

Submitting Structured Note Requests & FAQs

Instructions as of **3/7/25**

Who To Direct Questions To

- Questions about **anything procedural** should always be directed to the WWA Operations Team at service@wealthwatchadvisors.com including: how to submit requests, the purchase process, viewing notes on the systems, distributions from accounts invested in notes, billing, selling shares, etc.
- Questions about **general education** on how notes work in the market and positioning these products to clients should be directed to James Jurica james.jurica@wealthwatchadvisors.com.

1. Review Available Notes

- *The starting point to any structured note request is to understand the fundamentals of how structured notes operate. Please reach out to James Jurica for structured note education prior to recommending notes to a client if you are not familiar with the intricacies of these products.*
- A new round of available notes will be posted to the Strategy Gallery section of the Taiko portal each month around the **12th** of each month.
- Inside the Taiko portal, click “**Investments**” across the top followed by the “**Alternative Investments**” tile.
- On this page you will find the list of public First Trust notes that have been approved by WWA as well as any custom notes offered exclusively through WWA.
 - o ******* *Not all notes offered by First Trust will be approved by WWA, so please refer to this page for what is available on our system.*
 - o ******* *James Jurica is the only party at WWA permitted to create custom notes at First Trust. Advisors are not permitted to work direct with First Trust on custom offerings.*

2. Review Account Balances & Suitability

- The most important part of submitting a note request is to review account balances and model investments beforehand to make sure required conditions are met.
- Account balances and current investments can be reviewed inside Portfolio Audit in Orion.
 - o ******* *Right click on the account in Portfolio Audit, click “**Registration**”, click “**Sleeve Set-up**” to view the current account allocation.*
- **Conditions that will need to be met in order for a note request to be in good order:**
 1. All WWA contractual paperwork must be on file.
 2. The account must be fully funded, and an account balance showing in Orion, on the day of the request submission. Requests still pending deposits or transfers that have not yet arrived and settled in Orion on the day of the request submission will be rejected.
 3. An account must be invested in model(s) offered by WWA as a prerequisite to requesting a note purchase. Model(s) may be assigned at the same time as requesting a note purchase, but notes cannot be purchased first before model investments. A structured note is not part of the model allocation and assigned investment models must total 100% separately from the note request.
 4. Note purchase requests must be in \$1,000 increments only.
 5. ***The amount of the note purchase must not exceed what is necessary to be left behind in the account for billing and model investments, ongoing distributions, etc.*** In other words, the note request must not “steal” away balances from other required trading and cash hold needs inside the account.
 - ******* *2% of the total balance invested in note(s) will be raised and held in the account in cash for billing. This is put in place automatically by WWA Operations but should be considered when deciding on how much to invest in a note. This is the same concept as any investment model*

that keeps 2% ongoing cash allocated as well, and is required regardless of whether the note pays income payments.

- ****The note purchase must not cause the model balance to drop below the required investment minimum for the assigned model. Investment minimums are listed inside the Strategy Gallery in the Taiko portal for review. The investment model allocation should be changed at the time of the note purchase request to a model with a lower minimum, or the amount of the note purchase must be lowered.*
- ****The note purchase must not steal cash away needed for ongoing scheduled distributions out of the account. Scheduled distributions can be reviewed at Schwab online using the Move Money tab. Distributions can be cancelled when requesting a note purchase, or the amount of the note purchase must be lowered.*

3. Submit Request

- Note requests are submitted through a ticket in the Taiko portal.
- The deadline for submitting note requests inside the Taiko portal is the **end of the day 5 business days** (one week) **before the note closing date**.
 - o For example: a note with a closing date of 1/31 will have a request submission cut-off of EOD 1/24.
 - o If a NYSE holiday falls within the week before the closing date, the submission cut off will be one day early accordingly, so that requests are received **5 business days** ahead of time.
- To submit a request, click the “**Submit Request**” button inside the Taiko portal.
- Choose “**Trade Request**”, click “**Next**”, choose “**Assign Model(s)**” as the Trade Type.
- Type (Client Name), (Account Number), and “**Structured Note Request**” in the subject line.
- Enter the account number and registration.
- If assigning an investment model to the account for the first time or making a change to the current investment model as part of the structured note request, enter the model details into the model section.
 - o ****Model assignments must always total 100%*
- If not making any changes to the current model allocation as part of the note request, select “**Existing Model**” from the drop down list at 100%.
- Click on the “**Add structured note(s)**” button below the model section.
- Select the available note from the drop down list. Only approved notes still available to submit will be listed here.
- Enter the amount of the note purchase (the system will round down to the nearest \$1,000 if entering an amount not in \$1,000 increments).
- You may request more than one structured note inside the ticket by clicking the “**Add structured note(s)**” button again and adding another.
- Click “**Submit Request**”.

4. Track Progress & Feedback

- Please note that structured note requests may not be reviewed and approved right away the same way as regular non-note trade requests. All note requests are sent to a queue and will be approved at the discretion of the WWA Ops team depending on volume and the order received.
- WWA recommends submitting note requests as far in advance as possible.
 - o ****We do want to be transparent that approving and executing note requests is a very manual and time-consuming task. It is very important that Advisors please review the required conditions carefully before submitting requests to ensure everything is in good order.*
 - o ****Relying on WWA Ops to provide feedback in lieu of submitting requests with careful consideration and review beforehand puts excessive strain on the approval process.*

- *****Please understand that any requests not submitted in good order will not be approved and we cannot guarantee that NIGOs will be communicated and fixed in time for trade execution.**
- If there is not enough cash in the account to purchase the note at the time the request is submitted, cash will automatically be raised pro-rata from the current investment model(s) assigned to the account.
- WWA Operations will leave comments for you inside the submitted Taiko ticket regarding whether the request is in good order or NIGO pending corrections from you.
- All NIGO re-submissions will be handled on a best-efforts basis after the submission cut-off.

5. Timeline & Visibility After Requests Are Approved

- Trade requests in good order will be submitted to Schwab on the closing date.
- The note CUSIP will post to the client's account on a slower timeline than usual securities settlement and typically takes about 4 business days.
- Structured note CUSIPs and 2% cash on hold corresponding to note balances will be held inside a specific structured note sleeve. Orion portfolio audit will show a clear picture of accounts invested in structured notes.
- Accounts that are purchasing structured notes will **not be blocked** on the Taiko system as they were on former systems. Other ticket requests may be entered while structured note purchases are still settling.

6. Prospectus and Coupon Payment Delivery

- Final note prospectuses are delivered by Schwab to the Client directly (either electronically or by mail depending on the client's account settings) within a couple of weeks after the note purchase settlement.
- The final prospectus from Schwab shows the final locked in interest rate in writing.
- Monthly coupon payments for notes that provide income will post directly to the client's Schwab account as a cash deposit.
- After a note is first purchased, the coupon payment will not arrive until a full month cycle has passed first. Then going forward, the coupon payment will post to the account on or around the original note closing date each month going forward.
 - *****For example, an income note with a closing date of 2/21, will not deposit the first coupon payment until April.**
- Payment frequency and whether a coupon payment will be received differs from note to note.

7. Distributions from Accounts with Structured Notes

- Ongoing distributions corresponding to the note interest "coupon" payment may be set up.
- The distribution start date must be **no earlier than 1 week after the first coupon payment posts to the account**. Transactions can be viewed inside Schwab online or inside Orion.
- The first coupon payment will not arrive inside the account until a full month cycle has passed after the note purchase.
- The distribution amount must be **no larger than the exact amount of the coupon payment**.
- If ongoing or one-time distributions are being sent out of the account unrelated to the note coupon payment amount, such as RMDs or one-time cash needs, the account should be carefully reviewed before investing in the note, to ensure the cash leaving the account is not causing balances in the account to fall below the required conditions listed in step 2. Always reach out to the WWA Ops team with any questions.
- Note shares will never automatically be sold to raise cash for distributions. Note CUSIPs should be considered blocked and will not be traded.

7. Selling Note Shares to Raise Cash

- The purpose of investing in a structured note is to buy and hold the note until the note maturity date.

- Note shares will never automatically be sold to raise cash for distributions. Note CUSIPs should be considered blocked and will not be traded unless specified by the Advisor in a ticket request.
- Ideally, selling note shares is not needed if proper account reviews have taken place and expectations have been set with the client before investing in the note.
- Selling note shares is possible if the client has cash needs, although it does incur a transaction fee at Schwab and is generally discouraged.
- If selling note shares is a necessity, a cashiering request may be entered in Taiko outlining the total number of units in increments and the specific note CUSIP.
- Settlement is much longer than normal equities and can take up to 6 days in some cases. Please be advised when setting expectations if the client has urgent cash needs that notes are not the fastest way to generate cash in case there is a better option for them.