

# Monetization Planning

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.

## PLANNING YOUR EXIT STRATEGY

Your Private Wealth Advisor can work with you, your tax and legal advisors and your investment bankers to identify and structure an exit strategy consistent with your business and personal financial goals.



### 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

### 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 expertise of Morgan Stanley's<sup>1</sup> experienced Investment Banking team or third-party affiliate to evaluate the IPO market, in order to structure an offering that would benefit you, your employees and your investors

### 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

## CHOOSING YOUR PRIVATE WEALTH 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 business owners through liquidity events and the resulting personal and financial transitions?

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

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

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

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

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 who can help execute a customized investment strategy?

EXPERIENCE WITH BUSINESS OWNERS

COLLABORATIVE APPROACH

ADVISOR AND FIRM STRUCTURE

TRANSACTION PLANNING

WEALTH STRUCTURING AND ESTATE PLANNING

UNDERSTANDING OF FAMILY ISSUES

INVESTMENT MANAGEMENT DEPTH

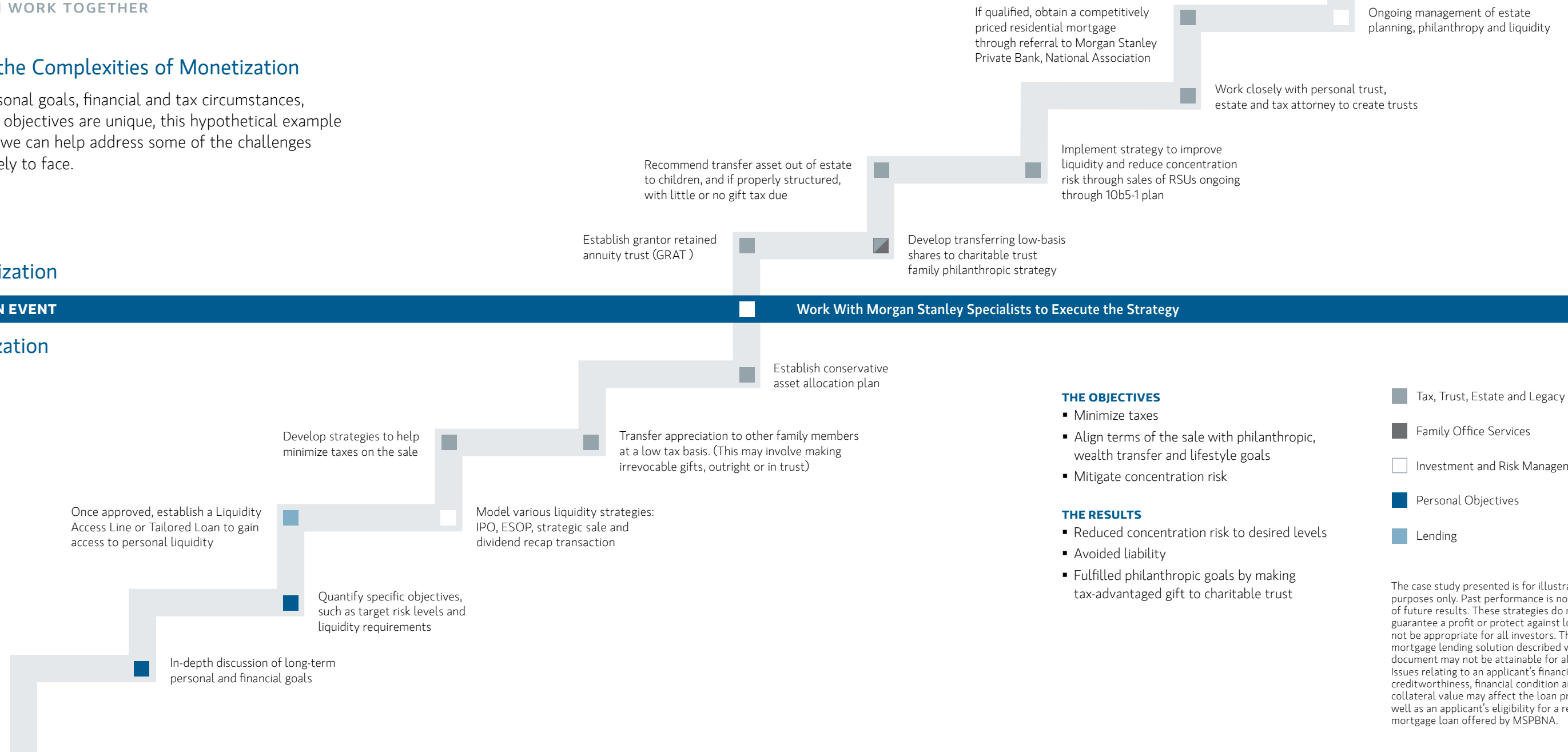
## Addressing the Complexities of Monetization

While your personal goals, financial and tax circumstances, and investment objectives are unique, this hypothetical example illustrates how we can help address some of the challenges that you are likely to face.

### Post-Monetization

#### MONETIZATION EVENT

### Pre-Monetization



#### THE OBJECTIVES

- Minimize taxes
- Align terms of the sale with philanthropic, wealth transfer and lifestyle goals
- Mitigate concentration risk

#### THE RESULTS

- Reduced concentration risk to desired levels
- Avoided liability
- Fulfilled philanthropic goals by making tax-advantaged gift to charitable trust

- Tax, Trust, Estate and Legacy Planning
- Family Office Services
- Investment and Risk Management
- Personal Objectives
- Lending

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. The residential mortgage lending solution described within this document may not be attainable for all applicants. Issues relating to an applicant's financial resources, creditworthiness, financial condition and/or collateral value may affect the loan process, as well as an applicant's eligibility for a residential mortgage loan offered by MSPBNA.

#### REFERENCES

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

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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.

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

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