ExchangiFi

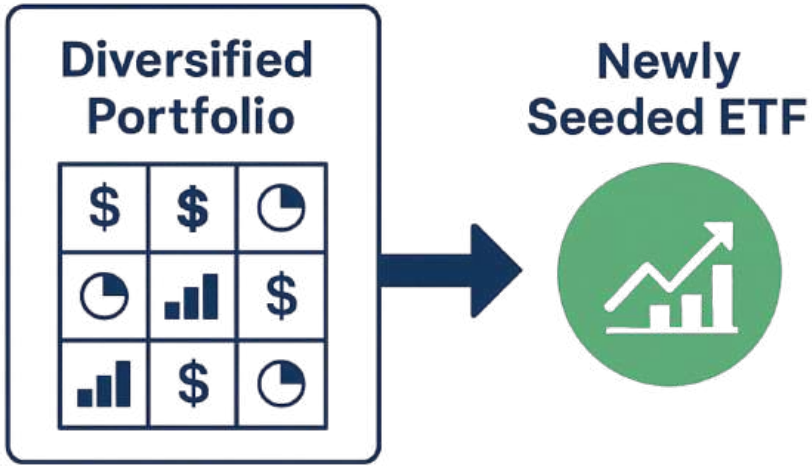
AN EDUCATIONAL OVERVIEW FOR FINANCIAL PROFESSIONALS

SECTION 351 ETF EXCHANGE

1031 Exchange for Stocks

Swap Stocks for ETF Shares

Defer Capital Gains Taxes



*References, Disclaimers & Disclosures Found on Slide 19

Legal Context

Section 351 ETF Exchange relies on three provisions from the Internal Revenue Code (IRC) and the SEC.

Statutory Precedent

IRS Section 351

Deals with non-recognition of gain on contribution. Recharacterizes the transaction as a capital contribution, deferring tax liability.

SEC Rule 6c-11

The "ETF Rule" which authorizes "Custom Baskets," providing standing regulatory authority.

IRC Section 852(b)(6)

Allows in-kind distributions to satisfy redemptions without fund-level capital gains.

Qualification & Assets

Qualification Requirements

- No single security > 25%; top five < 50%.
- Min 11 holdings if all single stocks.
- Investors must own 80%+ post-exchange.

Disposition of Assets

No pre-established plan to dispose of assets, except in the ordinary course of business.

Strategic Alignment

Avoiding "Stuffing" (misaligned assets) and "Sequential seeding" (tax-deferred wrapper focus).

Governance & Intent

Regulatory Compliance

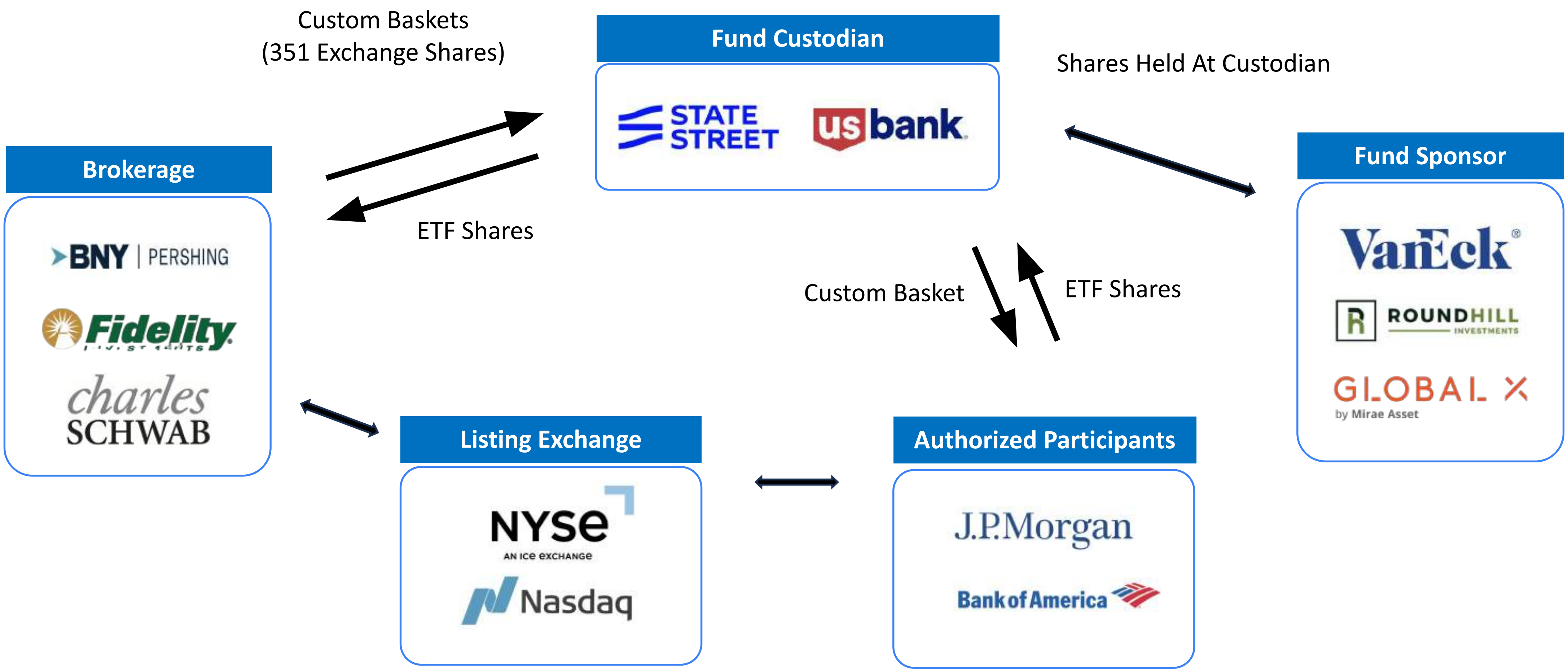
Structure and intent are critical as regulatory scrutiny increases. Documentation of the process is essential.

Core Pillars

- **Deliberate Eligibility:** Firms must carefully assess each investor's portfolio.
- **Documented Rationale:** Maintenance of clear records for regulatory alignment.
- **Strategy Consistency:** Contributed portfolios must match the ETF's stated strategy.

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 investors 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 individual taxpayer's portfolio must satisfy these requirements 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%. Basic RIC diversification test for each participant.

Applied across all securities being contributed.

TAX LOT AGGREGATION

Aggregated Across Tax Lots & Accounts

The exchange is executed at the tax lot level. For each contributing investor, individual lots are pulled from every account they contribute from, taxable, joint, trust, and so on, and aggregated into a single contribution per taxpayer.

Manual analysis is impractical at scale, use the ExchangiFi platform.

LOOK-THROUGH

ETF & Closed-End Fund Look-Through

Diversification looks through to the underlying holdings of any ETF or closed-end fund, not the fund itself. Multiple share classes of the same security must be combined into a single position.

Applies to ETFs, and closed-end funds.

Fund Sponsor Requirements

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

DIVERSIFICATION

25/50 - 5/50 - 3/5/10 Rules

The aggregate portfolio must follow all RIC diversification requirements, 25/50 and 5/50 tests are for the concentration limits of securities within the fund, the 3/5/10 is about ETF ownership.

Measured across the entire fund, not by investor.

STRATEGY

Strategy Alignment

Contributed securities should mostly align with the fund's approved investment strategy. Under the SEC's Names Rule (Rule 35d-1), a fund must hold at least 80% of its 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. See the next slide for the full eligibility framework.

More detail on what is and isn't eligible follows.

Asset Eligibility for a Section 351 Exchange

Generally any 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 ETFs, ETPs & DATs, Commodity ETFs, MLPs**
  Small portion only, often cost-prohibitive operationally

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 other illiquid positions
- **Restricted Foreign Markets**
  Brazil, China, India, South Korea, Saudi Arabia, Taiwan
- **Cash**
  Cash cannot count to diversification requirement tests

Five Common Business Use Cases - Not Motivated By Tax

Tax can be a byproduct of the transaction, not the sole reason for the transaction.

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.

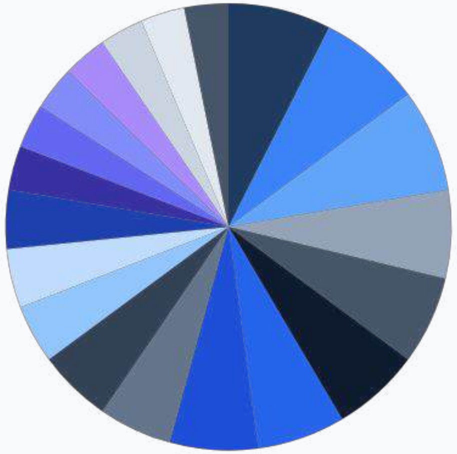
Concentration risk is the #1 avoidable portfolio risk - taxes are the #1 controllable cost.

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.

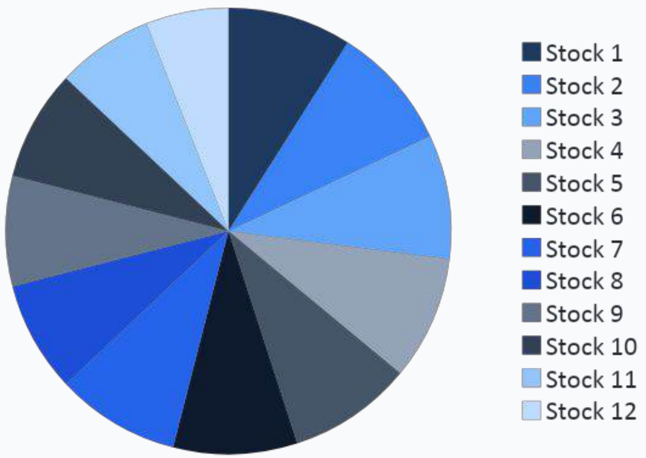
Legacy holdings consolidated into one diversified ETF without realizing capital gains.

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.

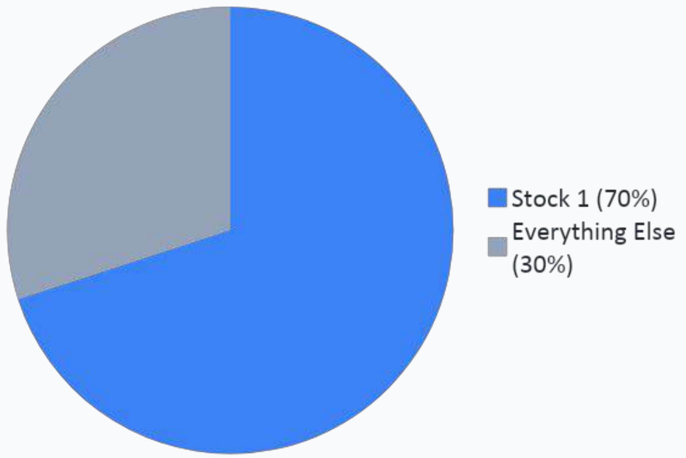
Re-index into a diversified ETF strategy and continue rebalancing inside the fund tax-deferred.

Example #3: Concentrated Single Position

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

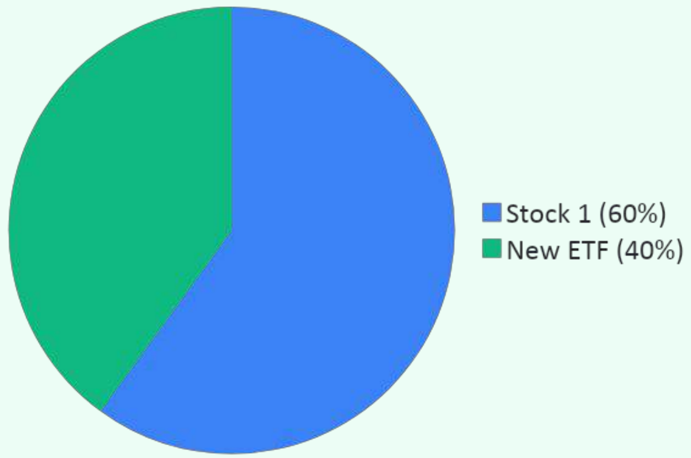
BEFORE

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



AFTER

Single-name concentration meaningfully reduced.



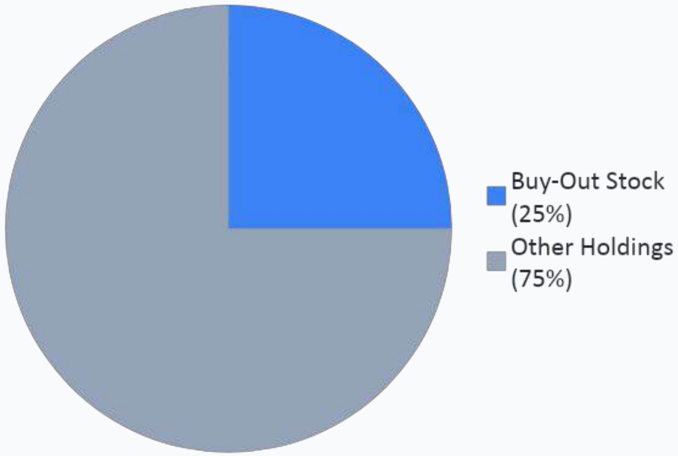
Concentration cut from 70% to 60% without triggering capital gains on the new ETF portion.

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.

100%
New ETF

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.
- Get assets into a tax-efficient and liquid ETF structure.
- Continue compounding from a higher base by deferring tax.

ADVISORS

For Advisors

- Provide clients with a high-value tax alpha service.
- Increase AUM under advisement, and avoid decrease due to taxes paid.
- Assets remain liquid in the client's custody account.

ETF ISSUERS

For ETF Issuers

- Cover the costs of an ETF launch from inception.
- Easily meet AUM requirements for wirehouse platforms.
- 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

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.

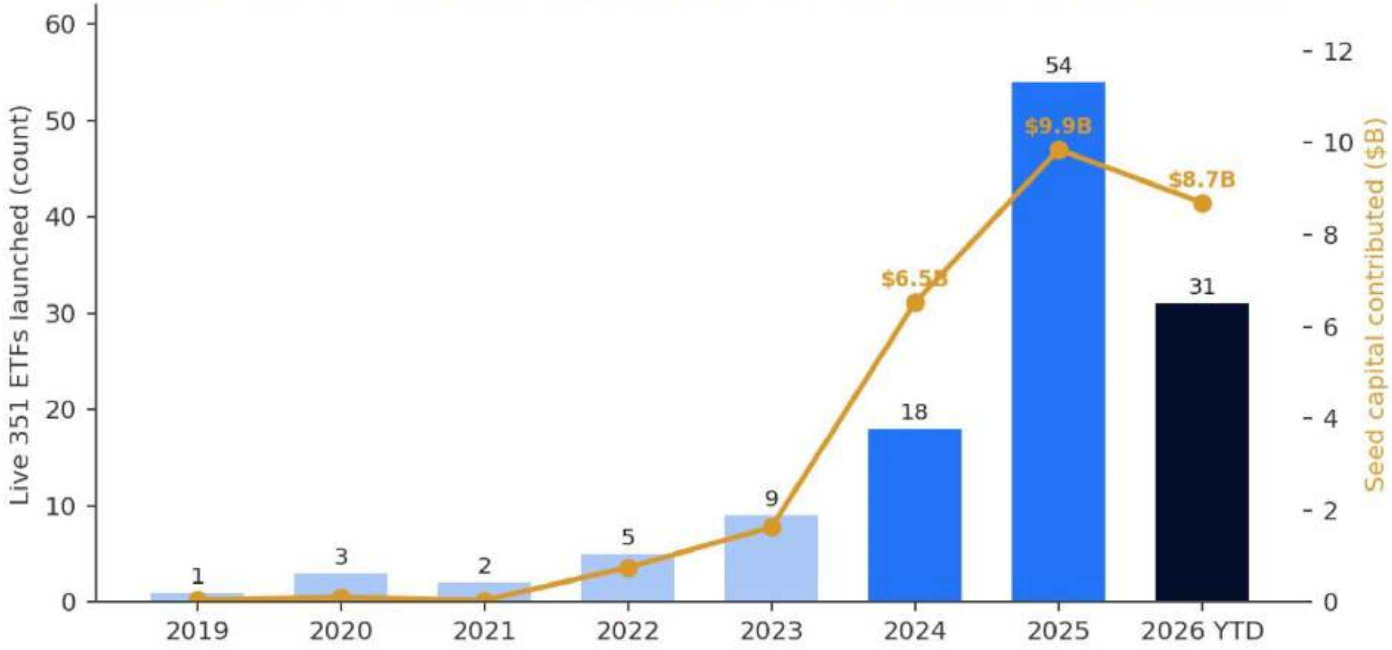
Win-Win Outcome: Solving client tax friction unlocks held-away assets and scales practice AUA.

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

Section 351 ETF launches by year: all 134 live funds in the database



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

Figure 1. Live Section 351 ETF launches by year, all 134 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

110

ETFs launched in-kind by individual investors since 2021

54 funds

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

$25.7B

Total launch AUM across all syndicated 351 ETFs

The 351 Exchange Marketplace

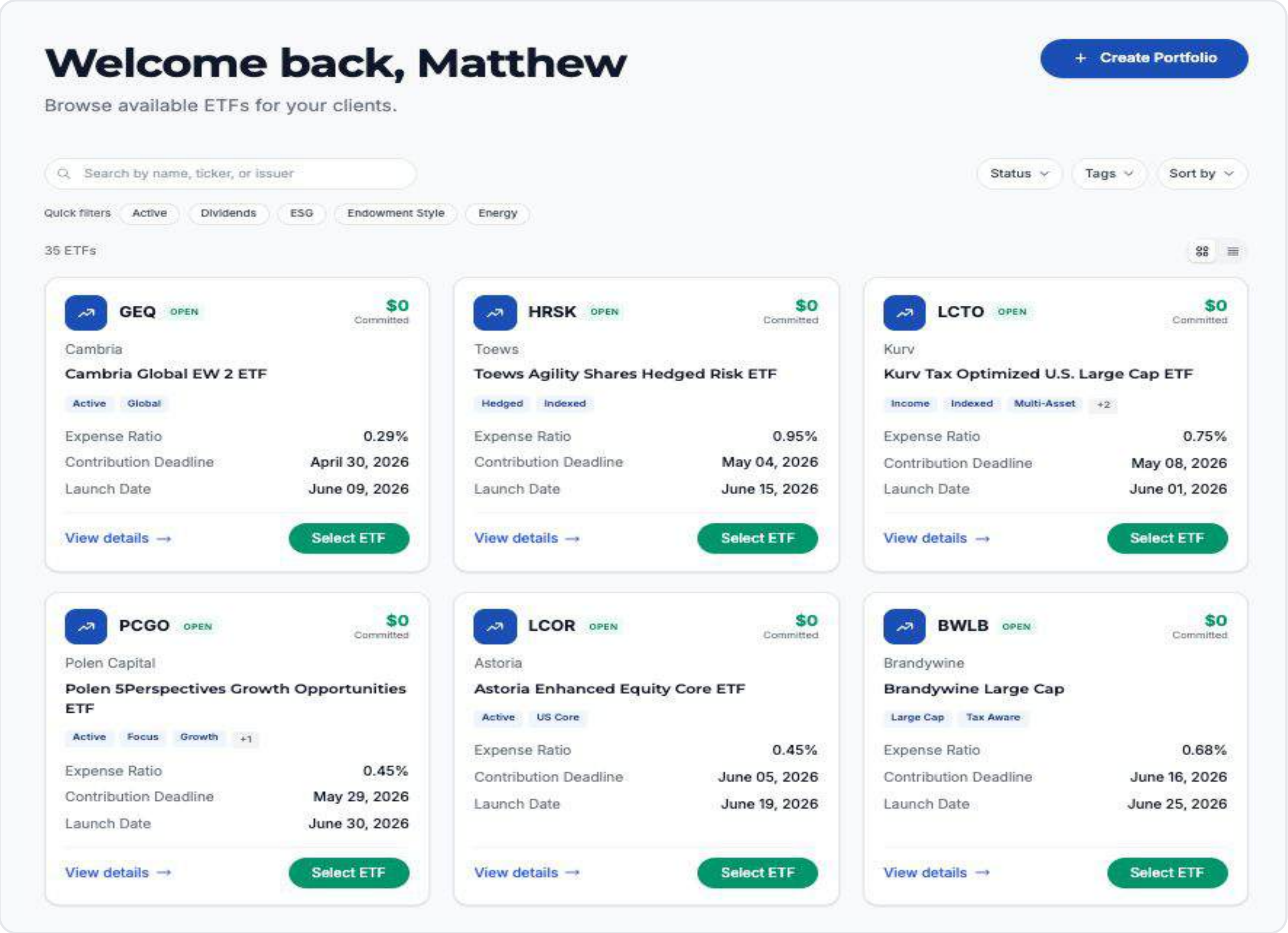
Every open, syndicated 351 ETF opportunity in one place, built for financial advisors.

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

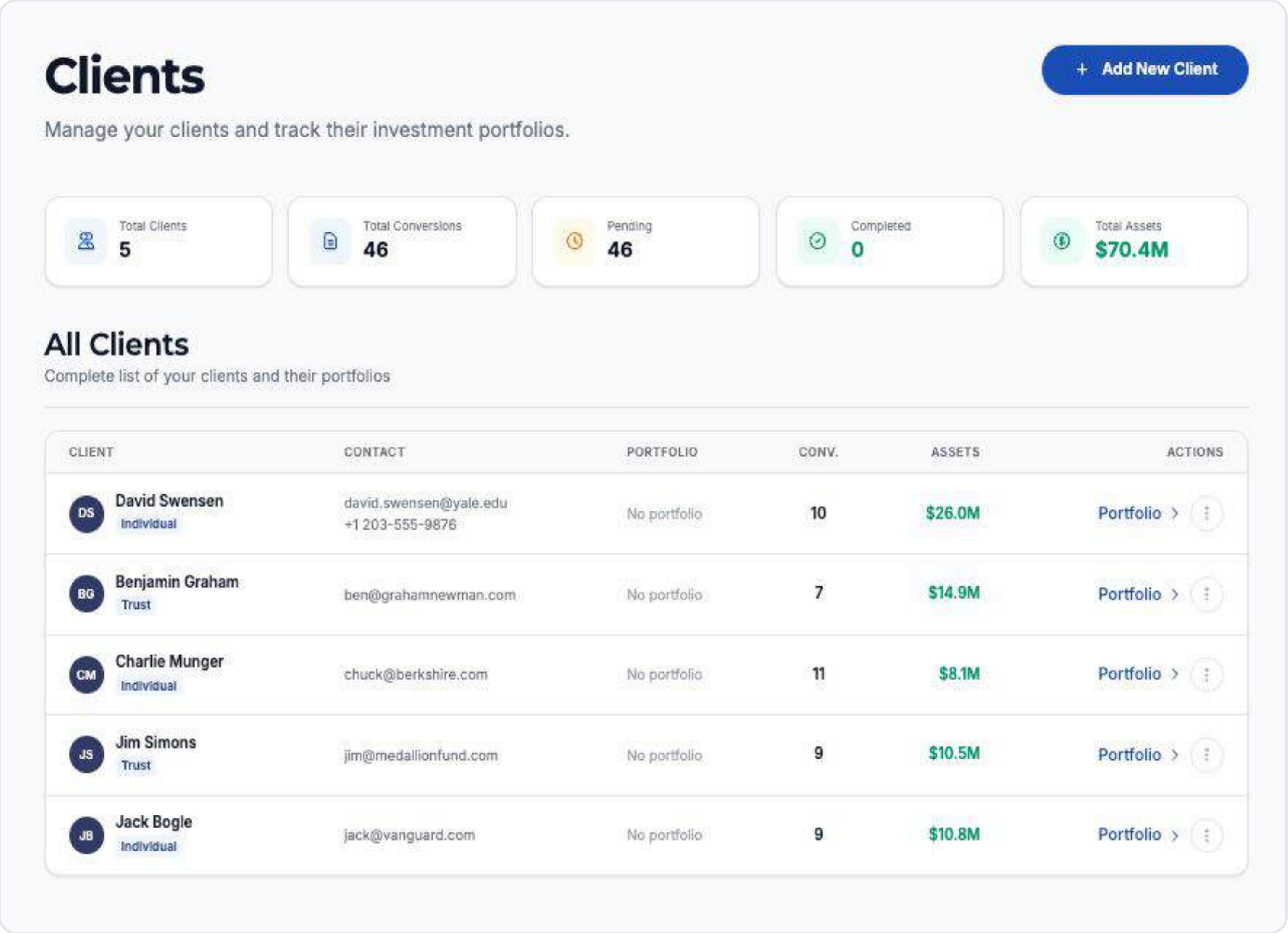
Manage every client's exchange in one place, from profile setup to launch.

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



CLIENT	CONTACT	PORTFOLIO	CONV.	ASSETS	ACTIONS
DS David Swensen Individual	david.swensen@yale.edu +1 203-555-9876	No portfolio	10	$26.0M	Portfolio ›
BG Benjamin Graham Trust	ben@grahamnewman.com	No portfolio	7	$14.9M	Portfolio ›
CM Charlie Munger Individual	chuck@berkshire.com	No portfolio	11	$8.1M	Portfolio ›
JS Jim Simons Trust	jim@medallionfund.com	No portfolio	9	$10.5M	Portfolio ›
JB Jack Bogle Individual	jack@vanguard.com	No portfolio	9	$10.8M	Portfolio ›

Optimize Portfolios for the Exchange

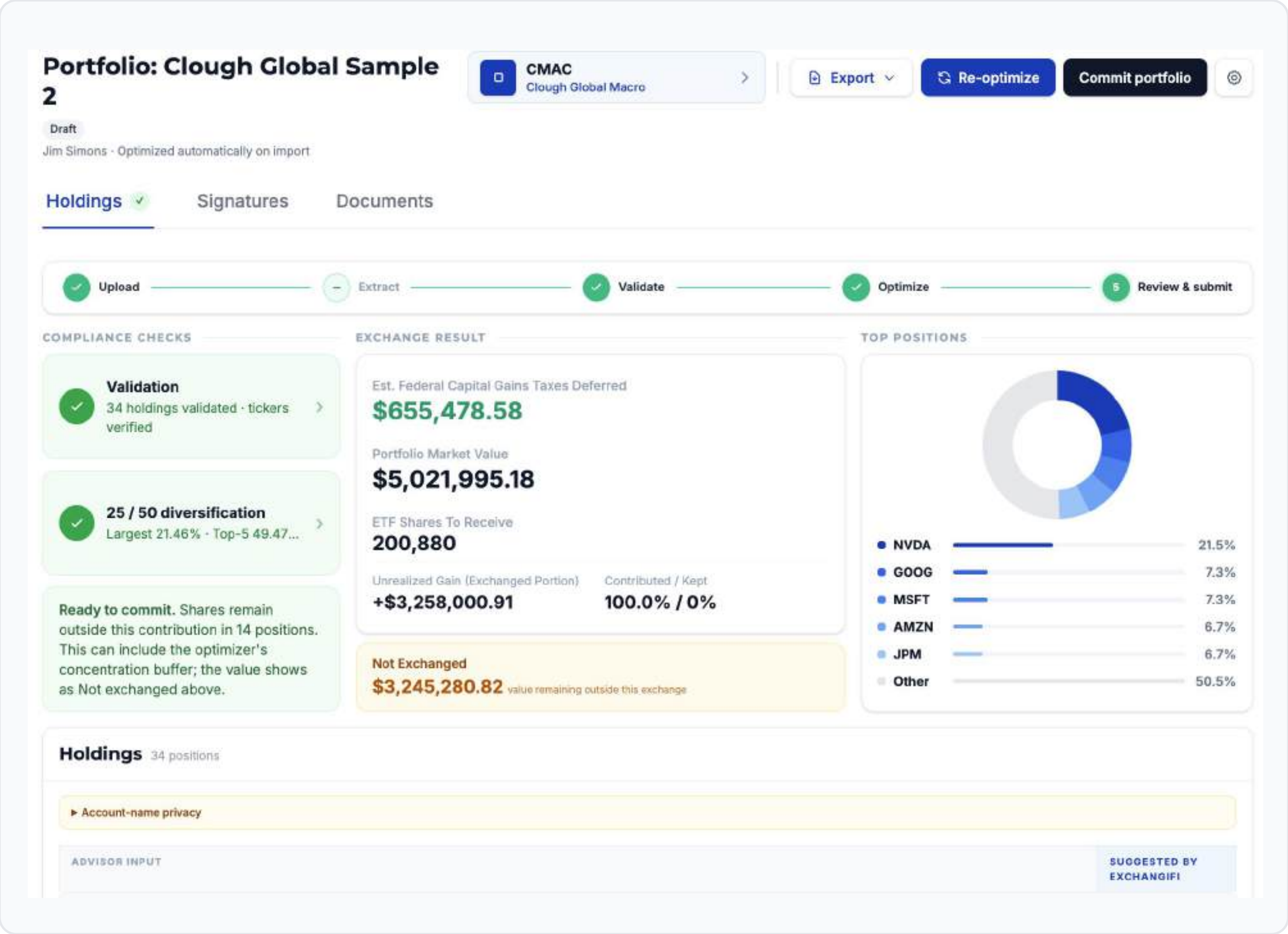
Proprietary 351 exchange calculator helps advisors educate clients

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 quick demo of the platform.

FOR MORE INFORMATION

WEBSITE
ExchangiFi.com

EMAIL
info@exchangifi.com

PHONE
+1 561-206-2416

BOOK A MEETING

WATCH DEMO VIDEO

Educational Overview for Advisors & Investors • ExchangiFi.com • May 2026

References, 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.

REFERENCES

Source Authorities & Data

- **IRC Section 351** — Non-recognition of gain on contribution to a controlled corporation.
- **IRC Section 852(b)(6)** — Non-recognition of corporate level gain on in-kind redemption.
- **SEC Rule 6c-11** — The ETF Rule, governing custom basket transactions.
- **SEC Rule 35d-1** — The Names Rule, requiring 80% of assets align with fund name.
- **351.tax** — Public registry of in-kind ETF launches by individual investors.

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