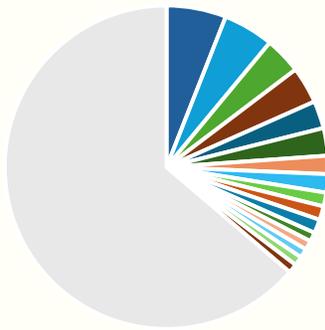


## ETF EDUCATION

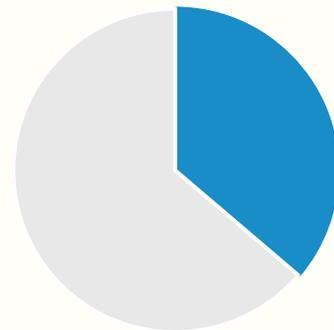
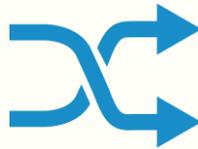
# What is a 351 Exchange?

Section 351 of the US Internal Revenue Code (“IRC”) permits the transfer of ownership in a basket of securities with unrealized capital gains to a newly-formed ETF **without recognizing those gains** at the time of transfer, assuming certain conditions are met.

## HOW DOES A 351 EXCHANGE WORK?



### 351 EXCHANGE



### Select securities to contribute

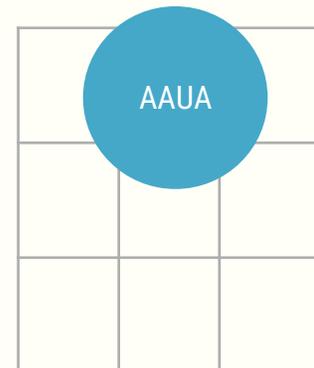
- After consulting with a tax professional, we select a basket of securities we wish to exchange for the new ETF.

### Receive the new ETF

- Following the exchange, the basket of securities are replaced with the newly-formed ETF.

## The newly-formed ETF Alpha Architect U.S. Equity 3 (AAUA)

We believe a 351 Exchange is a useful way to consolidate a tax-locked portfolio and maintain exposure to the returns of the U.S. stock market. After the exchange, contributed securities will be consolidated to the Alpha Architect U.S. Equity 3 ETF (AAUA). AAUA seeks to provide broadly diversified exposure to the U.S. stock market.



For illustrative purposes only. Neither Alpha Architect nor its affiliates provide tax advice. Not all custodians treat tax lots the same. Please contact your custodian for additional details and information on post-transaction lot treatment. IRC section 368(a)(2)(F) requires registered investment companies (RICs) to satisfy diversification requirements of at least 50% of assets in positions representing no more than 5% per issuer and 10% of an issuer's voting securities, and no more than 25% of assets in any one issuer (or controlled group or Qualified Publicly Traded Partnership (QPTP)). The rules surrounding a §351 exchange involving securities are complex. It is highly recommended to consult with a tax advisor or tax attorney to ensure compliance with IRS regulations and avoid unintended tax consequences. The information presented herein should not be construed or relied upon as tax, legal, or financial advice.



# About Alpha Architect

Alpha Architect was founded in 2010 by Wesley R. Gray, Ph.D., with Jack R. Vogel, Ph.D., joining soon after.

Since inception, Alpha Architect's mission has been to empower investors through education. We started as a blog to share practical, data-driven research. The blog's reach quickly attracted a loyal audience of over 100,000 monthly readers at its peak.

The success of the blog led a multi-billion-dollar family office to hire Wes and Jack to conduct manager due diligence for their portfolios. In short order, Wes and Jack found a recurring problem: most so-called "active" managers charged high fees for portfolios that closely tracked their benchmarks and with little regard for tax impact. By replacing them with transparent, systematic, tax-efficient strategies, Wes and Jack saved the family millions.

Recognizing the opportunity to put their findings into practice, Wes and Jack launched their first ETF in 2014, thanks, in part, to \$50 million in seed funding from the family office. Today, Alpha Architect manages over \$10 billion across our focused ETF lineup.

We apply our rigorous, disciplined approach to our ETF lineup, only bringing something to market if we believe it will give investors a higher chance of success, net of fees.

## IMPORTANT RISK INFORMATION

**Investors should carefully consider the investment objectives, risk, charges, and expenses of the funds. This and other important information is in the indicated fund's prospectus, which may be obtained by calling (215) 882-9983 or by visiting <https://funds.alphaarchitect.com/documents/>. The prospectus should be read carefully before investing. Investing involves risk, including loss of principal.**

### PRINCIPAL INVESTMENT RISKS

**Management Risk.** The Funds are actively managed and may not meet its investment objective based on the SubAdviser's success or failure to implement investment strategies for the Funds.

**Investment Risk.** When you sell your Shares, they could be worth less than what you paid for them. Therefore, you may lose money by investing in the Fund(s). The Fund(s) could lose money due to short-term market movements and over longer periods during market downturns. Securities may decline in value due to factors affecting securities markets generally or particular asset classes or industries represented in the markets. The value of a security may decline due to general market conditions, economic trends or events that are not specifically related to the issuer of the security, such as geopolitical events and environmental disasters. The value of a security may also decline due to factors that affect a particular industry or group of industries. During a general downturn in the securities markets, multiple asset classes may be negatively affected. Therefore, you may lose money by investing in the Fund(s).

**High Portfolio Turnover Risk.** The Fund(s)'s investment strategy may from time-to-time result in higher turnover rates. This may increase brokerage commission costs, which could negatively impact performance. Rapid portfolio turnover also exposes shareholders to a higher current realization of short-term capital gains, distributions of which would generally be taxed to you as ordinary income and thus cause you to pay higher taxes.

**Quantitative Security Selection Risk.** Data for some companies may be less available and/or less current than data for companies in other markets. The Sub-Adviser uses quantitative models, and its processes could be adversely affected if erroneous or outdated data is utilized. In addition, securities selected using a quantitative model could perform differently from the financial markets as a whole as a result of the characteristics used in the analysis, the weight placed on each characteristic and changes in the characteristic's historical trends.

**Equity Investing Risk.** An investment in the Fund involves risks similar to those of investing in any fund holding equity securities, such as market fluctuations, changes in interest rates and perceived trends in stock prices. The values of equity securities could decline generally or could underperform other investments. In addition, securities may decline in value due to factors affecting a specific issuer, market or securities markets generally.

**Large-Capitalization Companies Risk.** Large-capitalization companies may trail the returns of the overall stock market. Large-capitalization stocks tend to go through cycles of doing better - or worse - than the stock market in general. These periods have, in the past, lasted for as long as several years. Larger, more established companies may be slow to respond to challenges and may grow more slowly than smaller companies.

**Small- and Mid-Capitalization Company Risk.** Investing in securities of small- and mid-capitalization companies involves greater risk than customarily is associated with investing in larger, more established companies. These companies' securities may be more volatile and less liquid than those of more established companies. Often small- and mid-capitalization companies and the industries in which they focus are still evolving and, as a result, they may be more sensitive to changing market conditions.



## IMPORTANT RISK INFORMATION

### 351 Exchange Risks

**New Fund Risk.** The Fund(s) are a recently organized investment company with no operating history. As a result, prospective investors have no track record or history on which to base their investment decision. There can be no assurance that the Fund will grow to or maintain an economically viable size.

**In-Kind Contribution Risk.** At its launch, the Fund(s) expect to acquire a material amount of assets through one or more in-kind contributions that are intended to qualify as tax-deferred transactions governed by Section 351 of the Internal Revenue Code. If one or more of the in-kind contributions were to fail to qualify for tax-deferred treatment, then the Fund(s) would not take a carryover tax basis in the applicable contributed assets and would not benefit from a tacked holding period in those assets. This could cause the Fund(s) to incorrectly calculate and report to shareholders the amount of gain or loss recognized and/or the character of gain or loss (e.g., as long-term or short-term) on the subsequent disposition of such assets.

### Tax-related matters

**Tax disclaimer.** Neither Alpha Architect nor its affiliates provide tax advice.

**IRS Circular 230 disclosure.** To ensure compliance with requirements imposed by the IRS, we inform you that any tax advice contained in this communication was not intended or written to be used, and cannot be used, for the purpose of (i) avoiding tax-related penalties under the Internal Revenue Code or (ii) promoting, marketing or recommending to another party any matters addressed herein. You should seek advice based on your particular circumstances from an independent tax advisor. The information contained in this communication is not meant to substitute for a thorough estate planning and is not meant to be legal and/or estate advice. It is intended to provide you with a preliminary outline of your goals. Please consult your legal counsel for additional information.

**Estate Planning Notice.** The information included in this communication is not intended as a substitute for comprehensive estate planning and does not constitute legal or estate advice. It serves only as a preliminary outline of how tax-free conversions operate. For detailed guidance, we recommend consulting your legal counsel.

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