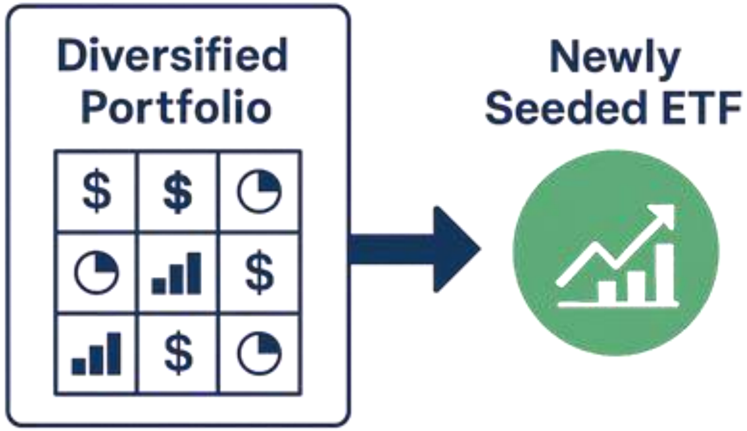
ExchangiFi

AN EDUCATIONAL OVERVIEW FOR FINANCIAL PROFESSIONALS

Section 351 ETF Exchange



A 1031 Exchange for Stocks

Swap Stocks for ETF Shares

Defer Capital Gains Taxes

Section 351 Exchange: Applicable Rules

Section 351 ETF exchanges rely on provisions of the Internal Revenue Code, Treasury Regulations and SEC rules.

Treasury Requirements

Nonrecognition — No gain or loss when securities are transferred to a corporation solely for its stock. IRC 351(a).

80% Control Rule — The transferor group must hold 80% of voting power and 80% of non-voting shares immediately after. IRC 368(c).

Substituted Basis — Original cost basis and holding period carry over to the ETF shares. IRC 358, 362(a), 1223.

Investment Company Exclusion — Nonrecognition is denied if the transfer diversifies into an investment company. Every ETF is one. IRC 351(e)(1), Reg. 1.351-1(c)(1).

Diversification Requirement — Each contributor's portfolio must independently pass 25/50. No issuer above 25%, top five at or below 50%. Reg. 1.351-1(c)(6)(i), IRC 368(a)(2)(F)(ii).

Accepted Securities — Cash is excluded from denominator. Treasuries count in denominator but not single-issuer numerator. Reg. 1.351-1(c)(6)(i).

RIC & ETF Look-Through — Contributed funds are tested against underlying holdings, not as single positions. Reg. 1.351-1(c)(6)(i).

Anti-Abuse Rules

Anti-Stuffing — Assets added solely to manufacture diversification are disregarded. Reg. 1.351-1(c)(5).

Economic Substance — Requires a genuine change in economic position and a substantial non-tax purpose. IRC 7701(o).

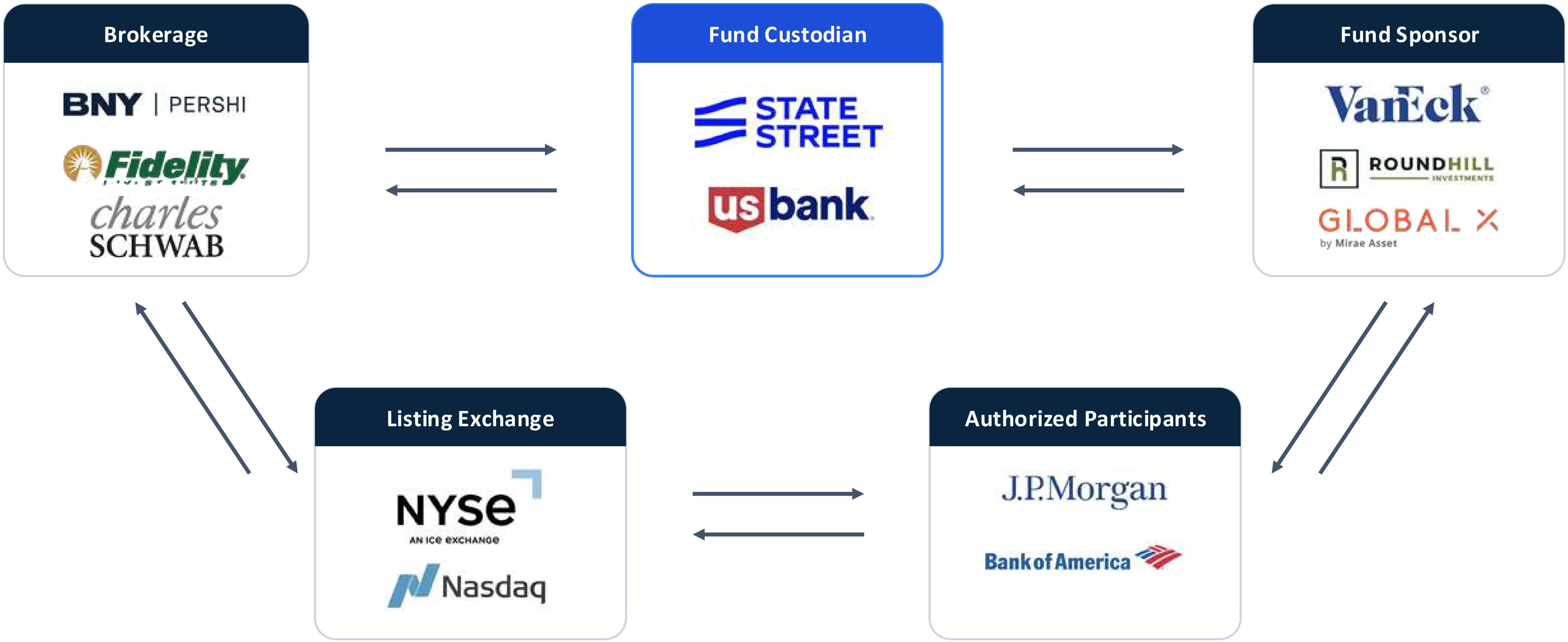
Step Transaction Doctrine — Multi-step seedings collapse into a single unified transaction. Gordon, King Enterprises.

Substance Over Form — The exchange requires a real non-tax investment thesis. Gregory v. Helvering.

Pre-Arranged Disposition — Contributing assets under a plan to sell them post-exchange defeats nonrecognition. Reg. 1.351-1(c)(2), Rev. Rul. 88-32.

How the Process Works

Securities flow from investor brokerage accounts to the new ETF. ETF shares come back the same way.



ETF Launch Timeline

Timeline of a Section 351 ETF launch from an investor's perspective.

3-6 Months Before	1-3 Months Before	1-2 Weeks Before	Launch Day	0-1 Days After	0-14 Days After
MARKETING	ONBOARDING	TRANSFER	LAUNCH	DELIVERY	REPORTING
Post-Effective Funds Marketed to Investors	Participation Agreements Signed & Portfolios Created	Shares Transferred from Brokerage to ETF Custodian	**ETF Shares Created and Begin Trading**	ETF Shares Transferred Back to Brokerage Accounts	Tax Lot Information Reflected in Account

Participating Investor Requirements

Each taxpayer's portfolio must satisfy these tests at the time of contribution to qualify for tax-deferred treatment.

DIVERSIFICATION

The 25/50 Rule

No single position can exceed 25% of the contributed portfolio's market value. The top five positions combined cannot exceed 50%.

Applied across all securities being contributed.

TAX LOT AGGREGATION

Aggregated Across Lots and Accounts

The exchange runs at the tax lot level. Lots are pulled from every account a taxpayer contributes from, taxable, joint, trust, and aggregated into one contribution.

Manual analysis is impractical at scale.

LOOK-THROUGH

Fund Look-Through Applies

Diversification looks through to the underlying holdings of any ETF or closed-end fund, not the fund itself. Multiple share classes of one issuer combine into a single position.

Applies to ETFs and closed-end funds.

Fund Sponsor Requirements

The ETF itself must maintain Regulated Investment Company status to avoid corporate-level taxation.

DIVERSIFICATION

25/50, 5/50 and 3/5/10

The aggregate portfolio must clear every RIC diversification requirement. The 25/50 and 5/50 tests set concentration limits inside the fund. The 3/5/10 test governs fund ownership.

Measured across the whole fund, not by investor.

STRATEGY

Strategy Alignment

Contributed securities should largely align with the fund's approved investment strategy. Under the SEC's Names Rule, a fund must hold at least 80% of assets consistent with that focus.

Off-strategy positions may be limited or excluded.

LIQUIDITY

Liquid, Intraday-Traded Securities

Accepted securities are generally limited to liquid instruments that trade intraday. The next slide sets out the full eligibility framework.

More detail on what is and is not eligible follows.

Asset Eligibility

Generally, liquid securities that trade intraday qualify. Mutual funds, private securities and illiquid assets do not.

✓ ELIGIBLE — What can be contributed

US Equities and ADRs
Provided they are liquid and non-OTC

US and Foreign Stock ETFs
Subject to the look-through rule

Foreign Equities and GDRs
Only if the local market allows in-kind transfers

Fixed Income ETFs
If aligned with the broader fund strategy

Closed-End Funds
If publicly traded and redeemable in-kind

Crypto and Commodity ETFs, MLPs
Small portion only, often operationally costly

✕ INELIGIBLE — What cannot be contributed

Mutual Funds
Individual shares cannot be traded in-kind

Direct Spot Cryptocurrency
Unless structured as a standalone grantor trust

Restricted and Private Securities
Private stock, RSUs and private equity

Illiquid and Alternative Assets
Hedge funds, REITs, options and similar

Restricted Foreign Markets
Brazil, China, India, Korea, Saudi Arabia, Taiwan

Cash
Cash does not count toward the diversification tests

General guidance only. Eligibility depends on the receiving fund's strategy, custodian capabilities and IRS Section 351 requirements. • ExchangiFi.com

Five Common Use Cases

The business reasons advisors bring a 351 exchange to a client portfolio.

New Client Onboarding

A new client arrives with accounts opened over many years, old robo allocations and legacy holdings that need to be organized into one plan.

Leaving SMAs With Tax Drag

Separately managed accounts turn over constantly and hand the client a bill every year. One ETF replaces the whole apparatus.

Underperforming Strategies

ETFs that have not delivered, SMAs that lag their benchmark, and managers the client would not hire again today.

High-Fee Programs That Stalled

Direct indexing and harvesting programs stop producing after a few years but keep billing. The program has run its course.

Seeding In Kind, Not Cash

You like a new ETF and want in. Contributing securities rather than cash puts materially more capital into the strategy on day one.

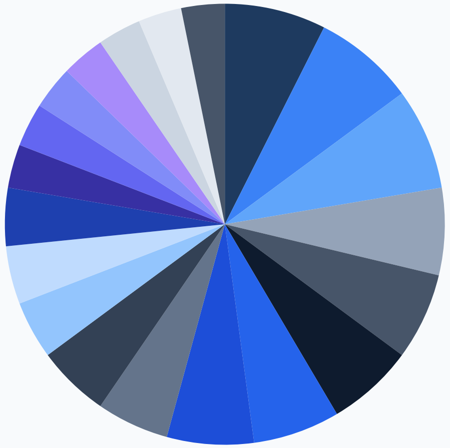
Every exchange needs a genuine investment reason behind it. These are the ones that stand on their own.

Example #1: Complicated SMAs

Consolidating dozens of legacy positions into a single, low-cost, tax-efficient ETF.

BEFORE

Overly diverse SMA of stocks, ETFs, and other legacy positions.



AFTER

Simple, low-cost, tax-efficient ETF.

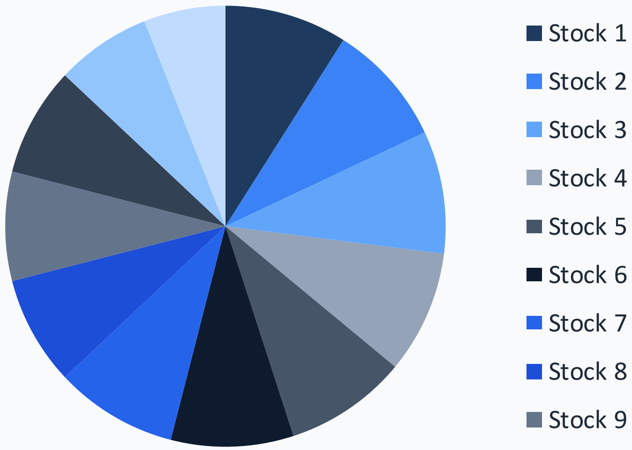
Legacy holdings consolidated into one diversified ETF without realizing capital gains.

Example #2: Re-Index After Tax-Loss Harvesting

Years of tax-loss harvesting often leave a portfolio narrowly concentrated.

BEFORE

Years of harvesting can lead to a few concentrated positions.



AFTER

Re-indexed portfolio that can rebalance tax-free inside the ETF.

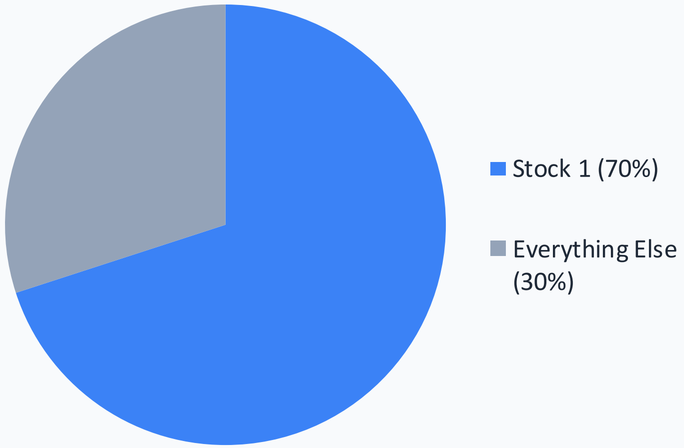
Re-index into a diversified ETF strategy and continue rebalancing inside the fund tax-deferred.

Example #3: Concentrated Single Position

Reducing single-name concentration risk while deferring the embedded gain.

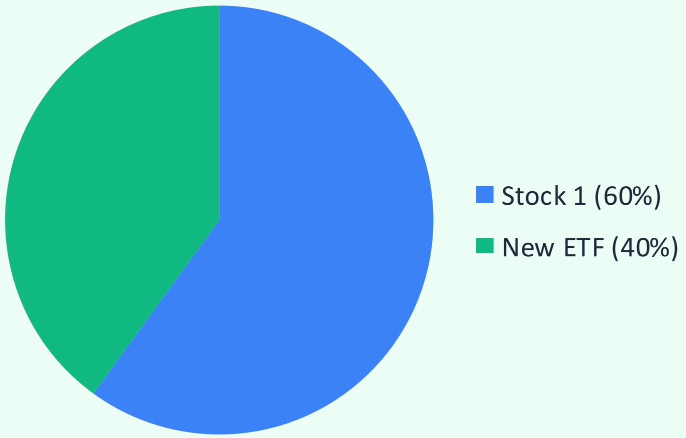
BEFORE

Outsized position from employee stock purchases or long-term appreciation.



AFTER

Single-name concentration meaningfully reduced.



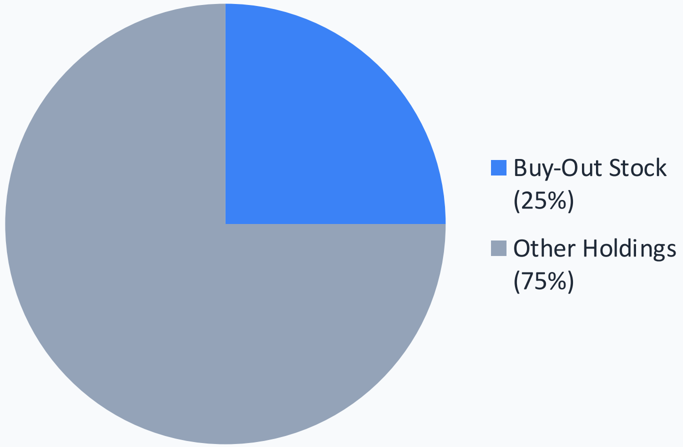
Concentration cut from 70% to 60% without triggering capital gains on the new ETF portion.

Example #4: Buyout or Take-Private

Avoiding forced capital gains when a portfolio holding is being acquired for cash.

BEFORE

A holding is being taken private or acquired, partial or all cash.



AFTER

Exchange shares before the deal closes.

Exchanging shares before the deal closes avoids the otherwise forced capital gain.

Benefits to Each Participant

A 351 exchange creates aligned incentives across investors, advisors and ETF issuers.

INVESTORS

For Investors

- Diversify portfolios on a tax-deferred basis
- Move assets into a tax-efficient and liquid ETF structure
- Keep compounding from a higher base by deferring the tax

ADVISORS

For Advisors

- Deliver a high-value tax alpha service to clients
- Grow assets under advisement and avoid the drag of taxes paid
- Assets stay liquid in the client's custody account

ETF ISSUERS

For ETF Issuers

- Cover the cost of an ETF launch from inception
- Meet the AUM thresholds wirehouse platforms require
- Expand pre-launch reach and brand awareness

Advisors Win Business & Increase AUA

How a Single Section 351 Exchange Delivered Massive Client Value and Practice Growth

THE PRACTICE

Independent HNW RIA in San Francisco. 15 years, 120 client families, $350M under advisement.

THE OPPORTUNITY

A $4M TSLA position held since 2015, 10% of a $40M household, carrying a $3.82M embedded gain.

THE EXCHANGE

$16M contributed in kind, the $4M TSLA plus $12M of previously held-away assets, into a new ETF.

FOR THE CLIENT

$1.42M

CAPITAL GAINS TAX DEFERRED

- Deferred a **37.1% combined tax rate** on a $3.82M gain from a concentrated TSLA position.
- Reinvested the full **$16M basket** directly into a globally diversified ETF structure (GEW).
- Reduced portfolio beta from **1.83 to 0.90** while eliminating single-stock concentration risk.

FOR THE ADVISOR

+$90,000 / yr

NEW ANNUAL REVENUE ADDED

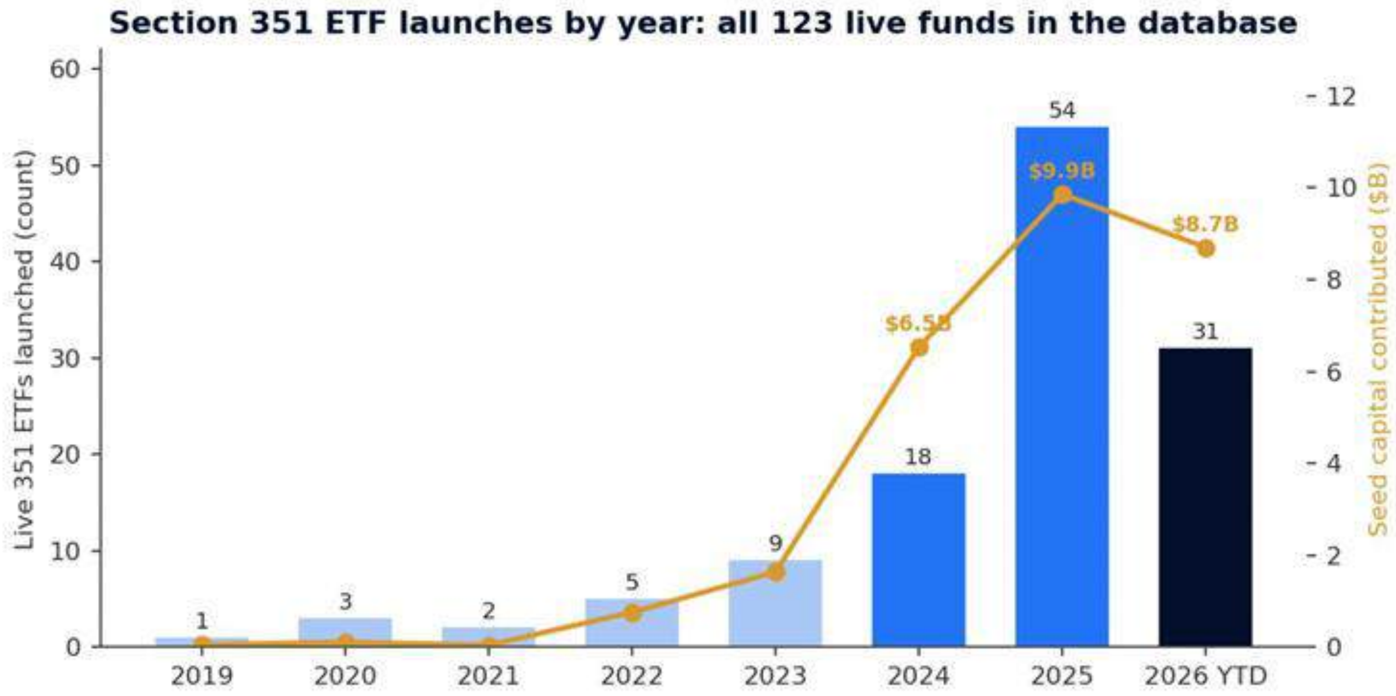
- Consolidated **$12M of new held-away assets** from an existing client relationship.
- Generated $90k/yr in recurring revenue at a **75 bps advisory fee**.
- Expanded overall Assets Under Advisement (AUA) by **3.4%** from a single exchange.

Win-Win Outcome: Solving client tax friction unlocks held-away assets and scales practice AUA.

Syndicated 351 ETF Stats

Source: Section351ETF.com Database

$25.7B	$39.2B	67%	70%	$6.3B
Seed capital at listing across 101 funds	Assets under management today	Lag their benchmark since listing	Have attracted net new money	Organic net inflows since listing



Source: ExchangiFi Section 351 ETF Database, data as of Sept. 4, 2026.

Figure 1. Live Section 351 ETF launches by year, all 123 live funds in the master database. Bars show fund count. The line shows seed capital contributed at listing. 2026 is year to date through September 4.

THE TREND

351 ETF Exchange Growth

123

Live 351 ETFs launched in kind since 2019

54 funds

Launched in 2025 alone, a 3x year-over-year jump

$25.7B

Seed capital at listing across 101 funds

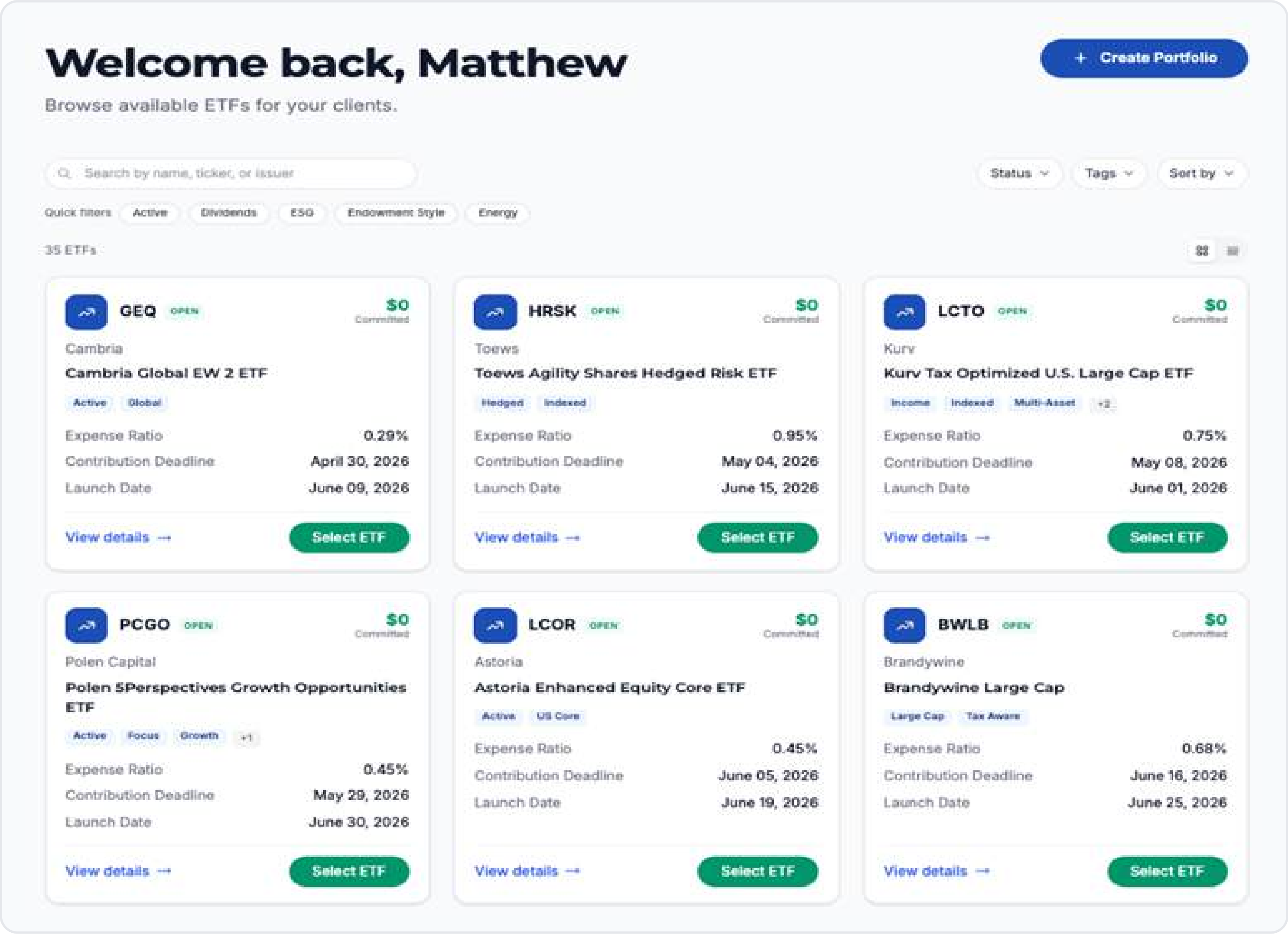
The 351 Exchange Marketplace

Every open, syndicated 351 ETF opportunity in one place, built for financial advisors.

LIVE DEALS

Browse Live ETF Opportunities

Screen all open, syndicated 351 ETF launches in one marketplace. Evaluate strategies from many managers and connect with fund advisors directly.



- **Search by strategy, deadline, and fund manager**
- **Review each fund's strategy and documents**
- **Attend webinars and schedule calls with issuers**
- **Register free to access the full marketplace**

Built for Multi-Client Advisors

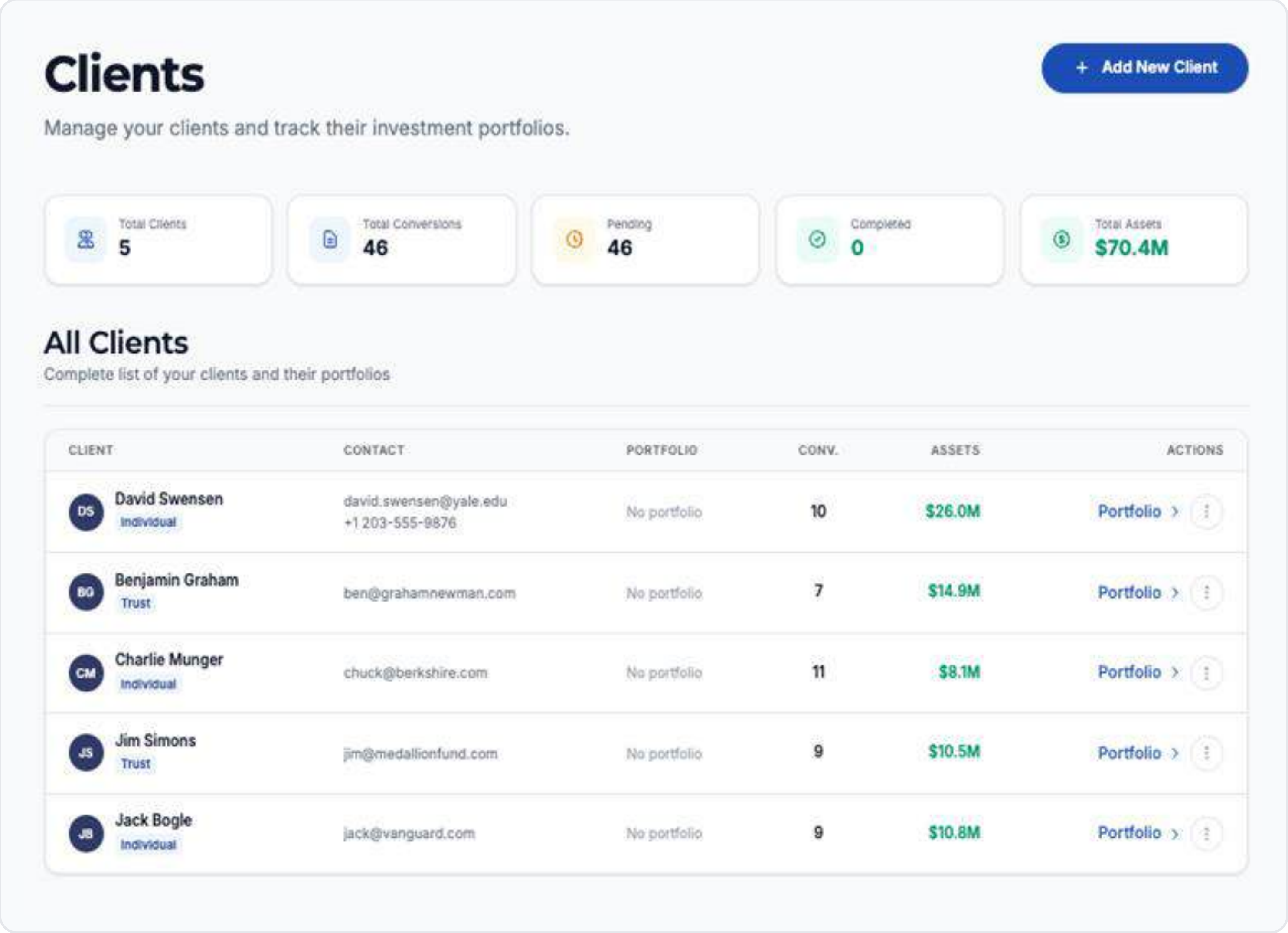
Manage every client's exchange in one place, from profile setup to launch.

CLIENT MANAGEMENT

Manage Multiple Client Portfolios

Built for advisors managing many clients across many ETFs. Create individual client profiles, track conversions, and monitor total assets at a glance.

- Create and organize client profiles
- Track conversions across all clients
- Monitor total assets and pending deals
- Maintain separate portfolios per client



Optimize Portfolios for the Exchange

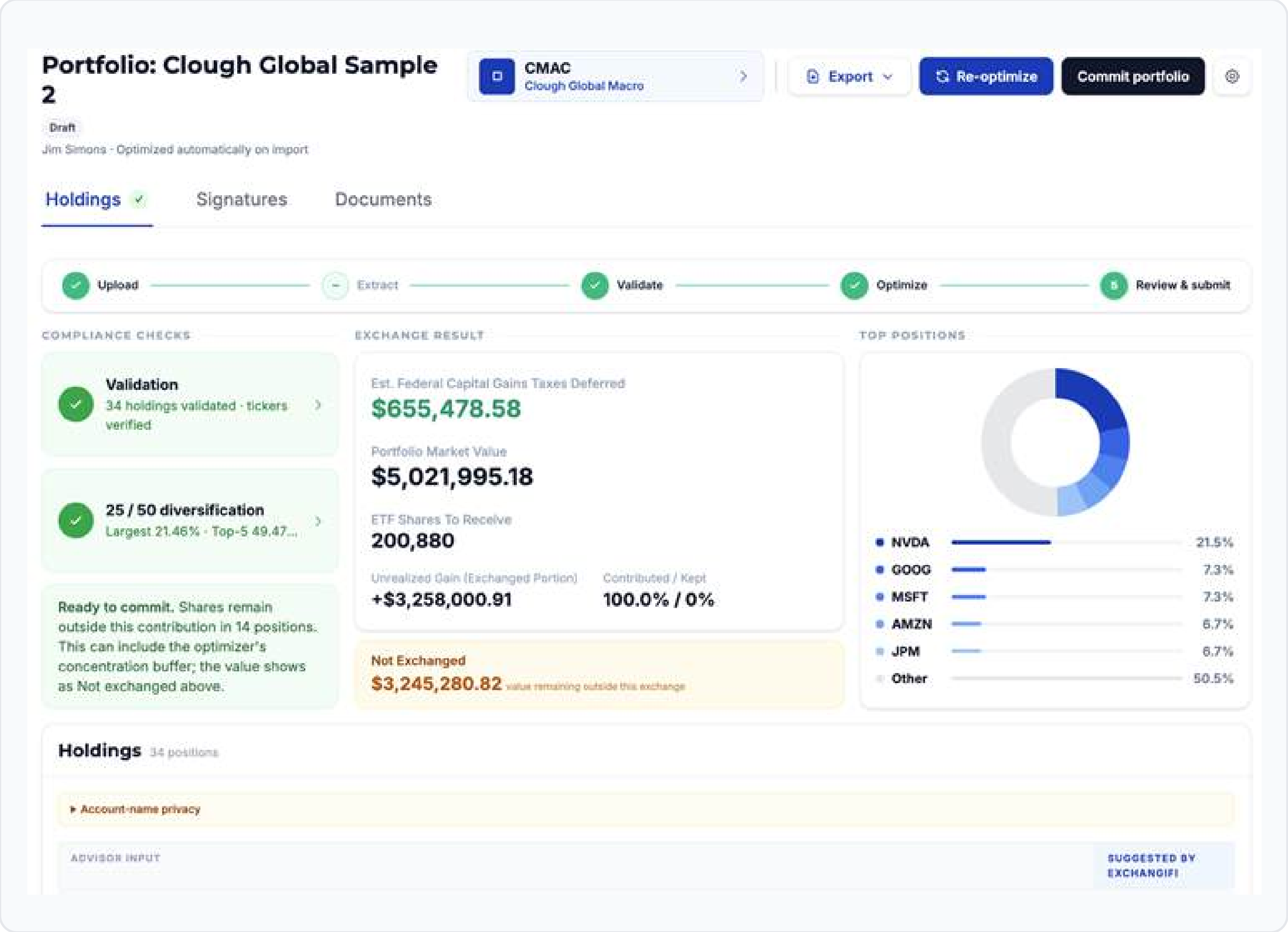
Proprietary 351 exchange calculator helps advisors educate clients.

PORTFOLIO OPTIMIZATION

Maximize Tax Deferred, Stay Compliant

Proprietary software that runs the 25/50 test across every tax lot and account, using live prices and daily ETF holdings to find the eligible portfolio that maximizes taxes deferred. Output is built for advisors to walk through with clients.

- **Top 5 positions with live diversification check**
- **Total proceeds and ETF shares to receive**
- **Estimated capital gains taxes deferred**
- **Multiple live market data feeds, refreshable**



For More Information

Reach out, schedule a meeting, or watch a short demo of the platform.

WEBSITE

ExchangiFi.com

EMAIL

info@exchangifi.com

PHONE

+1 561-206-2416

Book a Meeting

Watch Demo Video

Disclosures & Disclaimers

Important information about Section 351 ETF exchanges, the ExchangiFi platform, and the limits of this presentation.

TAX LIABILITY RISK

Section 351 Exchange Tax Risk

A Section 351 exchange is intended to qualify as a tax deferred contribution rather than a taxable sale. If the transaction fails to satisfy IRC Section 351, related provisions, or the SEC requirements for the receiving fund, it may be recharacterized as a taxable sale, triggering capital gains tax for the contributing investor.

Tax deferral is not tax elimination. The investor's original cost basis and holding period carry over to the new ETF shares, and gain remains embedded until the shares are eventually sold.

SUBJECT TO CHANGE

Information May Change or Be Reinterpreted

This presentation summarizes ExchangiFi's understanding of Section 351 ETF exchanges as of the date shown. The relevant tax code, SEC rules, IRS guidance, and industry interpretation are subject to change. Reasonable practitioners may interpret these rules differently.

ExchangiFi does not provide tax, legal, or investment advice. Investors and advisors should consult qualified tax and legal counsel before participating in any 351 exchange. Eligibility, deal terms, and outcomes vary by fund sponsor, custodian, and the specific facts of each contribution.

GENERAL DISCLAIMER

General Presentation Disclaimer

This presentation is provided for educational purposes only and does not constitute tax, legal, accounting, or investment advice. It is not an offer to sell, or a solicitation of an offer to buy, any security.

Past performance does not guarantee future results. All investments involve risk, including loss of principal. ExchangiFi, LLC is not a registered investment adviser, broker dealer, or law firm. Recipients should perform their own due diligence and consult qualified professionals before making any investment or tax decision.

© 2026 ExchangiFi, LLC. All rights reserved. • ExchangiFi.com • Confidential