

From Strategy to Execution

How financial advisors navigate a 351 exchange for their clients

Initial Review & Sustainability

Financial advisors first determine whether a 351 exchange supports their client's broader objectives, including:

- Addressing concentrated positions
- Deferring capital gains
- Transitioning into a diversified ETF structure
- Preserving liquidity post-launch

Early coordination among the financial advisor, custodian, tax professional, and ETF sponsor helps ensure the exchange is structured efficiently and in alignment with Section 351 requirements from the outset.

Portfolio Eligibility Assessment

Financial advisors evaluate the portfolio to confirm eligibility under Section 351 diversification requirements:

- No single issuer generally exceeding 25% of contributed assets
- Top five issuers generally limited to 50% in aggregate
- Review of underlying ETF holdings for diversification compliance

This analysis confirms whether appreciated positions may be contributed in-kind while preserving tax deferral.

Execute the Contribution

Once eligibility is confirmed:

- Documentation and transfer materials are coordinated in advance of launch.
- Approved securities are contributed in-kind to the ETF
- ETF shares are received at net asset value (NAV)
- Capital gains are deferred at the time of exchange, if Section 351 requirements are satisfied.

ETF shares trade on the exchange following launch, with tax deferral continuing until sale.



Successful 351 exchanges benefit from experienced coordination across financial advisors, custodians, tax professionals, and ETF sponsors.

Important Disclosures: The transaction must meet Internal Revenue Code Section 351 requirements. Tax outcomes depend on individual circumstances. **This information is not to be relied on as legal, tax, business, investment, accounting, or any other advice. Recipients should seek their own independent financial and tax advice. Investing involves inherent risks, and any particular investment is not suitable for all investors; there is always a risk of losing part or all of your invested capital.** The information is in a summary format and therefore very limited in scope and not meant to provide comprehensive descriptions or discussions of the topics mentioned herein. Moreover, this has been prepared without taking into account individual objectives, financial situations or needs. As such, this presentation is for informational discussion purposes only. No statement herein should be interpreted as an offer to sell or the solicitation of an offer to buy any security (including, but not limited to, any investment vehicle or separate account managed by Polen Capital). This information is not intended for distribution to, or use by, any person or entity in any jurisdiction or country where such distribution or use would be contrary to local law or regulation. Any statements made by Polen Capital regarding future events or expectations are forward-looking statements and are based on current assumptions and expectations. Such statements involve inherent risks and uncertainties and are not a reliable indicator of future performance. Actual results may differ materially from those expressed or implied. References to specific securities, asset classes and financial markets are for illustrative purposes only and are not intended to be, and should not be interpreted as, recommendations. This information may not be redistributed and/or reproduced without the prior written permission of Polen Capital.