



# CFO COUNCILS

FINTRUST CAPITAL ADVISORS

MARCH 20 - 21, 2019

FINTRUST<sup>SM</sup>  
CAPITAL ADVISORS

124 Verdae Boulevard, Suite 504 | Greenville, SC 29607 | [www.fintrustadvisors.com](http://www.fintrustadvisors.com)



*Part I:*  
*Disclaimer and  
Introduction*

FINTRUST™  
CAPITAL ADVISORS

# Important Disclaimers

This presentation has been prepared by FinTrust Capital Advisors, LLC (together with its subsidiaries and affiliates, collectively “FCA”) for the exclusive use of recipient(s) (“Recipient”) using publicly available information. FCA has not independently verified the information contained herein, nor does FCA make any representation or warranty, either express or implied, as to the accuracy, completeness or reliability of the information contained in this presentation. Any estimates or projections as to events that may occur in the future are based upon the best judgment of FCA from publicly available information as of the date of this presentation. Nothing contained herein is, or shall be relied upon as, a promise or representation as to the past or future. FCA expressly disclaims any and all liability relating or resulting from the use of this presentation.

This presentation has been prepared solely for informational purposes and is not to be construed as a solicitation or an offer to buy or sell any securities or related financial instruments. Securities offered through FinTrust Brokerage Services, LLC (Member FINRA/ SIPC) and Investment Advisory Services offered through FinTrust Capital Advisors, LLC. The Recipient should not construe the contents of this presentation as legal, tax, accounting or investment advice or a recommendation. The Recipient should consult its own counsel, tax and financial advisors as to legal and related matters concerning any transaction described herein. This presentation does not purport to be all-inclusive or to contain all of the information which the Recipient may require. No investment, divestment or other financial decisions or actions should be based solely on the information in this presentation.

This presentation has been prepared on a confidential basis solely for the use and benefit of the Recipient. Distribution of this presentation to any person other than the Recipient and those persons retained to advise the Recipient is unauthorized. This material must not be copied, reproduced, distributed or passed to others at any time without the prior written consent of FCA.





# Fintrust Capital Partners, LLC

- FinTrust Capital Advisors, LLC  
S.E.C. registered investment advisor
- FinTrust Brokerage Services, LLC  
FINRA licensed securities brokerage firm
- Headquartered in Greenville, SC
- Serves corporate, institutional clients, & private wealth individuals.
- Advises clients on approximately \$2 Billion in client assets

# Why Fintrust?

- Our Team:
  - 20+ professionals with industry leading credentials
    - Accredited Investment Fiduciary®
    - Chartered Financial Analyst®
    - Certified Financial Planner™
    - Certified Behavioral Finance Analyst
    - Certified Public Accountants
- Multiple locations throughout South Carolina and the Southeast



Allen Gillespie, CFA®  
Managing Partner  
Investments



Chip  
Hardy, CBFA  
Senior Vice  
President  
Fiduciary  
Consultant



David Lewis,  
CFA®  
CFO, Senior Vice  
President  
Investment  
Advisor



Todd Mitchell, CPA  
CEO Solutions, LLC  
Managing Member





# Corporate & Institutional Services:

---

INVESTMENT MANAGEMENT

FIDUCIARY CONSULTING

RETIREMENT PLAN CONSULTING

RESEARCH & CAPITAL MARKETS

OTHER SERVICES



F I N T R U S T<sup>™</sup>  
CAPITAL ADVISORS



### 3 Ideas:

1. Value of Networking
2. Opportunity Zones
3. SCRA State Tax Credits –  
Industry Partners Fund





## Triple Bottom Line:

1. Economic Impact
2. Community Impact
3. Personal Contribution





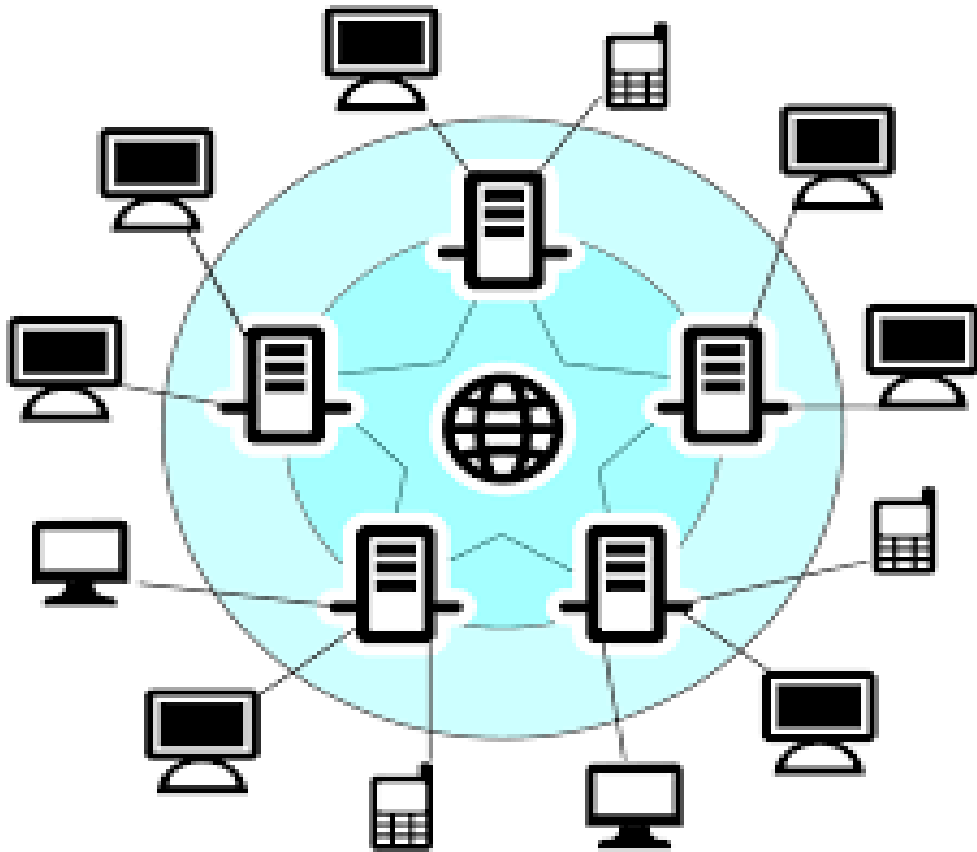
# Have You Ever

---

## Played the Kevin Bacon Game?

FINTRUST™  
CAPITAL ADVISORS

# What's The Bacon In Knowing Kevin?

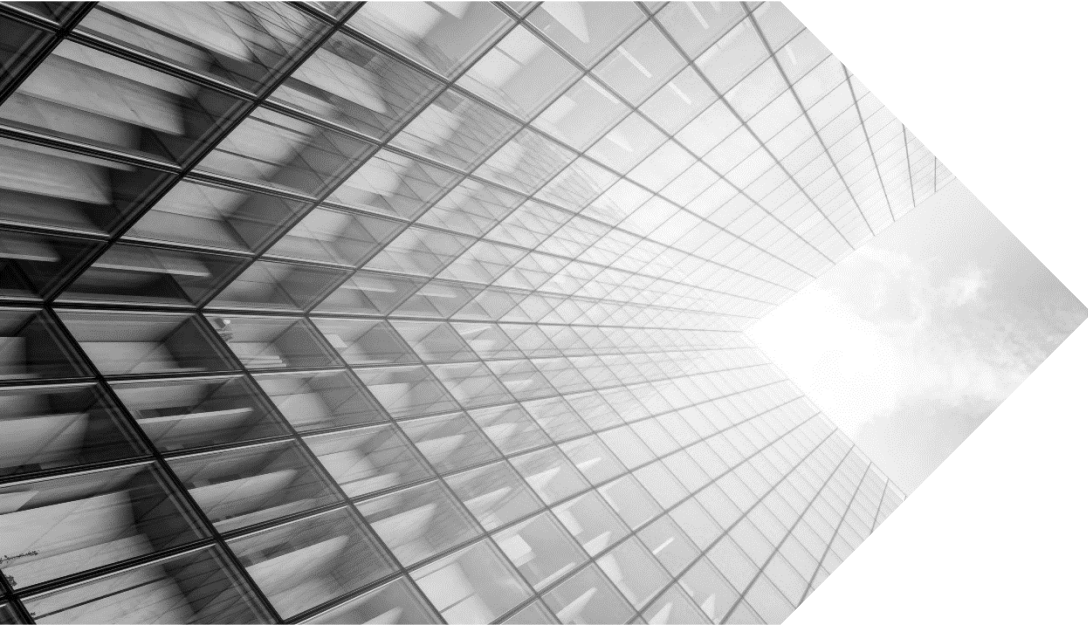


## Network Value Theory

### Metcalf's Law

1. # of Connections
2. Quality of those Connections
3. Connection Quality = Informational Quality





*Part II :*  
*Opportunity Zones*



FINTRUST™  
CAPITAL ADVISORS



# Where's the Bacon in Opportunity Zones?

---

1. Selling Shareholder - Sheltering Gains
2. Product or Divisional Spin-offs
3. Expansions and Financing Plans
4. Real Estate Decisions
5. Community Impact



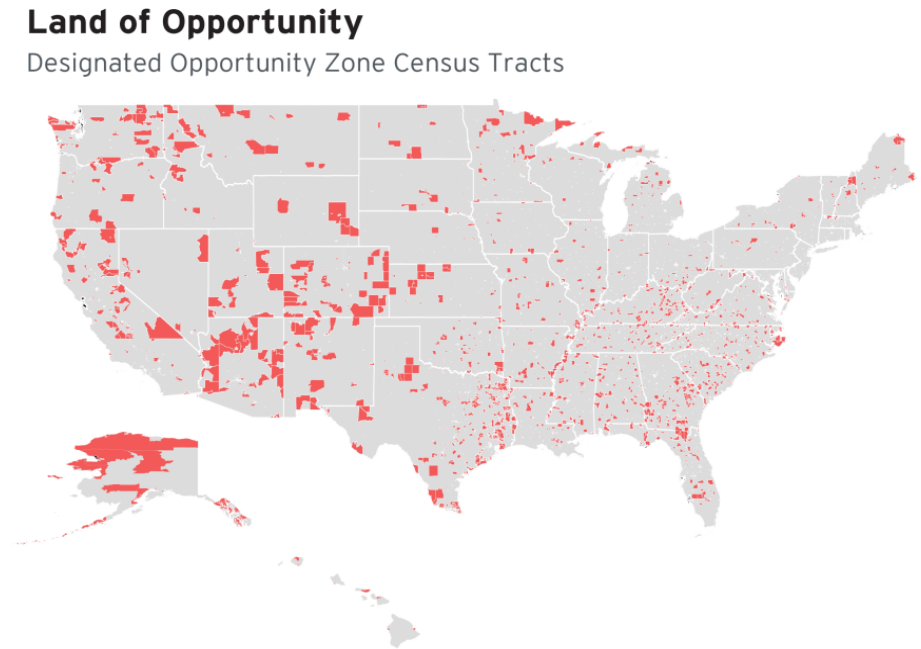
FINTRUST™  
CAPITAL ADVISORS



# The Land of OZ

---

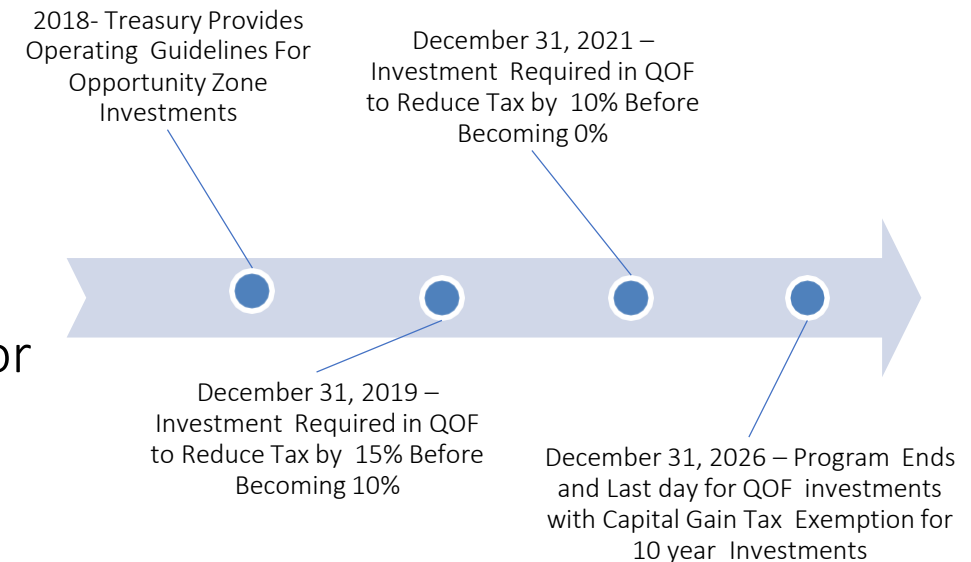
- Low-income census tracts
  - Designated by state and federal governments in the Tax Cuts and Jobs Act of 2017
- Designed to:
  - Spur economic development and job creation by providing tax benefits to individuals and companies that are willing to invest in real estate and enterprises in designated distressed communities
- 8,762 Opportunity Zones in the US and Puerto Rico
- 135 Opportunity Zones in South Carolina



Source: Fund for Our Economic Future's analysis of Qualified Opportunity Zone tracts, as designated by the U.S. CDFI Fund.

# Why All the Excitement?

- **Defer** - If the QOF investment is held for at least 5 years, the original tax payment can be deferred without penalty until
  - May defer tax on prior capital gains, generated from selling any asset, if they invest in a Qualified Opportunity Fund (QOF) and,
  - Tax is deferred until the earlier of the date on which the investment in a QOF is sold or exchanged, or December 31, 2026.
- **Reduce** - If the QOF investment is held for longer than:
  - 5 years, there is a 10% exclusion of the deferred gain
  - 7 years, there is a 15% exclusion of the deferred gain
- **Exclude** – If an investment in the Opportunity Fund is held for at least 10 years then there is no tax on the gain





# How Much Bacon ? QOF Case Study

	Traditional	QOF Inv (12/31/19)	QOF Benefit	
<b>Capital Gain</b>	<b>\$ 3,000,000</b>	<b>\$ 3,000,000</b>		
Basis Adjustment on Gain %	0%	15%		
Basis Adjustment on Gain \$	-	\$ 450,000		
New Adjusted Gain	\$ 3,000,000	\$ 2,550,000		
Fed Capital Gain Tax Rate	23.8%	23.8%		
Fed Capital Gain + NIIT Tax Due	\$ 714,000	\$ 606,900	<b>107,100</b>	<b>Reduce</b>
After-Tax Gain	\$ 2,286,000	\$ 3,000,000		
Amount Available to Invest in QOF	\$ 2,286,000	\$ 3,000,000		
ROR	9.0%	9.0%		
Projected 7 Year Value at Sale		\$ 5,484,117		
Deferred Tax on 7 Year Hold	0	\$ 606,900	<b>502,537</b>	<b>Deferral</b>
Net After Original Tax		\$ 4,877,217		
Projected 10 Year Value at Sale	\$ 5,411,793	\$ 6,316,138		
Taxable Gain on QOF Investment	\$ 3,125,793			
Fed Capital Gains Tax - 10 Year Sale	\$ 743,939	-		
Net Acct Value	\$ 4,667,855	\$ 6,316,138	<b>1,038,646</b>	<b>Exclusion</b>
Net Gain All Fed Taxes	\$ 1,667,855	\$ 3,316,138	<b>1,648,283</b>	<b>Total Benefit</b>
After Tax Total Return	55.60%	110.54%		

1. Owner sells company and realizes \$3,000,000 gain
2. Owner invests \$3,000,000 gain in QOF

# How Do You Invest In Opportunity Zones?

---

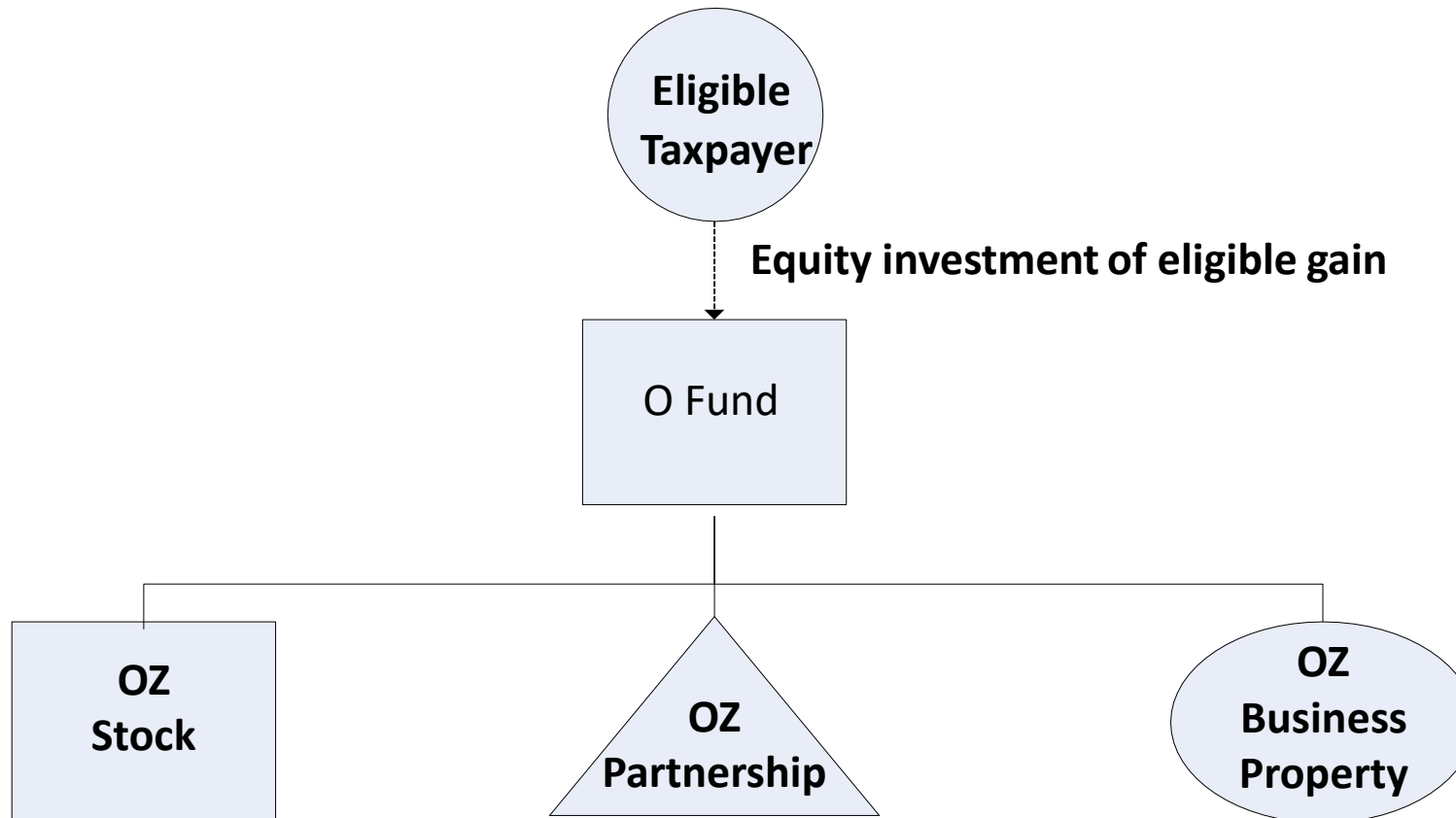
- Investors must use or create a Qualified Opportunity Fund (QOF)
- Invest the gains into a QOF within 180 days of the gain realization
- Determine if state tax credits can be used in addition
- QOF compliance rules apply





# Basic Fund Structure

---

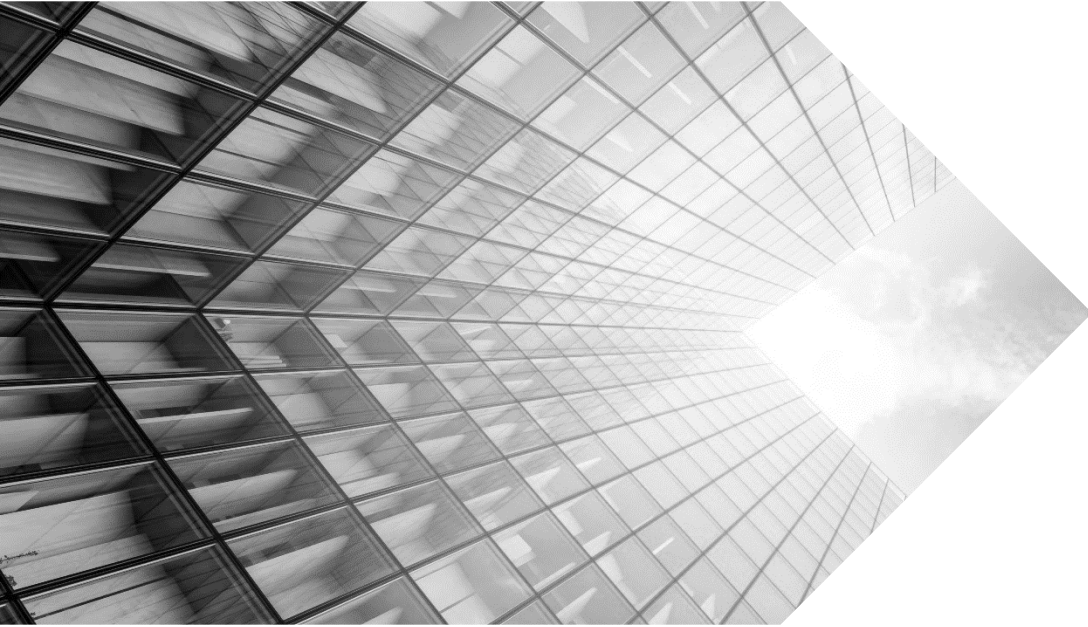


Funds Can Hold

- Single asset or
- Multiple assets

## A map of South Carolina showing its county boundaries. Major cities are labeled, including Greenville, Spartanburg, Rock Hill, Florence, Myrtle Beach, Charleston, Savannah, Augusta, Aiken, Anderson, Columbia, and Charleston. The map also shows neighboring states: North Carolina to the north, Georgia to the west, and Virginia to the northwest. Major highways like I-95, I-85, I-77, I-26, and I-9 are indicated. National Forests such as Cherokee, Nantahala, and Chatahoochee are shown in green. The Atlantic Ocean is visible to the east.

**FINTRUST**  
CAPITAL ADVISORS



*Part III:*  
*Conclusion & Action*  
*Items*

FINTRUST™  
CAPITAL ADVISORS



# CONCLUSION & ACTION ITEMS:

- FinTrust can help by...
  - Creating and preserving wealth
  - Connecting you with strategic partners
- You should...
  - Research and analyze your own situation
  - Consult with your tax and legal team
  - Meet with FinTrust as a follow up



*Thank You!*

Allen Gillespie and Chip Hardy

FinTrust Capital Advisors

[www.fintrustadvisors.com](http://www.fintrustadvisors.com) | 864.288.2849



FINTRUST™  
CAPITAL ADVISORS



*Part IV:*  
*SCRA & Tax Credits*

FINTRUST™  
CAPITAL ADVISORS



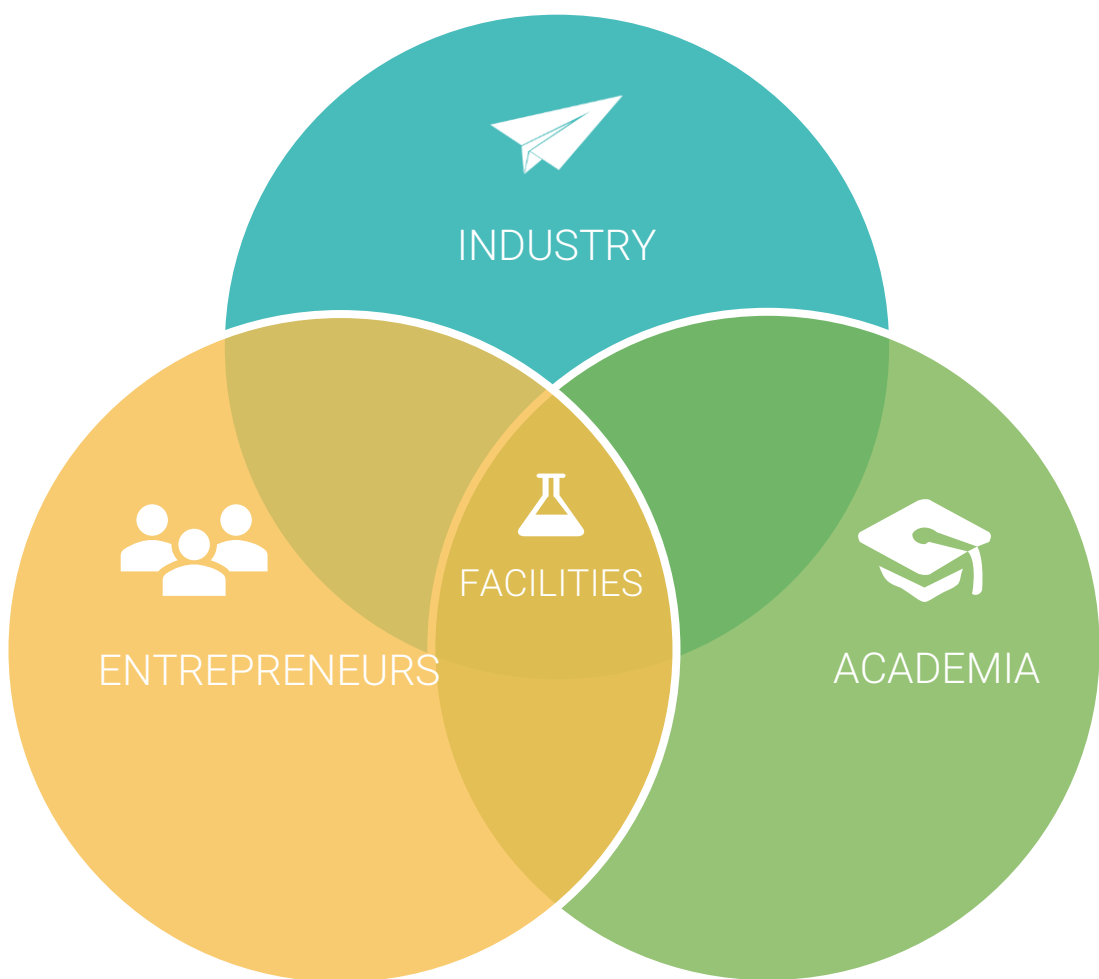


# OUR MISSION

---



SCRA fuels South Carolina's innovation economy



...by accelerating technology-enabled growth in research, academia, entrepreneurship and industry.

## **FUELED BY THE INDUSTRY PARTNERSHIP FUND**

---



The Industry Partnership Fund (IPF) has been in place since 2006.

SCRA uses the funding to fuel the innovation economy in South Carolina.

Last year, IPF contributions funded over \$5 million in technology-related grants and investments.



# IMPACT OF THE IPF



## FY17 and FY18

**\$9 Million**

Direct Funding of  
Technology-based  
Companies

**1,250+**

SC-based Direct Jobs  
Supported by Client  
Companies and  
3,000+ Indirect Jobs  
(Annual Average)

**\$71,000+**

Average Wage of  
Jobs Supported

**\$417 Million**

Outside Capital  
Invested In  
Companies

## Since Inception

**>\$46 Million**

Direct Funding of South  
Carolina Companies

**\$1 Billion**

Outside Capital  
Invested In Client  
Companies

# PROPOSED IRS REG:TAX IMPACT ON IPF CONTRIBUTORS

---



- IRS response to states recharacterizing taxes as contributions
- South Carolina tax benefit – Unchanged
  - Dollar-for-dollar credit on all applicable state obligations
  - Allowed for individuals and businesses
  - Proposed IPF legislation – Cap and limits
- Federal tax benefit – Eliminated for individuals
  - Reduced by the amount of the state tax credit
  - Business expense deduction may still be available
- Special case – SALT under \$10,000

# STATUS OF PROPOSED IRS REGULATIONS

---



- Comment period closed October 11, 2018
  - SCRA submitted comment letter September 18, 2018
  - Essential argument – Grandfather the IPF
- Hearings held on November 5, 2018
- No estimated timetable for final determination



# BENEFITS TO IPF CONTRIBUTORS

---



## IMPACT TO SC

Each individual or business contribution helps SCRA fuel innovation in South Carolina.

## TAX ADVANTAGES

Contributions provide a 100% credit against state taxes up to \$250,000 per year and may result in a federal tax deduction.

## MARKETING

Recognition on SCRA's website and publications, opportunities to speak at SCRA events and other marketing benefits.

## SOLUTIONS

Depending on your contribution amount, SCRA can provide customized services based on your innovation needs.

# TAX ADVANTAGE EXAMPLE



Qualifying IPF contributions could result in state and federal tax benefits of **\$1.21 for every \$1.00 contributed.**

*Example*

State Tax Obligation	Federal Tax Obligation	IPF Contributi on	State Tax Credit	Federal Tax Savings @ 21%	Taxes Saved	Return on \$1.00
\$250,000	\$1,000,000	\$250,000	\$250,000	\$52,500	\$302,500	\$1.21

# EXAMPLE OF LLC, PARTNERSHIP, S-CORP CONTRIBUTION

---



**Scenario:** LLC Members'/Shareholders'/Partners' estimated state tax liability is \$150,000.

## **Options:**

- Members write checks as individuals totaling \$150,000 to cover their state tax liability. These payments are subject to the SALT limit of \$10,000 per taxpayer.
- OR**
- Have the LLC/Partnership/S Corp contribute \$150,000 to the IPF; state tax credit passes through to members.

This level of contribution could qualify as a deductible business expense at the company-level for federal income tax purposes. The members could receive federal tax benefits based upon their marginal rate.

**Tax impact: Positive.** The members would not receive the same potential federal tax benefits were they to pay the full \$150,000 to the general fund instead of the IPF.

## MORE EXAMPLES

---



More examples can be found on the SC Association of CPA's Website:

<https://www.scacpa.org/the-south-carolina-research-authority-and-the-industry-partnership-fund-an-innovative-way-to-pay/>



# BENEFITS & CONTRIBUTION TIERS



Full list of benefits and contribution tiers:  
[www.scra.org/ipf-contribution](http://www.scra.org/ipf-contribution)

South Carolina Research Authority

[www.scra.org](http://www.scra.org)

### WHO IS SCRA?

Chartered in 1983 by the State of South Carolina as a public, non-profit corporation, SCRA fuels South Carolina's innovation economy by accelerating technology-enabled growth in research, academia, entrepreneurship and industry.

### WHAT IS THE IPF?

The Industry Partnership Fund (IPF) has been in place since 2006. SCRA uses the funding to fuel the innovation economy in South Carolina. Last year, IPF contributions funded over \$5 million in technology-related grants and investments.

### WHY CONTRIBUTE TO THE IPF?

Contributions made by you and/or your company will provide a 100% credit against South Carolina state taxes up to \$250,000 per year. In addition, depending upon your company's facts and circumstances, you may be eligible for a deduction against your federal income taxes as a business expense.

#### 2,700 JOBS

Over the past two years, early-stage companies supported by the IPF have created an annual average of almost 2,700 South Carolina-based jobs at an average salary of over \$71,000.

#### \$48 MILLION FUNDED

Since the inception of the IPF, more than \$48 million in investments and grants have been provided to South Carolina-based companies.

#### \$688 MILLION

The average annual impact on South Carolina's economy due in large part to the IPF is \$688 million.

### \$1 BILLION IN CAPITAL ATTRACTED

SCRA's investments in South Carolina's early-stage companies have resulted in the companies receiving over \$1 billion in follow-on investments from third parties such as venture capitalists.

### BENEFITS OF CONTRIBUTING

#### IMPACT TO SC

Each individual or business contribution helps SCRA fuel innovation in South Carolina.

#### TAX ADVANTAGES

Contributions provide a 100% credit against state taxes up to \$250,000 per year and may result in a federal tax deduction.

#### MARKETING

Recognition on SCRA's website and publications, opportunities to speak at SCRA events and other marketing benefits.

#### SOLUTIONS

Depending on contribution amount, can provide customized services based on innovation needs.

Qualifying IPF contributions could result in state and federal tax benefits of \$1.21 for every \$1.00 contributed.

Example	State Tax Obligation	Federal Tax Obligation	IPF Contribution	State Tax Credit	Federal Tax Savings @ 21%	Taxes Saved	Return \$1.00
	\$250,000	\$1,000,000	\$250,000	\$250,000	\$52,500	\$302,500	\$1.21

### LEARN MORE

[www.scra.org/ipf-contribution](http://www.scra.org/ipf-contribution)  
 Contact John Sircy at [john.sircy@scra.org](mailto:john.sircy@scra.org) or 803.733.9069

South Carolina Research Authority

[www.scra.org](http://www.scra.org)

	Diamond	Platinum	Gold	Silver	Bronze
Contribution Amount	\$200,000+	\$199,999-150,000	\$149,000-100,000	\$99,999-50,000	\$49,999-10,000
Named Grant*	X				
Innovation Management Services **	X				
SCRA Advisory Board Membership***	X	X			
Press release regarding contribution	X	X			
Speaking opportunity at SCRA-hosted event	X	X			
Resource Partner Network Membership	X	X	X		
Branding in e-news and other marketing emails	X	X	X		
Opportunity to host Launch & Learn webinar	X	X	X		
Exhibit table at SC Launch Summit	X	X	X		
Invitation to SCRA Networking Events	X	X	X	X	
Blog Feature on Website	X	X	X	X	
Feature posts (up to 2) on social media channels	X	X	X	X	
Company logo in Annual Report	X	X	X	X	
Company name in Annual Report	X	X	X	X	X
Recognition on SCRA Website	X	X	X	X	X

\*Named Grant: A contribution of \$200,000 or more establishes a named grant. SCRA will select the grant awardee based on standard criteria used for each grant application. The named grant will be awarded to a company/researcher within the Fiscal Year of the contribution. The contributing company will have the opportunity to renew the named grant each year.

\*\*Innovation Management Value-Added Services: Customized services based on the innovation needs of your organization. Solutions could be based on tech scouting, innovation best practices, corporate venture capital training, etc.

\*\*\*Advisory Board Membership: A contribution of \$150,000 or more allows a company to provide a representative to SCRA's Business and Science Advisory Board. The representative must be an executive within the organization. Companies will have the opportunity to renew the board membership each year. The Advisory Board will provide feedback from the community, technical expertise and an independent/unbiased sounding board for input on program performance and ideas.

# SUCCESS STORY: RECLEIM



Proprietary recycling processes recover ~95% of commodity components in appliances, while isolating and destroying refrigerants and greenhouse gases.



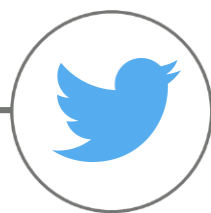
Recleim ranked #101 in the Inc. 5000 list of the fastest-growing private companies.

First investment from SC Launch used to upfit Graniteville facility. Second tranche used to add another product recycling line.





[scra.org](http://scra.org)



[@SCRAInnovation](https://twitter.com/SCRAInnovation)



[info@scra.org](mailto:info@scra.org)