DAKOTA
WEALTH MANAGEMENT

Background and Introduction

1. **Why is Dakota Wealth Management launching its own ETF?**

   We recognize that every client has their own unique investment goals and objectives. To the meet the needs of our expanding client base, we wanted to provide a solution for clients that want exposure to our investment expertise but whose assets have been constrained by high levels of unrealized capitals gains in their taxable accounts. An ETF funded by 351(a) conversions will allow clients to seamlessly reallocate their portfolios into a core, actively managed Dakota Wealth Management investment strategy without realizing capital gains in their taxable accounts.

2. **What is a 351(a) conversion?**

   A 351(a) conversion is an IRS-recognized transaction that allows an investor to exchange his portfolio of diversified securities into a registered investment company (i.e. ETF), without recognition of a taxable gain or loss. Essentially, subject to diversification rules, an investor can utilize a tax-free exchange of one portfolio for another.

3. **How is Dakota Wealth Management going to do this?**

   We are partnering with ETF Architects, an industry leader in ETF creation and implementation to launch our own ETF which will be funded by 351(a) conversions. Our in house- 351(a) conversion team will work with advisors and clients to gauge interest and determine client portfolios that would benefit from the tax-deferral and diversification of our ETF. During a specified window, we will process the conversion and exchange the committed legacy client portfolios for the newly created ETF.

4. **Who are ETF Architects and what is their role in the 351(a) conversion?**

   ETF Architects is a U.S. veteran-owned and operated service provider helping investment management companies understand, create, and implement proprietary ETFs to better serve their clients. They provide operational support, administration, and industry expertise to facilitate the launch of our own Dakota Wealth Management ETF.

5. **Who will manage the ETF strategy and what will be its strategy profile?**

   The Dakota Investment Committee will manage the ETF investment strategy to be in line with Blue Chip Core Equity model.

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Operations and Logistics

1. **When is the window that we can notify clients if we want to participate?**
   Once advisors are comfortable with the 351(a) conversion concept, you can begin to have conversations with clients and document indications of interest. You can loop in 351(a) Team members to support in client conversations. The official window for collecting signed documents from clients will run between March and May 2025, with the official ETF launch occurring before the end of June 2025.
2. **What documentation will clients need to sign?**
   Advisors will receive custodian-specific onboarding kits laying out the necessary items for each participant. Generally, these items will include an LOA signed by the client, custodian statement for each account, and custodian tax lot information.
3. **How much administrative work is required by the advisor?**
   Advisors are expected to introduce the concept to clients deemed appropriate for conversion and determine if they would like to participate. Keep an ongoing list of clients in excel who have expressed indications of interest. Include dollar values and cost basis for total positions being contributed.
4. **When do we need to have participating clients' portfolios ready for conversion?**
   Deadline dates are still being determined, but we will want to have firm commitments from clients by early Q2 2025.
5. **How long does the conversion process take?**
   After we've compiled a list of client commitments from each advisor, there will be a 2–3-week period for clients to complete their onboarding kits. Once executed, ETF Architects will take roughly another week to process the conversion.
6. **How soon can clients access the ETF if they had a liquidity need?**
   Once the ETF is visible in their accounts with cost basis, the advisor and client can sell the position at any time. Upon sale, regular capital gains tax rules will apply.
7. **What are the tax implications of the conversion?**
   The 351(a) conversion will not trigger any taxable gain or loss for investors and is not reportable to the IRS. Investors will maintain an identical carryover basis and holding period in the ETF shares corresponding to the basis and holding period of the transferred assets.

8. **Will the investor receive any documents to keep as records of the transaction?**
   Investors will receive a Tax Opinion to keep for their records and reinforce the tax-deferred nature of the transaction.

Eligibility and Restrictions

1. **Does it matter what type of account the assets are held in to participate in the conversion process?**
   Assets held retirement accounts will be ineligible to participate in the conversion, only taxable accounts are eligible.
2. **Are there additional considerations advisors should have when it comes to the number of accounts from a single client or type of account?**
   Diversification Rule testing will be done at the Tax ID level. Advisors will need to ensure that the diversification rule test applies to the sum of all positions being contributed for accounts under the same Tax ID. Joint accounts will assume the Tax ID number of the primary account owner.
3. **Are all DWM custodians eligible to participate in conversion?**
   Yes, Charles Schwab, Fidelity, and Pershing are all eligible to participate in conversion. We are working closely with each custodian's Relationship Manager to prepare all necessary documents to ensure their cooperation during the conversion process.
4. **What securities are eligible for the ETF conversion?**
   a. *Eligible securities:*
      i. *US Exchange-traded Individual equities*
      ii. *ETFs.*
      iii. *Cash and cash equivalent ETFs (i.e. BIL)*
   b. *Examples of ineligible securities:*
      i. *Mutual Funds*
      ii. *Individual Bonds*
      iii. *Microcap equities/OTC Traded securities*
      iv. *Levered ETFs*
      v. *Bitcoin and other cryptocurrencies*
5. **What are the diversification rules?**
   a. *Not more than 25% of the value of the total assets each Transferor will be contributing can be the stock and securities of any one issuer. In other words, the biggest position cannot be more than 25% of the total portfolio*

being contributed. However, we can "look through" an ETF wrapper to see whether the position is already sufficiently diversified.

b. *Not more than 50% of the value of total contributed assets is invested in the stock and securities of five or fewer issuers.*
c. *In determining total assets, you exclude cash and cash items (including receivables), Government securities, and assets acquired (through incurring indebtedness or otherwise) to meet the requirements of satisfying the 25% or 50% test. However, using cash to purchase short-term treasury ETF (i.e. BIL) will allow for inclusion of cash assets to satisfy diversification rule.*

6. **"So, I can't use my account that is 90% XYZ company because it doesn't meet the diversification rules?"**

   We won't be able to convert the entire account, but we can still use some of the concentrated position combined with the other assets so that the diversification rules are met. The client will still receive some diversification and tax deferral benefits from the partial conversion.

7. **Can we do partial conversions within an account and leave other assets untouched?**

   Yes, clients can dedicate smaller portion of an account to participate in the conversion and leave the remainder of the account untouched. Whatever is being contributed will still need to satisfy the diversification rules.

8. **Can we transfer positions holding losses?**

   Yes, 351(a) Conversion Team will consult advisor on whether it makes sense to sell the security to harvest realized loss on behalf of client, which can be used to offset client's future realized gains. Proceeds will be used to buy a diversified position like BIL that would be eligible for the conversion.

9. **How do advisor teams ensure participating clients will not have accounts traded while conversion is in process?**

   Advisors will be required to submit "Do Not Trade" Restriction workflows for all assets directly participating in the 351(a) conversion. All other assets will continue to trade in line with its corresponding model strategy.

10. **What if there are restrictions on an account at the custodian?**

    Advisors must ensure there are no existing account restrictions at the custodian that would prevent the conversion from taking place (i.e. Margin, Trade through restriction). If there are restrictions of this kind that can't be removed before the conversion, account would be disqualified from participating.

11. **Can I participate in the 351(a) conversion if my account has margin?**

    You can still participate in the conversion using securities held in an account with a margin agreement. Prior to the conversion, any securities that have been bought using margin or pledged as collateral will need to have the margin position closed to be considered eligible.

Held-away Assets

1. **Can clients contribute held-away (non-Dakota-managed) assets?**

   Yes, clients can contribute held-away assets. These assets are required to be held in accounts under the management and supervision of Dakota Wealth Management at the time of conversion to ensure all necessary information is readily available to ETF Architects and the partner custodian (Schwab, Fidelity, or Pershing).

2. **Is the 351(a) conversion only available to Dakota Wealth Management clients?**

   Interested investors who are not clients may have the opportunity to inquire and be informed of the features of the 351(a) conversion and ETF. At the time of the conversion anyone participating must have an executed IMA on file with Dakota.

3. **Will there be subsequent ETFs and 351(a) conversions if we want to sit this one out?**

   Currently, there a no plans for subsequent ETFs or 351(a) conversions, so this should be viewed as a one-time offering by clients.

4. **Once the ETF is created, can anyone publicly trade?**

   Yes, the ETF will be listed publicly on the secondary market after the conversion is complete. ETF investors will be able add Dakota Wealth Management's proprietary investment strategy to both taxable and nontaxable accounts in their portfolio.

Special Situations

12. Can we offer the conversion to control persons holding concentrated positions?

An individual who is considered a control person, must abide by the rules and restrictions set forth by the SEC. They would first need approval from the company's legal counsel to participate. If a control person would like to contribute company stock (exceeding 5,000 shares or $50,000 in value) to participate in the 351a conversion, they would need to File Form 144 so that the conversion date at the end of Q2 2025 falls in the three-month trading window set forth by the filing of Form 144.