

Life Stages of a Successful Entrepreneur

In working with a Morgan Stanley Private Wealth Advisor, you gain access to the intellectual capital and vast resources of our firm to help you manage your personal finances. Both our Institutional Securities Group and Morgan Stanley Investment Management extend that range into your professional life, delivering the investment banking, capital markets and institutional investing solutions needed to pursue the strategic ambitions of your enterprise.

Our strength across each of these synergistic businesses not only contributes to the economic vitality and stability of the firm, but also expands the vast resources, experience and global insight that we can offer you. The goal is to build and sustain leadership positions in every business we enter, fulfilling our mission to do first-class business in a first-class way. We are here to help you and your family address the myriad challenges of managing significant wealth.

CONNECTING YOU TO A DYNAMIC ENTREPRENEURIAL COMMUNITY

Through informal networks, ongoing thought leadership and targeted events, Morgan Stanley Private Wealth Management works to create a thriving

community of successful entrepreneurs, venture capitalists, private equity professionals, academics and thought leaders. In creating these platforms, we hope to help foster connections that will lead to mutually rewarding opportunities.

This collaborative ethos also pervades our working relationships with clients and their other trusted advisors. We often work in close coordination with our clients' attorneys, tax advisors, investment bankers, and even business partners and key employees as part of a unified team dedicated to their professional and personal success.

SUPPORTING EVERY STAGE OF ENTREPRENEURIAL SUCCESS

Though each situation is unique, successful entrepreneurial careers tend to progress through four phases:



1

Generation

Gain access to liquidity for business and personal use through approaches appropriate to your needs and circumstances.

KEY ISSUES

- Gain access to liquidity for business and personal use, and determine which approaches are appropriate to your needs and circumstances
- Create a broader network of venture capitalists, investment bankers and strategic partners
- Define long-term personal and financial goals, and model the potential strategies needed to support them
- Develop tax-efficient pre-liquidity wealth management plans
- Determine philanthropic and family wealth transfer priorities

2

Monetization

As you model alternative strategies to monetize the value of your enterprise, you also need to consider how the proceeds will be structured and invested.

KEY ISSUES

- Determine optimal liquidity strategy based on personal and future business goals, cash flow needs and amount of control you wish to retain over enterprise
- Identify investment bankers, brokers and/or other advisors best suited to implement your strategy
- Hire a compensation attorney, if needed, to negotiate compensation with acquiring company
- Develop and implement plans, and establish trusts, to help reduce tax liabilities
- Create strategy to manage concentrated position in an acquiring company's stock, through block trades, systematic selling programs or otherwise
- Determine strategy to exercise nonqualified and incentive stock options

3

Retirement

Moving confidently from a successful career to a fulfilling retirement requires careful financial planning and consideration of your new life goals.

KEY ISSUES

- Calculate cash flow requirements through retirement
- Determine post-career priorities and resources to support them
- Implement succession plans for family-owned enterprise

4

Transfer

Having achieved considerable financial success, great care is needed to transfer the knowledge and values that will support an enduring legacy.

KEY ISSUES

- Determine balance of family and philanthropic goals in estate plan
- Prepare younger generations with the education and support needed to assume control of family legacy
- Effect tax-efficient transfer of wealth
- Create enduring family mission, transferring values as well as wealth

COMPREHENSIVE CAPABILITIES TO ADDRESS KEY ISSUES

Your Private Wealth Advisor provides access to the knowledge, resources and professional network to help foster the growth and manage the wealth you create from its success.

- Introductions to Morgan Stanley investment bankers and thought leaders
- Coordination of third-party legal, accounting and investment advisory team
- Determination of asset allocation and investment strategy for proceeds of liquidity event
- Access to experts in management of intergenerational family board meetings and regulatory processes
- Access to family wealth education professionals
- Access to professionals in philanthropic management and family dynamics
- Comprehensive wealth management
- Strategic planning to define and support your life goals
- Assistance in evaluating IPO versus Employee Stock Ownership Program, strategic sale or dividend recap transaction
- Services for foundations, donor advisory funds, etc.
- Broad range of travel, household management and other lifestyle services
- Private health care advisory
- Access to cash management and lending services
- Retirement planning strategies
- Tax, trust and estate advisory services

PLANNING YOUR EXIT STRATEGY

Your Private Wealth Advisor can help you evaluate plans for monetizing the value of your business within the context of your life goals and overall wealth management strategy.

Exit strategy

SALE TO AN EMPLOYEE STOCK OWNERSHIP PROGRAM (ESOP)

- A tax-advantaged strategy to transfer ownership to your employees
- Dividends paid to the ESOP, and certain contributions made to the ESOP may be 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

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 STRATEGIC ACQUIRER

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

IPO

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

MAINTAIN LONG EXPOSURE

Stock holdings

REDUCE EXPOSURE

Planned future sale

ENHANCE YIELD

Potential future sale

HEDGE EXPOSURE

Potential future sale

Preparing for your concentrated stock

Your financial success is closely tied to the success of your company's IPO and its ability to create and sustain value in the future. You may have founder's stock, restricted and control stock, and/or stock options. The result: a concentrated stock position representing a significant portion of your personal net worth—and a high level of complexity.

Liquidity options

SECURITIES-BASED LENDING

- Nonpurpose loans
- Purpose loans

HOME LOANS

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

NEW CHALLENGES

Major liquidity events often create complex, multifaceted wealth management challenges that require careful planning from an experienced perspective.

Long-term planning

Family Governance and Wealth Education
Philanthropy Management
Educational Programs
Custody
Performance Management
Lifestyle Advisory
Private Health Advisory
Tax, Trust and Estate Strategies

To learn more about the resources and capabilities of Morgan Stanley, please contact your Private Wealth Advisor.

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

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.

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The Firm will not receive a referral fee for referring you to the Service Provider. The Firm is a diversified financial service 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, its employees or agents, or companies affiliated with the Service Provider. Unless otherwise noted, information contained in this document is dated as of November 14, 2023. 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.

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.

Residential mortgage loans/home equity lines of credit are offered by Morgan Stanley Private Bank, National Association, an affiliate of Morgan Stanley Smith Barney LLC. With the exception of the pledged-asset feature, an investment relationship with Morgan Stanley Smith Barney LLC does not have to be established or maintained to obtain the residential mortgage products offered by Morgan Stanley Private Bank, National Association. All residential mortgage loans/home equity lines of credit are subject to the underwriting standards and independent approval of Morgan Stanley Private Bank, National Association. Rates, terms and programs are subject to change without notice. Residential mortgage loans/home equity lines of credit may not be available in all states; not available in Guam, Puerto Rico and the U.S. Virgin Islands. Other restrictions may apply. The information contained herein should not be construed as a commitment to lend. Morgan Stanley Private Bank, National Association is an Equal Housing Lender and member FDIC that is primarily regulated by the Office of the Comptroller of the Currency. Nationwide Mortgage Licensing System Unique Identifier #663185. The proceeds from a residential mortgage loan (including draws and advances from a home equity line of credit) are not permitted to be used to purchase, trade or carry eligible margin stock; repay margin debt that was used to purchase, trade or carry margin stock; or to make payments on any amounts owed under the note, loan agreement or loan security agreement; and cannot be deposited into a Morgan Stanley Smith Barney LLC or other brokerage account.

Important Risk Information for Securities-Based Lending: 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. The aircraft and yacht financing referenced herein are provided by unaffiliated third parties ("Third-Party Lender"). Neither Morgan Stanley Smith Barney LLC ("Morgan Stanley") nor its affiliates are the provider of such lending products and will not have any input or responsibility concerning a client's eligibility for, or the terms and conditions associated with, these products. Neither Morgan Stanley nor its affiliates shall be responsible for content of any advice or services provided by the Third-Party Lender. Morgan Stanley or its affiliates may participate in transactions on a basis separate from the Third-Party Lender. Morgan Stanley or its affiliates may receive compensation in connection with referrals made to the Third-Party Lender.

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.

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