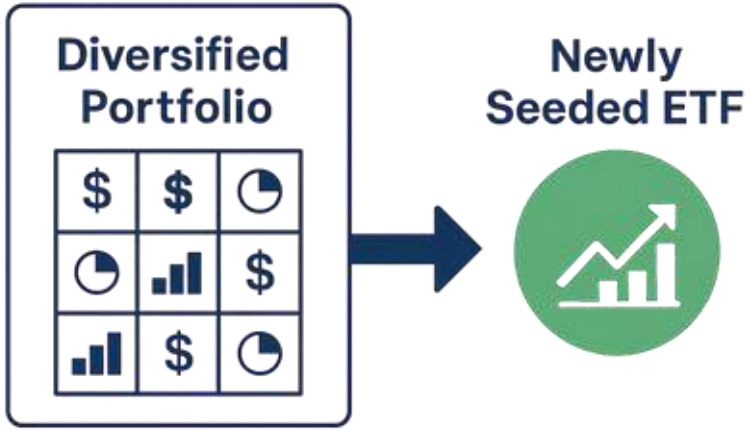
ExchangiFi

AN EDUCATIONAL OVERVIEW FOR FINANCIAL PROFESSIONALS

Section 351 Exchange

Find → Exchange → Defer



Upcoming 351 ETF Launches

Move Portfolios Into a New ETF

Seek to Defer Capital Gains

Section 351 Exchange: Applicable Rules

Section 351 ETF exchanges rely on the Internal Revenue Code, Treasury Regulations and SEC rules. As of October 2026.

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. Treasuries count in the denominator but not the 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.

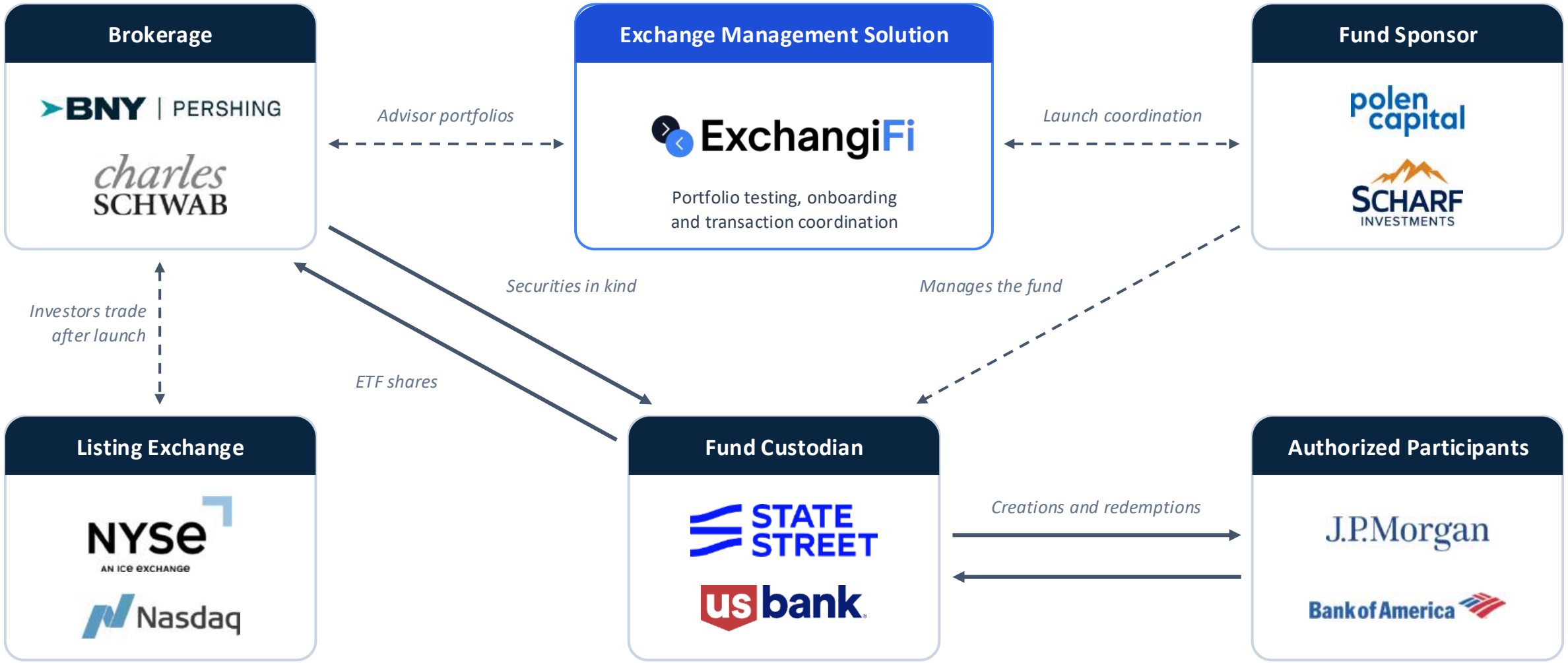
Pre-Arranged Disposition. Contributing assets under a plan to sell them defeats nonrecognition. Intermountain Lumber, Rev. Rul. 79-194.

2026 IRS Guidance (September 28, 2026). Rev. Rul. 2026-20 treats a planned 351 seed as a taxable exchange when contributed securities are promptly distributed through an AP redemption, leaving the ETF with a materially different portfolio. It has no effective date. Notice 2026-62 says future guidance may apply retroactively. It does not address, and expresses no view on, seeds using assets consistent with the ETF's investment thesis that are intended to be retained absent a substantial change in circumstances.

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How the Process Works

Securities move in kind to the fund's custodian. ETF shares return to the same brokerage accounts.

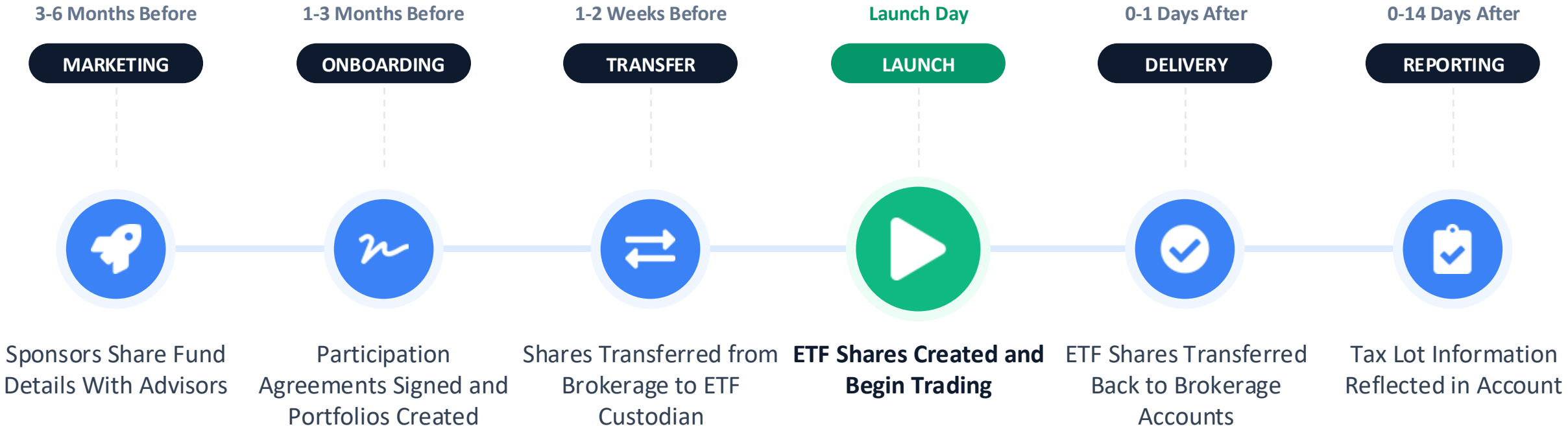


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Solid arrows move securities or ETF shares. Dashed lines show coordination, oversight or trading. Typical flow shown. Steps vary by fund and custodian. Logos are examples only and imply no affiliation.

ETF Launch Timeline

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



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Participating Investor Requirements

Each taxpayer's portfolio must pass these tests when contributed. Passing is required, not a guarantee of deferral.

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 any account a taxpayer contributes from (taxable, joint or 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.

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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 fund must pass every RIC diversification test. The 25/50 and 5/50 tests limit concentration inside the fund. The SEC 3/5/10 test limits its holdings of other funds.

Measured across the whole fund, not by investor.

STRATEGY

Strategy Alignment

Contributed securities should fit the fund's strategy, and the fund should intend to keep them. Under the SEC's Names Rule, a fund whose name suggests a focus must invest at least 80% of assets in it.

Off-strategy positions may be limited or excluded.

LIQUIDITY

Liquid, Intraday-Traded Securities

Accepted securities are generally limited to liquid instruments that trade intraday and are DTC-eligible for transfer. The next slide sets out the full eligibility framework.

The sponsor decides which securities the fund accepts.

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Asset Eligibility

Liquid, intraday-traded securities may be accepted, depending on the fund. Mutual funds and illiquid assets are not.

ELIGIBLE — What may be contributed

U.S. Equities and ADRs
Provided they are liquid and non-OTC

U.S. 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 exchange-listed and transferable 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, non-traded 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 Section 351 requirements. The sponsor decides what the fund accepts.

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Five Common Use Cases

The investment and practical reasons advisors bring a 351 exchange to a client portfolio.

Same Strategy, New Wrapper

Clients in a separately managed account may be able to contribute their holdings to the ETF version of the same strategy.

Prospecting and New Client Onboarding

Prospects and new clients often hold portfolios they hesitate to sell. When the holdings fit a strategy you recommend, contributing them in kind may be simpler.

Simplifying Complex Accounts

When the holdings match the fund's strategy, dozens of line items can become one ETF position. It's easier to report, explain and hold.

Estate and Family Planning

One ETF position can be easier to gift, title in a trust and divide among heirs than many individual stocks.

Seeding In Kind, Not Cash

Your client already wants a new ETF's strategy. They may be able to contribute securities that fit it instead of selling them for cash.

The ETF structure is the reason. Every exchange needs a genuine investment purpose behind it.

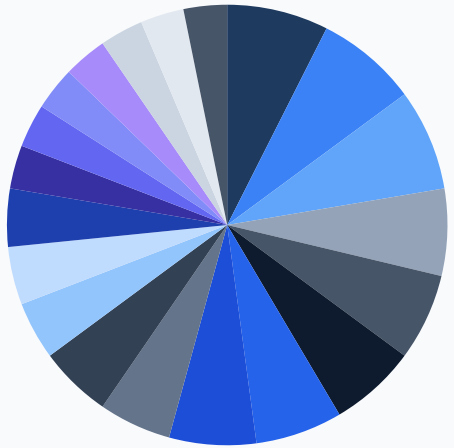
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Example #1: Consolidating a Diversified Portfolio

A diversified portfolio spread across several accounts becomes one position in an ETF with a matching strategy.

BEFORE

Diversified U.S. large-cap stocks and ETFs held across several accounts.



AFTER

One position in a U.S. large-cap ETF with a matching strategy.



Holdings that fit become one ETF position on a tax-deferred basis. Basis and holding period carry over.

Hypothetical illustration. The contributed portfolio fits the fund's strategy. All or part of an exchange can be taxable.

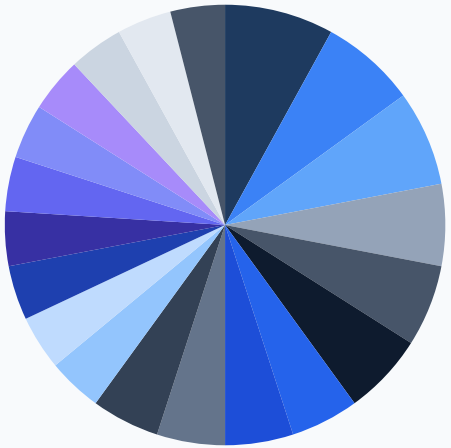
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Example #2: High-Fee SMA Into a New ETF

For example, a direct indexing account that still tracks its index may be contributed to a new ETF tracking that index.

BEFORE

High-fee direct indexing SMA that still tracks its index.



AFTER

One position in a new ETF that tracks the same index.



Same index exposure in one ETF position. The fund intends to hold what it receives.

Hypothetical illustration. ETF expense ratios vary, and an ETF does not pass individual stock losses through for harvesting. All or part of an exchange can be taxable.

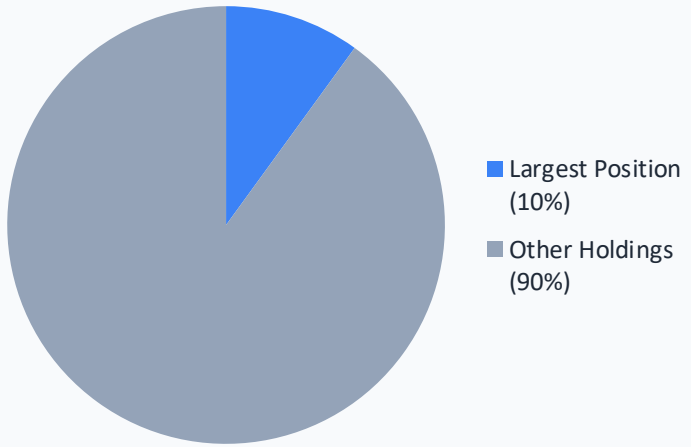
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Example #3: Seeding a New ETF In Kind

Contributing a portfolio that already fits a new ETF's strategy, instead of selling it for cash.

BEFORE

A diversified portfolio that already fits the new ETF's strategy.



AFTER

Shares of a new professionally managed ETF.



The portfolio passes 25/50, fits the strategy and is contributed in kind for ETF shares.

Hypothetical illustration. The sponsor decides which securities the fund accepts. All or part of an exchange can be taxable.

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Benefits to Each Participant

A 351 exchange can align incentives across investors, advisors and ETF issuers.

INVESTORS

For Investors

- Move holdings into a professionally managed ETF
- Hold one liquid, transparent position instead of many
- Carry over cost basis and seek to defer tax until sale

ADVISORS

For Advisors

- Offer clients an in-kind path into strategies they want
- Win held-away assets when they fit a strategy
- Keep assets liquid in the client's custody account

ETF ISSUERS

For ETF Issuers

- Launch with scale from investors who want the strategy
- Work toward the AUM thresholds platforms often require
- Expand pre-launch reach and brand awareness

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Section 351 ETF Launch 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

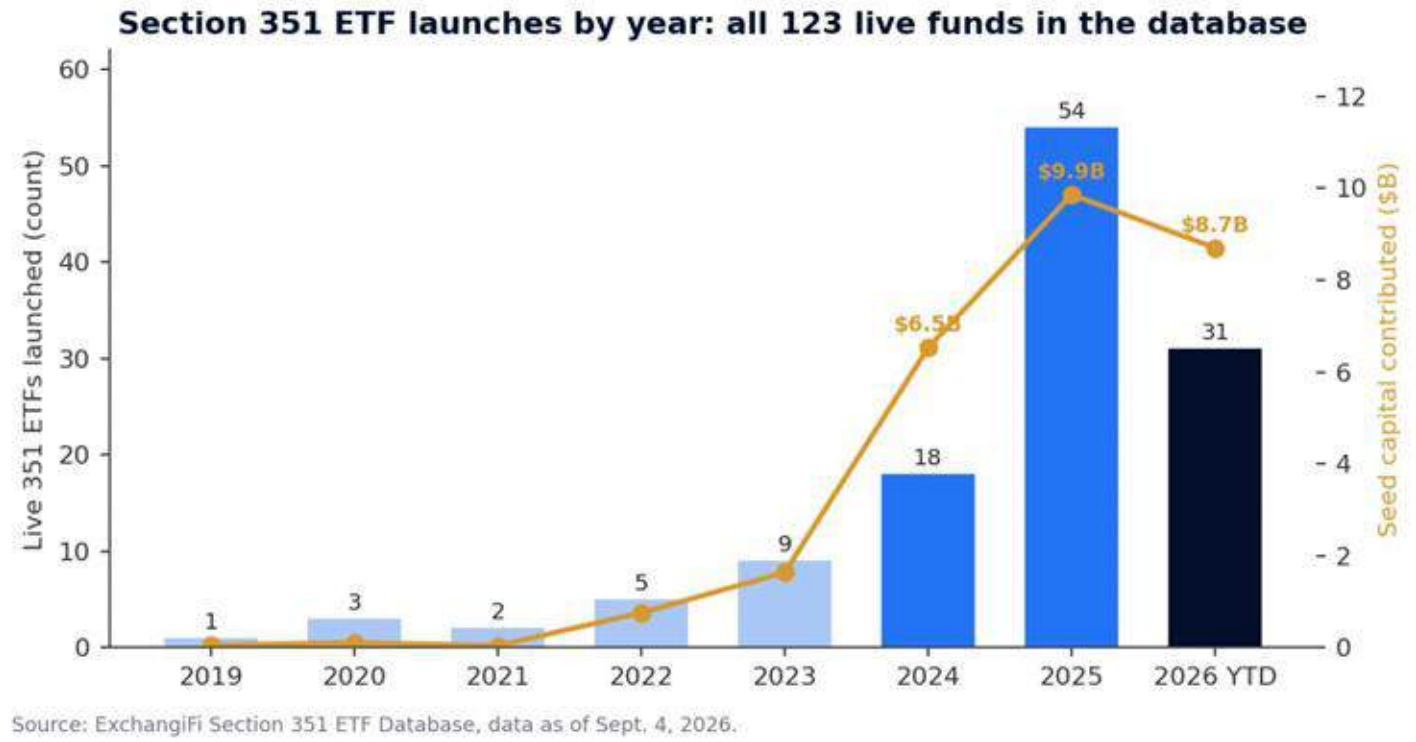


Figure 1. Live Section 351 ETF launches by year, all 123 live funds in the master database. Bars show fund count. The line shows seed capital contributed at listing. 2026 is year to date through September 4.

THE TREND

351 ETF Exchange Growth

123

Live 351 ETFs launched in kind since 2019, including 101 with over $10M

54 funds

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

$25.7B

Seed capital at listing across 101 funds

Built from public filings and third-party data as of September 4, 2026. Not independently verified. Past activity does not predict future results.

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The 351 Exchange Marketplace

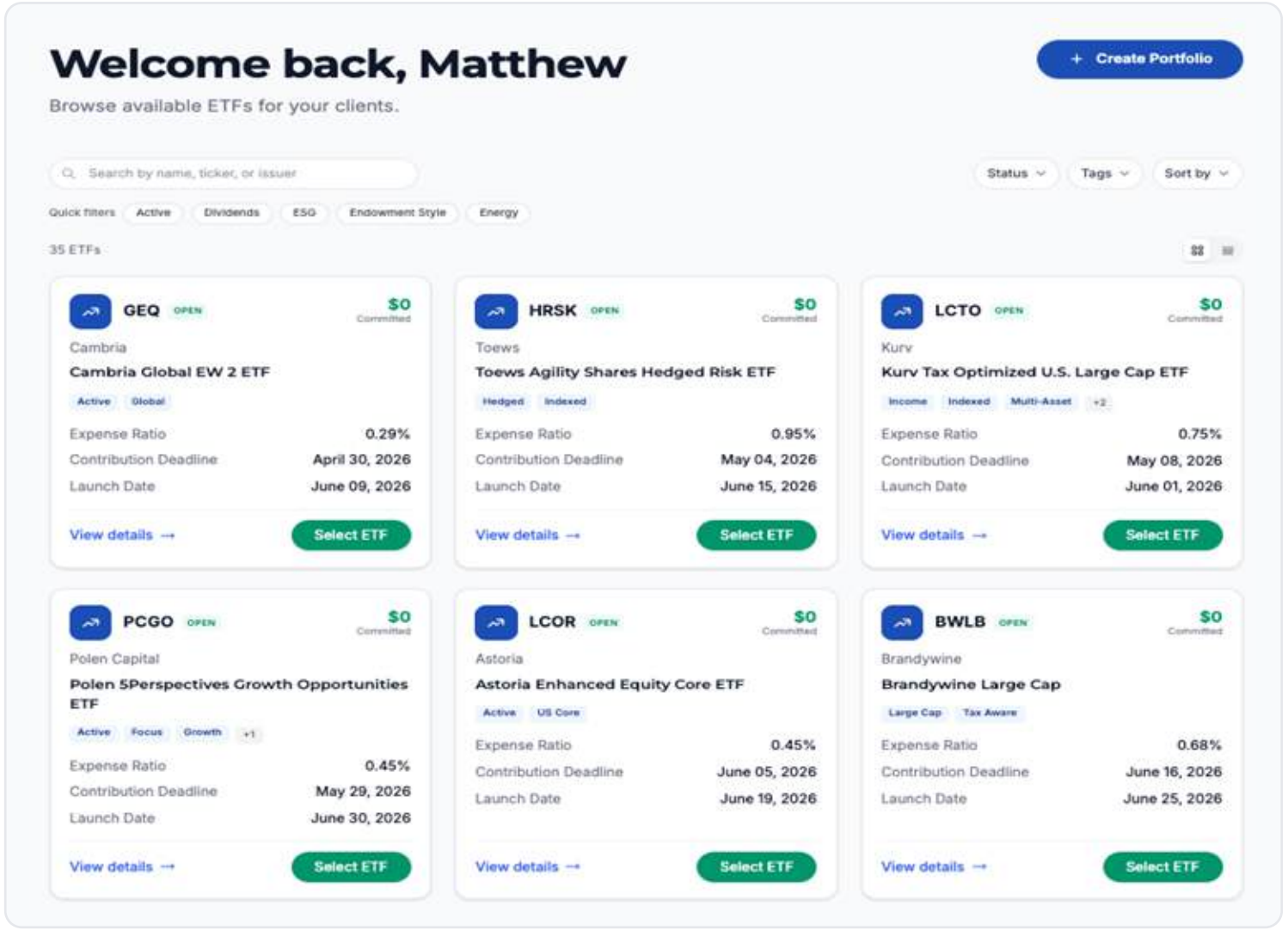
Open 351 ETF launches in one place, built for financial advisors.

OPEN 351 ETFs

Browse Open 351 ETF Launches

Review every open 351 ETF launch that sponsors post. Compare strategies from many managers and contact each fund's sponsor directly.

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



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Built for Multi-Client Advisors

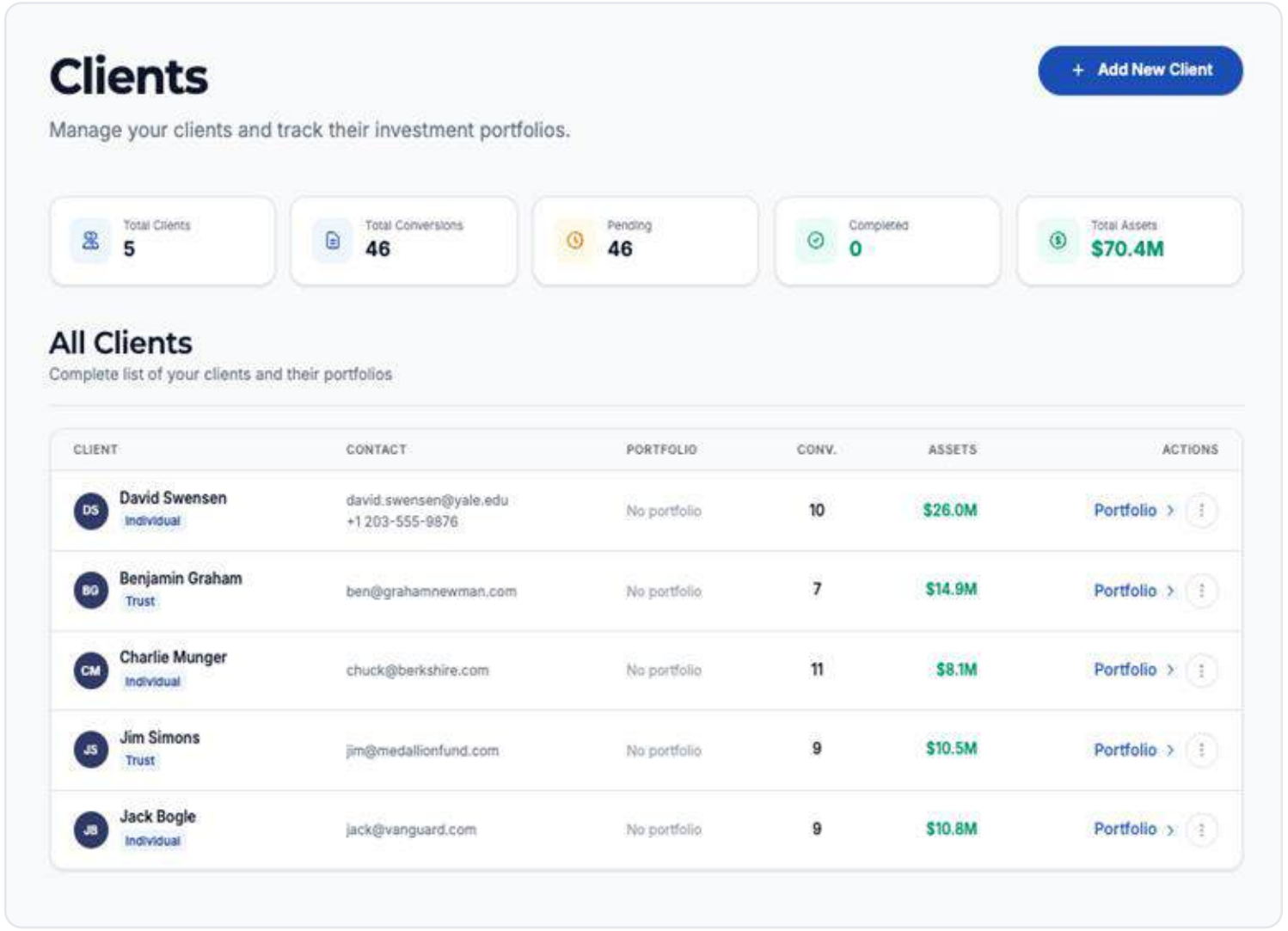
Manage every client's exchange in one place, from profile setup to launch.

CLIENT MANAGEMENT

Manage Multiple Client Portfolios

Advisors managing many clients across many ETFs can create individual client profiles, track exchanges and monitor total assets at a glance.

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



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Optimize Portfolios for the Exchange

Proprietary 351 exchange calculator helps advisors educate clients.

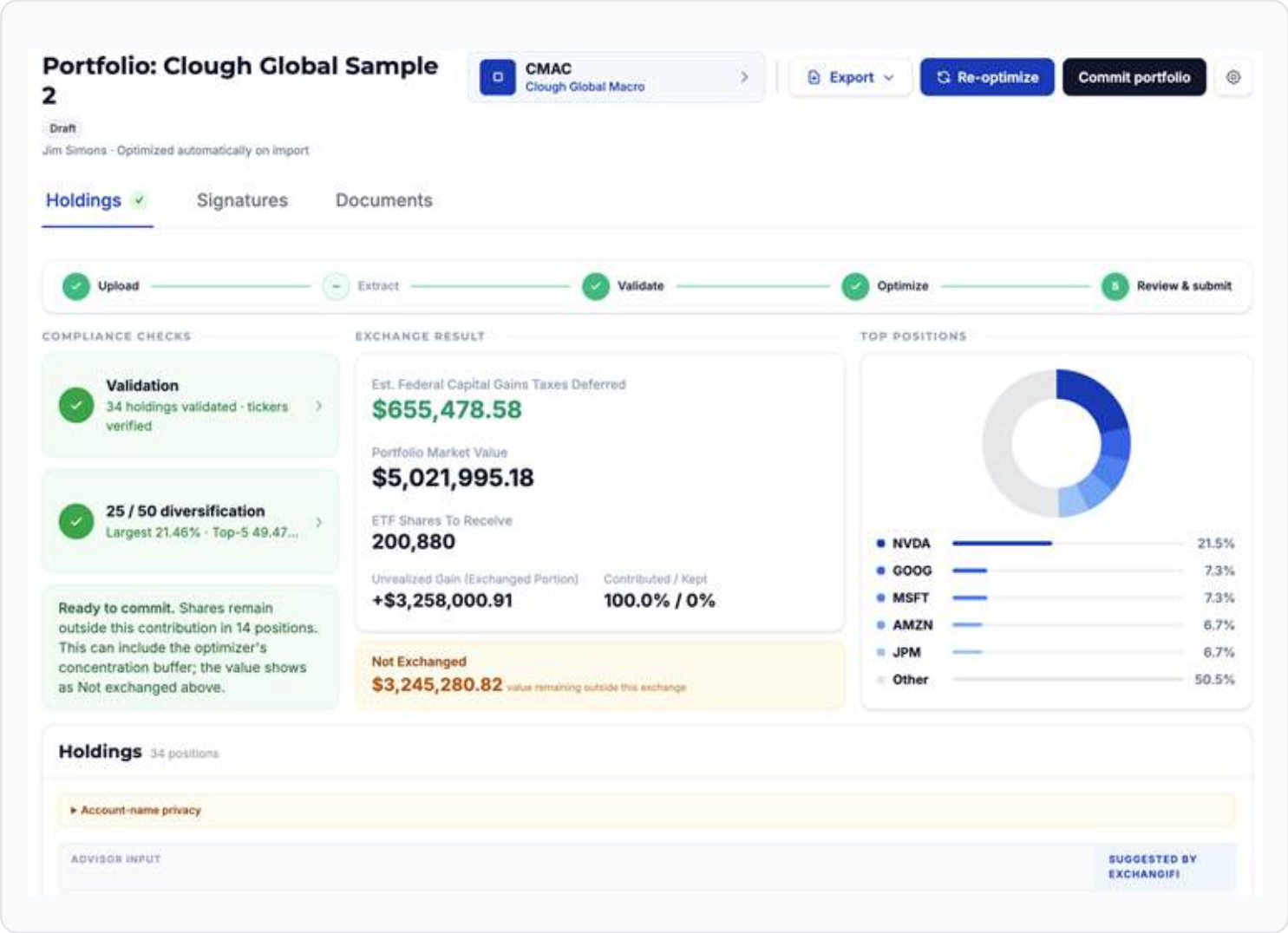
PORTFOLIO OPTIMIZATION

Test Portfolios Against 25/50

Software runs the 25/50 test across every tax lot and account, using third-party prices and daily ETF holdings. It finds the eligible portion that fits the fund's strategy. Advisors can walk clients through the output.

- **Top five positions with a diversification check**
- **Total proceeds and ETF shares to receive**
- **Estimated tax deferred, labeled illustrative**
- **Third-party market data, refreshable**

Illustrative software output. Not advice and not a determination that any portfolio qualifies. Estimated tax deferred assumes the exchange qualifies and is not a tax saving.



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For More Information

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

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Book a Meeting Watch Demo Video

Disclosures and 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. It defers tax and does not eliminate it. No exchange is guaranteed to qualify, and all or part of an exchange can be taxable. If the fund uses contributed securities to redeem an authorized participant under a plan, the IRS may treat those securities as sold (Rev. Rul. 2026-20).

Cost basis and holding period carry over to the ETF shares. Deferred gain is generally taxed when the shares are sold or the fund closes.

SUBJECT TO CHANGE

Information May Change or Be Reinterpreted

Rev. Rul. 2026-20 and Notice 2026-62, released September 28, 2026, address certain Section 351 transactions. Further guidance may apply retroactively. This presentation reflects ExchangiFi's understanding as of October 2026. Reasonable practitioners may interpret these rules differently.

Investors and advisors should consult qualified tax and legal counsel before participating in any 351 exchange. Eligibility and outcomes vary by fund sponsor, custodian and the facts of each contribution.

GENERAL DISCLAIMER

General Presentation Disclaimer

This presentation is educational and intended for financial professionals only. It is not investment, tax or legal advice, and it is not an offer or solicitation for any security. Examples are illustrative.

Data comes from third parties and is not verified. Read the fund's prospectus before investing. All investing involves risk, including loss of principal. Past performance does not guarantee future results. ExchangiFi LLC is a technology company, not an investment adviser, broker-dealer, law firm or accounting firm.

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