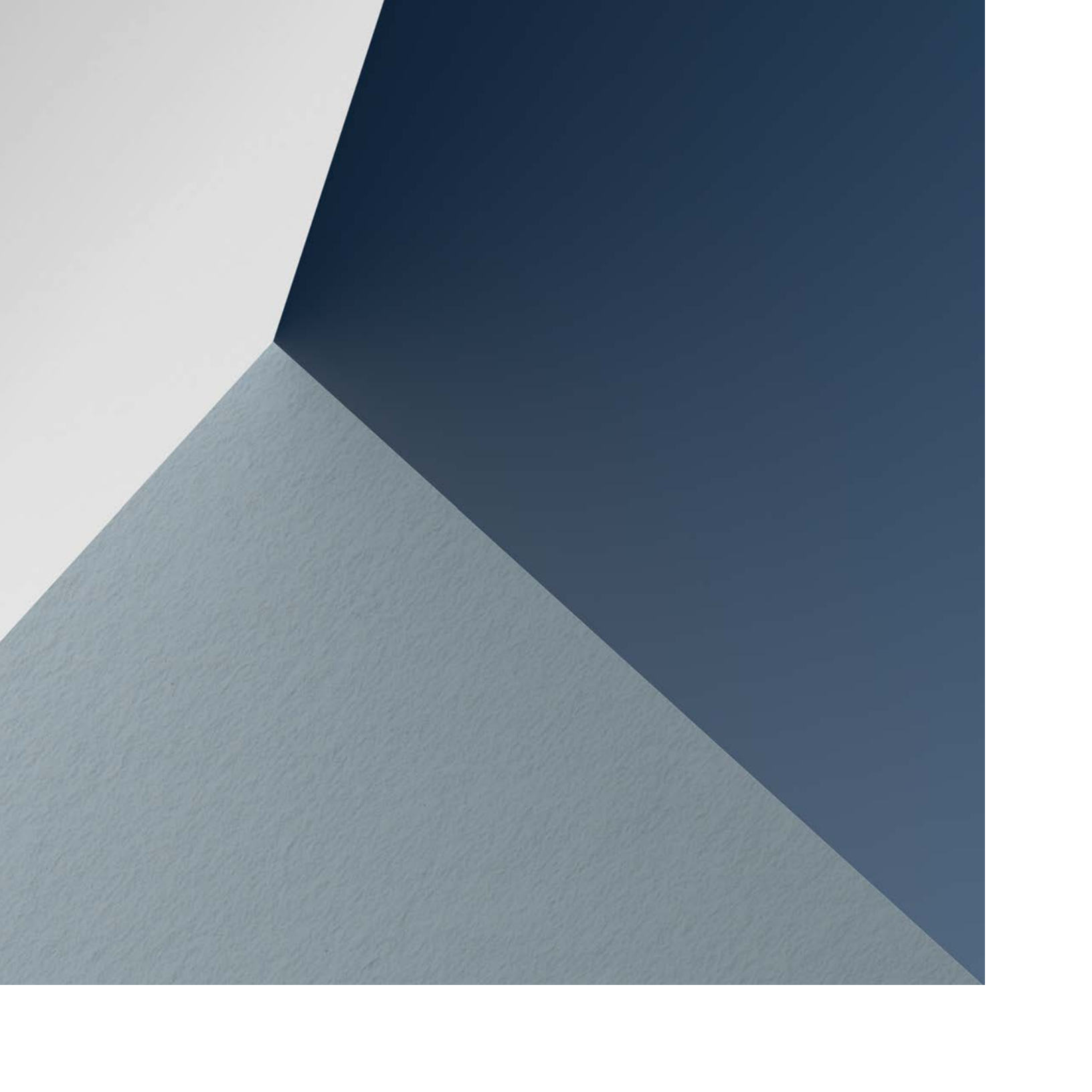


# Morgan Stanley

PRIVATE WEALTH MANAGEMENT

## The Entrepreneur





As an entrepreneur, you have devoted your career to building your enterprise. Now, it is time to plan for what comes next: enjoying the substantial rewards of your success, spending more time with your family and pursuing new challenges.

Creating and growing a successful business is rarely about the money alone. The decision to exit the business isn't either. Whether you are considering an IPO, a merger, private sale or succession within the family, the process is intense, the details myriad and complex, and the decisions often an unexpected combination of the personal and financial.

Morgan Stanley Private Wealth Management has helped hundreds of successful entrepreneurs in dozens of industries around the world reap the financial rewards of their efforts, bringing clarity and confidence to the process. We provide the knowledge, experience and resources needed to prepare for the transition at both the company and individual level, and to provide ongoing support when the transition is complete. Before the transition, we can work with you and your key executives and advisors to prepare your company for sale, avoid potential pitfalls, analyze your options and connect you with a Morgan Stanley investment banker or external affiliate. We can also help you prepare for the impact

of significant new wealth by helping you define your personal objectives and priorities. The result is a structure that reflects your goals, values and commitments while helping to mitigate taxes and maximize flexibility. Following the transition, we can oversee the details of your financial life, including managing the opportunities and risks that can come with your new balance sheet and investment portfolio.

Throughout this process, a Morgan Stanley Private Wealth Advisor will work with you shoulder to shoulder. After gaining a deep understanding of your needs, preferences and aspirations, your Private Wealth Advisor can help you develop customized solutions to simplify your financial life and pursue your aspirations for yourself and future generations of your family. Your Private Wealth Advisor will also provide access to the financial resources and intellectual capital of Morgan Stanley, personalizing your interactions with the highest level of service and attention.

## THE PRIVATE WEALTH MANAGEMENT RELATIONSHIP

A relationship with Morgan Stanley Private Wealth Management is organized to be broader in scope and much higher in sophistication than relationships you may have with other institutions. It is based on a concept that is familiar to most successful entrepreneurs: surrounding yourself with great talent. Our professionals offer skills to complement your own, dedicating themselves to helping you achieve the objectives you have established. Drawing on a deep understanding of your financial life, we can help you deal with issues around taxes, risk management and a host of other complexities that can arise before, during and after the sale of your business.



### **THE ROLE OF YOUR PRIVATE WEALTH ADVISOR**

As an entrepreneur, you have a thorough understanding of your company's opportunities, risks, capital structure and financial objectives. Your Private Wealth Advisor begins by developing a similar understanding of you and your family. Translating this knowledge into strategy and process, your Private Wealth Advisor helps you manage not only your investments but also your balance sheet and liquidity needs, as well as analyzes and assesses your financial status and investment performance on an ongoing basis, and reports to you regularly.

### **A TEAM OF SPECIALISTS TO SIMPLIFY COMPLEXITY**

At the beginning of your relationship, your Private Wealth Advisor will help you identify the specialized skills required to address your needs and objectives, and assemble a team to focus on your goals. Drawn from the global resources of Morgan Stanley and in coordination with your outside advisors, your team is likely to include specialists in risk management, customized liquidity strategies and income and estate taxation. As your needs evolve, your team may encompass specialists in investment banking, corporate finance, capital markets transactions and venture investing.



### **THE FLEXIBILITY AND FOCUS OF A FAMILY OFFICE**

In addition to addressing the purely financial and investment-related aspects of your life, your Private Wealth Advisor can help address family dynamics and personal concerns. He or she can call upon experts in tax, trust and estate planning, personal security and many aspects of the affluent lifestyle. Specialized professionals are also available to assist you with potentially complex issues related to values and legacy: family mission development and governance, wealth transfer planning, trust guidance and meeting multigenerational charitable goals.

## ALIGNING OUR RESOURCES

During the years of building and managing your business, you may not have focused on managing the significant personal wealth you were creating. Your Private Wealth Advisor can guide you through a process designed to integrate your institutional and corporate objectives with your personal goals. Your team will then work to anticipate your needs, refine your strategy and realign your assets to keep pace with changes in your goals and your life.

## Customized Approach

1

### **DISCOVERY PROCESS**

We begin by learning about you, your family and your financial complexities. What we learn helps us to formulate specific solutions, and, of equal importance, it helps us customize the entire relationship to your preferences and requirements.

2

### **FORMULATION OF TAX, TRUST AND ESTATE STRATEGY**

After reviewing your balance sheet and existing estate plan, we analyze your income and estate tax circumstances, identifying planning techniques based on your personal and financial objectives.

4

### **INTEGRATION OF TACTICAL ASSET ALLOCATION**

These short-term adjustments seek to take advantage of opportunities created by temporary market movements. Before adjustments are made, we work with your outside tax advisors to carefully analyze the potential impact of any taxes or trading costs on potential returns.

3

### **CREATION OF A CUSTOMIZED STRATEGIC ASSET ALLOCATION**

Our goal is to develop an asset allocation that reflects risk, opportunities and taxation across all ownership entities while integrating your investment and estate plans. This asset allocation becomes the basis for a long-term strategy formalized in your investment policy.

5

### **IMPLEMENTATION OF A CUSTOMIZED INVESTMENT STRATEGY**

After comprehensive due diligence and extensive analysis of expected results across a range of market scenarios, investment strategies from our global investment platform are combined to create your portfolio. Our platform includes proven proprietary strategies developed using Morgan Stanley's worldwide resources as well as open-architecture solutions by many of the world's most respected managers.

6

### **ONGOING ASSESSMENT OF WEALTH MANAGEMENT NEEDS**

Coordinating with you and your outside advisors, we conduct ongoing reviews and comprehensive reporting to help ensure that your strategy adapts to changing financial and family needs.

One of the most significant benefits of a relationship with Morgan Stanley Private Wealth Management is increased control, organization and discipline with regard to personal finances. Through your Private Wealth Advisor, you are connected to a comprehensive suite of family office services — a unique combination of resources and experience.

**WORLDWIDE RESOURCES FOR SUCCESSFUL FAMILIES.** The world is more complex, dynamic and interconnected than ever before. Your success opens up many opportunities, but these require careful analysis and vetting in order to manage risk and maximize control. For example, you may find yourself presented with investment opportunities in unfamiliar companies, continents away. Or you may find yourself

conducting business or choosing to live in multiple geographies. Your children may decide to study or live abroad. As a leading financial institution, Morgan Stanley is prepared to meet your most complex and globally dispersed business and personal financial needs.

**ACCESS TO MORGAN STANLEY'S CORPORATE RESOURCES.** Through your relationship, you have access to

the investment bankers, corporate bankers, market makers and traders of Morgan Stanley. Your Private Wealth Advisor can also arrange for you to work directly with other senior Morgan Stanley professionals who are important to your strategies and instrumental to your ongoing success. If, for example, you decide to start another company, the knowledge and network of Morgan Stanley could prove invaluable.



# 1

## **HOLISTIC WEALTH PLANNING**

Our Family Office Resources and Investment teams support our efforts to provide you with holistic solutions that integrate behavioral, structural and investment decisions. Their specialists can work with you and your advisors to formulate a tax, trust and estate plan, and to develop an asset allocation that integrates your estate and investment plans across all of your ownership entities. After comprehensive due diligence and extensive scenario analysis, they can help you construct a portfolio that is personalized for you based on your unique needs that may include global, traditional and alternative investments.

# 2

## **ACCESS TO CASH MANAGEMENT AND LENDING**

Your Private Wealth Advisor can help develop sophisticated strategies for cash flow and liquidity management while working to enhance yield on short-term assets. In addition, you can work with experienced professionals with the skills and resources to help address a broad range of credit needs with securities-based loans, residential real estate loans and tailored lending loans that are secured by eligible collateral which may include certain Collateral: Eligible Marketable Securities, Structured Investments, Exchange Funds, Life Insurance, Commercial Real Estate, Alternative Investments, Privately Held Stock, Fine Art, And Real Estate Investment Trust Operating Partnership Units.

3

### **FAMILY GOVERNANCE AND WEALTH EDUCATION**

Family members, particularly those of different generations, may have divergent points of view and differing priorities. Our professionals are available to you to help address sensitive family issues, facilitate communication, manage conflict and achieve a shared sense of direction. They can help you draft a family mission, shape a governance structure and promote financial literacy among younger family members.

4

### **PHILANTHROPY MANAGEMENT**

Collaborating with your legal and tax advisors, we can help integrate philanthropy into your wealth management plan, enhancing the impact of giving and its benefits to your family. Our professionals work at each stage of philanthropic activity, from focusing your interests and defining a mission to translating your interests and values into effective grant-making. You can also work with specialists in the creation, operation and governance of private foundations, and we can support you with comprehensive foundation management services.

5

**LIFESTYLE ADVISORY<sup>1</sup>**

These capabilities are designed to enhance your lifestyle and to provide you with easy access to a wide variety of opportunities. Our services range from yacht and aircraft charter resources and personal security to the household management services needed to address the staffing needs at multiple residences. Through our partnership with Pinnacle, you also have access to an extensive suite of personal health care advisory services.

6

**EDUCATIONAL PROGRAMS**

To help broaden your access to our firm's resources and to create opportunities to meet with and share experience with other Private Wealth Management clients, we offer an array of programs and events. These include family legacy programs and programs for the next generation as well as women's retreats, entrepreneur forums and senior management roundtables.

7

**ONLINE & MOBILE SERVICES**

Morgan Stanley Online and the Morgan Stanley Mobile App are optimized to enhance the advisor-client relationship. You will have anytime, anywhere access to customizable views of assets and liabilities, including up to 12 months of projected income. Detailed insights into portfolio data are available, including asset allocation with three levels of asset classification. You can access research, analysis and robust market research tools as well as a full suite of cash management capabilities.

## STRATEGIC GUIDANCE FOR YOUR TRANSITION

It can take many months of careful planning to exit your company in a way that supports your financial objectives, preserves business value and positions your wealth to support your legacy and multigenerational goals. Waiting until after the transaction to deal with wealth management issues can be costly in terms of taxes and lost planning flexibility. Your team at Morgan Stanley Private Wealth Management can assist at each stage of the process, helping you map issues against your projected timeline; highlighting key decisions, deadlines and milestones as you approach the closing; and working with your outside advisors to help ensure that you are properly positioned to mitigate taxes from the transaction.

**STRATEGIC ANALYSIS.** Your team can call on firm specialists to help you evaluate various exit strategies to determine which can help meet your personal goals and your aspirations for the ongoing business after your departure.

**RESOURCE SELECTION.** We can connect you with a Morgan Stanley investment banker or third-party affiliate based on factors such as transaction size and type, likely purchasers, your industry and geographic focus.

**INCOME TAX PLANNING.** Working closely with your outside tax and legal advisors, we can help you evaluate the impact of exit opportunities on your income taxes so that you can plan ahead and take advantage of strategies to reduce your tax liability.

**ESTATE PLANNING.** It is likely that the amount you realize from the sale will exceed the amount you can pass on free of estate and gift taxes. Through the estate planning process, we can help you update your will and other foundational documents to reflect your new success. Whether addressing issues of succession, inheritance or creditor protection, we can help you develop gifting and other strategies before the sale that may help reduce taxes on some or all of the proceeds—as well as on future appreciation of assets.

## Planning Your Exit Strategy

Your Private Wealth Advisor can work with you and your other advisors to identify and structure an exit strategy consistent with your business and personal financial goals.

### 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 capabilities of Morgan Stanley's<sup>1</sup> experienced investment banking team or third-party affiliate to evaluate the IPO market and structure an offering that will benefit you, your employees and your investors

## Exit Strategy

### 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

### SALE TO AN 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

### RECAPITALIZATION

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

Having built a successful business that you have not yet monetized, you may have created substantial net worth that is difficult to access. Even after the sale, there may be instances when using credit to gain liquidity makes strategic sense or facilitates a purchase. Your Private Wealth Advisor may be able to assist you in creating balance sheet flexibility to pursue personal and family goals. Through this relationship, you may gain access to cash management and lending products that could potentially fit your unique requirements.

### **LEVERAGING PERSONAL WEALTH FOR BUSINESS GROWTH OR LIQUIDITY.**

Eligible marketable securities in your brokerage account, potentially including those you may have received if you have already sold your business to a public company, can serve as collateral for a securities-based loan. If qualified, this can provide you with the financing needed to pursue many personal, business or charitable interests. Your Private Wealth Advisor can engage Private Bankers who are experienced in helping clients define lending products using those eligible securities within the context of their overall wealth management strategy.

### **CUSTOMIZED FINANCING FOR A VARIETY OF NEEDS.**

For qualified applicants, tailored lending, offered by Morgan Stanley Private Bank, National Association, can leverage Collateral: Marketable Securities, Structured Investments, Exchange Funds, Life Insurance, Commercial Real Estate, Alternative Investments, Privately Held Stock, Fine Art, And Real Estate Investment Trust Operating Partnership Units.

### **MANAGING BALANCE SHEET CASH.**

High levels of liquidity require careful management in order to avoid concentrated risk in one or more financial institutions. Your Private Wealth Advisor will structure, monitor and report on your overall cash position across multiple accounts and entities.

Borrowing against securities may not be appropriate for everyone. You must make your clients 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.

## Balance Sheet and Lending Options

### Cash Management and Lending Capabilities

#### Securities-Based Lending- Liquidity Access Line<sup>2</sup>

- Nonpurpose Loans

#### Home Loans<sup>3</sup>

- Residential Mortgage Products— Fixed-Rate Mortgages, Adjustable-Rate Mortgages, Home Equity Lines of Credit, Conforming, Jumbo

#### Tailored Lending<sup>4</sup>

- Collateral—Eligible Marketable Securities, Structured Investments, Exchange Funds, Life Insurance, Commercial Real Estate, Alternative Investments, Privately Held Stock, Fine Art, And Real Estate Investment Trust Operating Partnership Units

Working in conjunction with your legal and tax advisors, we can help develop a framework for integrated planning and strategic decision-making across your entire family.

Many successful people believe the most valuable legacy they can leave to their children is their drive for accomplishment. Specialists in Philanthropic Management can work with you and your attorneys to ensure that your estate plan is aligned with your values and your aspirations for the next generation.

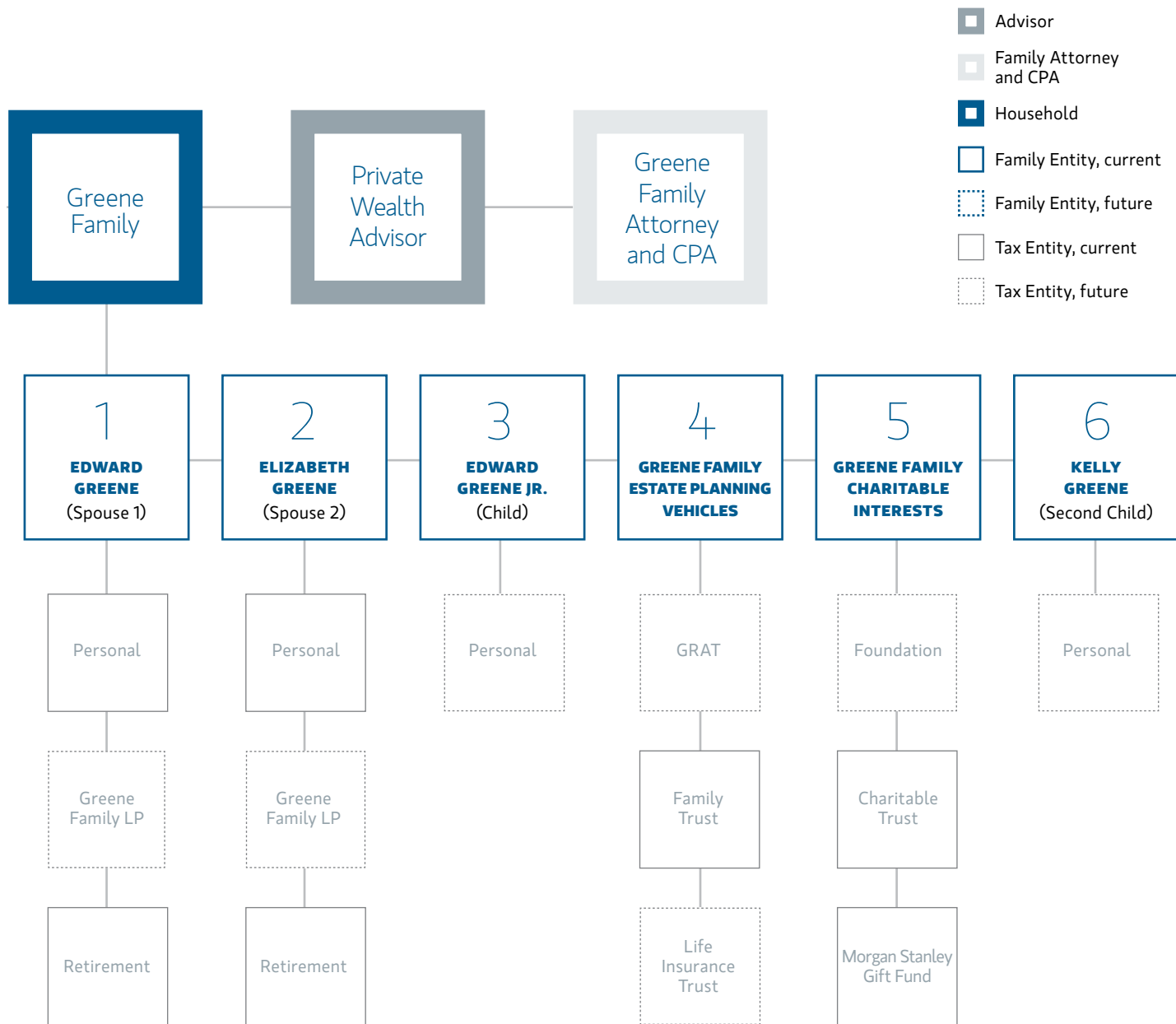
**GIVING BACK.** Specialists in our Philanthropy Management area can help tailor a strategic and disciplined approach to giving by developing a program that incorporates charitable

vehicles to help achieve your objectives. Whether your plan makes use of charitable trusts or you and your family decide to focus your giving through a private foundation, we can help define and implement your vision.

**A HOLISTIC APPROACH.** Legacy planning is not confined to what happens to your assets and estate in the future; it can also involve the strengthening of family bonds and the focusing of family goals today. Your Private Wealth Advisor can

introduce you to Morgan Stanley professionals with extensive experience in the dynamics of successful families—specialists who can guide you through the creation of a family mission and family governance structure, and help conduct family meetings. Our ability to help address the nonfinancial issues of legacy planning and wealth transfer can be precisely focused on your objectives and the needs of your family.





## CASE STUDY: HOW WE CAN WORK TOGETHER?

While your circumstances and investment objectives are unique, this diagram illustrates how we can help address some challenges that may be similar to your own.

## THE CLIENT

Founder of a precision manufacturing business, a private, closely held company specializing in parts for orthopedic and other medical uses; 55 years old; married with two children in college.

### FINANCIAL PROFILE

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Owner of 90 percent of the stock in his business, which is worth \$45 million

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Owns a retirement account valued at \$1.5 million and a \$2.5 million portfolio of investments concentrated in the medical products and pharmaceutical industry

### FINANCIAL OBJECTIVES

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Came to Morgan Stanley Private Wealth Management two years prior to the date he planned to sell his business. Sought advice on:

- Structuring the terms of the sale based on his long-term personal and financial goals
- Mitigating taxes on the sale
- Transferring appreciation to other family members at a low tax basis
- Managing the overall financial picture, including estate planning, philanthropy and liquidity
- Diversifying risk in the portfolio, which was concentrated in a single industry

## OUR APPROACH

Quantified specific objectives, such as target risk levels and liquidity requirements, and worked with Morgan Stanley specialists to execute the plan.

### **DEFINED DIVERSIFICATION PLAN OBJECTIVES**

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Generate cash for home purchase

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Manage risk through diversification and provide margin of liquidity

### **EXECUTED DIVERSIFICATION PLAN**

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Established 10b5-1 plan to diversify determined amount of concentrated holdings

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Created solutions for extensive blackout periods

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Focused on NQSOs

- Comprised largest percentage of equity value
  - Included grants approaching expiration
  - Used a graduated selling-price strategy
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Consulted closely with client's CPA to calculate ISO exercise strategy

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Used income from NQSOs to exercise ISOs

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Carefully exercised throughout year — closely monitoring AMT threshold

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Started clock on ISO shares exercised to attain long-term capital gains status

### **ESTABLISHED CONSERVATIVE ASSET ALLOCATION PLAN**

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Emphasized assets with low correlation to concentrated equity position

### **ESTABLISHED GRANTOR RETAINED ANNUITY TRUST (GRAT)**

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Recommended transferring asset out of estate to children with little or no gift tax obligation

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Conducted analysis to determine number of shares and duration

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Worked closely with client's outside estate attorney to structure trust

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Worked closely with client's outside tax advisor to suggest potential updates to better utilize tax allowances

## RESULTS

Reduced risk of concentrated position while generating liquidity for real estate acquisition and supporting charitable goals.

### DIVERSIFIED EQUITY POSITION

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Reduced overall concentrated exposure

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Improved liquidity via sales of RSUs ongoing through 10b5-1 plan

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Avoided AMT tax liability

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Achieved advantageous and desired level of concentrated equity holdings (client still bullish)

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Created sufficient liquidity to establish a conservative, globally diversified investment portfolio

### REAL ESTATE

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Created sufficient liquidity for real estate purchase

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Provided residential real estate financing at competitive rate, with terms to meet anticipated payoff plan

### CHARITABLE GOALS

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Make tax-advantaged gift with low basis shares to charitable trust

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Next step: Invest in a donor-advised fund to pursue future charitable goals and offset large expected taxable income

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.

# Choosing Your Financial 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 entrepreneurs through liquidity events and the personal and financial transitions that result?

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

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

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

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

**EXPERIENCE WITH ENTREPRENEURS**

**COLLABORATIVE APPROACH**

**ADVISOR AND FIRM STRUCTURE**

**TRANSACTION PLANNING**

**WEALTH STRUCTURING AND ESTATE PLANNING**

**UNDERSTANDING OF FAMILY ISSUES**

**INVESTMENT MANAGEMENT DEPTH**

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 to help execute a customized investment strategy?



## MORGAN STANLEY PRIVATE WEALTH MANAGEMENT: OUR PROMISE TO YOU

As your business has created wealth, it has also added complexity to your personal financial life. At Morgan Stanley Private Wealth Management, we will help you address those challenges—and embrace the opportunities—so you can accomplish the things in life that are essential to you.

For four decades, we have served the world's most prominent entrepreneurs, executives, families and foundations. We couple that experience with the strength, stature and resources of the Morgan Stanley franchise to deliver the highly customized, comprehensive solutions you need to pursue your personal and professional ambitions.

Drawing on this experience and insight, and on a deep understanding of you, your family and the dynamics of your financial life, your Private Wealth Advisor will:

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Manage investments with an unwavering focus on your financial strategy and personal goals

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Create comprehensive, multigenerational wealth management plans based on your needs, your challenges and the values that guide your life and legacy

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Simplify financial complexity to help you achieve clarity and control

To learn specifically what this may mean to you and your family, please contact your Morgan Stanley Private Wealth Advisor.



## DISCLOSURES

1. 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 so through 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.

PinnacleCare is not an affiliate of Morgan Stanley Smith Barney LLC. Any reference to PinnacleCare is neither a solicitation nor an endorsement of PinnacleCare by Morgan Stanley. There may be other service providers who offer this service, and you may wish to contact such other providers for comparative purposes in order to make your own independent decision.

2. 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.

3. 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. A conforming loan means a residential mortgage loan offered by Morgan Stanley Private Bank, National Association, that is saleable to Fannie Mae or Freddie Mac because it conforms to these entities' guidelines, including, for example, loan amount limits that range from \$417,000 to \$625,500 for one-unit properties, depending on location (and even higher in Hawaii). A jumbo loan is a type of nonconforming loan.

4. 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.**

**With the exception of a margin loan, the proceeds from the loan products referenced within this brochure 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.**

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.

#### **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.

General Reminder: Tax laws are complex and subject to change. Morgan Stanley Smith Barney LLC and its affiliates and their employees (including Financial Advisors and Private Wealth Advisors) do not provide tax or legal advice and are not "fiduciaries" (under ERISA, the Internal Revenue Code or otherwise) with respect to the services or activities described herein except as otherwise agreed to in writing by

Morgan Stanley Smith Barney LLC. These materials and any statements contained herein should not be construed as tax or legal advice. Individuals are urged to consult their tax or legal advisors before establishing a retirement plan or to understand the tax, ERISA and related consequences of any investments made under such plan.

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. Asset Allocation, Diversification or Rebalancing does not guarantee a profit or protect against a loss. Actual results may vary and past performance is no guarantee of future results.

Private Bankers are employees of Morgan Stanley Private Bank, National Association.

The lending products referenced herein 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.

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**



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