Nonqualified Deferred Compensation (NQDC) Consulting Services

If you offer a nonqualified deferred compensation (NQDC) plan to executives, you now may be trying to verify its success.

Whether implementing a new plan, or evaluating an existing one, Morgan Stanley at Work can assist you through a comprehensive plan design assessment and documentation process to help you confirm that the plan's funding strategy is meeting expectations.

NQDC CONSULTING

- Plan Design Support
- Competitive Best Practices
- Peer-group Studies & Benchmarking
- Informal Funding Analysis
- Asset/Liability Management Analysis

Plan Design Support: What to Expect

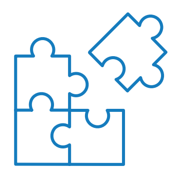
During the plan design process, our team will review NQDC plan features and help you customize them to reflect the specific needs and objectives of your business. We help you confirm that the plan design features:

- Respond to the various regulatory limits impacting the retirement benefits of highly compensated employees (HCEs), such as 401(k) retirement plan contribution limits.
- Provide a workplace benefit that enables HCEs to defer a potentially significant amount of compensation on a tax-advantaged basis.
- Can be a valuable and flexible wealth planning tool for executives and other HCEs.
- Help employers stay competitive with a powerful recruitment, retention and reward tool for executives.
- Comply with Internal Revenue Code Section 409A.

We will consult on plan design features such as:

- Participant eligibility.
- Deferral sources:
  - Employee deferrals.
  - Company contributions.
- Vesting schedules.
- Distribution options:
  - Retirement or separation from service.
  - In-service (while still employed).
- Investment crediting options.
- Participant education and communication to support enrollment and employee financial knowledge.

Informal Funding Strategies



In many cases, an employer may want to accumulate assets to confirm they can meet the NQDC plan benefits when they come due, or in other words, have assets on hand to fund the compensation deferred. This is referred to as "informal funding," and our team can provide a fair and balanced review of the advantages and disadvantages of the funding alternatives that may be available to you.

Factors to consider in the determination of an appropriate informal funding strategy include:

- Corporate income tax rates.
- Level of corporate risk tolerance.
- Participant investment flexibility.
- Desired rate of return.
- Planned cash flows.
- Size of liability.
- Plan liquidity.

Ongoing Support

Upon plan launch, our dedicated team can continue to:

- Review the notional (hypothetical) investment options provided under the plan and corresponding investments used to informally fund plan liabilities.
- Review the in-force COLI policy illustrations.
- Review the performance and lapse rates, and prepare a comparison of informal funding alternatives and strategies for plan liabilities.
- Interface with plan providers to help address any questions or issues.
- Recommend action for any deficiencies in service with other plan providers.

Whether you have a new plan, or it's been a while since you've reviewed a current plan, our dedicated consulting team can support you and help you build a plan designed to meet your evolving business and employee needs. Contact your Morgan Stanley Financial Advisor for more information on how they can help you deliver the plan that you and your key executives deserve.

Nonqualified deferred compensation plans established by private sector employers are generally designed to comply with an exemption under ERISA, which exempts such plans from many (or potentially all) of ERISA's requirements for employee benefit plans. Failure to comply with an available exemption under ERISA will generally cause the plan to be subject to potentially onerous ERISA requirements and may result in adverse consequences if those ERISA requirements are not met.

Nonqualified deferred compensation plans are generally subject to section 409A of the Internal Revenue Code, along with other federal tax rules, which impose specific requirements on such plans (including, but not limited to, specific requirements concerning deferral elections and the time and form of distributions under the plan). Failure to satisfy these requirements can result in significant adverse consequences, including (but not limited to) inclusion in the employee's taxable income of all vested compensation deferred under the plan, plus interest and a 20% penalty tax.

This material does not reflect the impact of state and local income taxes. The state and local income tax treatment of a qualified retirement plan and/or a nonqualified deferred compensation plan may differ from the federal tax treatment. You should consult with and rely on your own independent tax advisor.

Tax laws are complex and subject to change. Morgan Stanley Smith Barney LLC, its affiliates and Morgan Stanley Financial Advisors and Private Wealth Advisors (collectively, "Morgan Stanley") do not provide tax or legal advice. You should consult your own tax and legal advisors (a) before establishing a nonqualified deferred compensation plan, and (b) regarding any potential legal, tax, and related consequences of any investments or other transactions made with respect to a nonqualified deferred compensation plan.

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

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Morgan Stanley 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. Clients should consult with their Financial Advisor to understand these differences, or review our "Understanding Your Brokerage and Investment Advisory Relationships" brochure available at https://www.morganstanley.com/wealth-relationshipwithms/pdfs/understandingyourrelationship.pdf.

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