

# REDUCING FINANCING COST THROUGH FUNDING PORTALS

SC GFOA OCTOBER 2017

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FINTRUST<sup>SM</sup>  
— INVESTMENT ADVISORS —

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# SC GFOA DISCUSSION TOPIC

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## SUBJECT:

- REDUCING FINANCING COST FRICTION USING FUNDING PORTALS

## NEED:

- ISSUERS: LOWER FINANCING COST and IMPROVED WORKFLOWS
- INVESTORS: INFORMATION and ACCESS
- MARKETS: TRANSPARENCY and COORDINATION

## IDEA:

- START A MUNICIPAL MULTIPLE LISTING SERVICE (MMLS)

# INTRODUCTION

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## SECTION ONE

# SC GFOA DISCUSSION TOPICS

- I. Introduction
- II. Background
- III. Funding Portals
- IV. Municipal Multiple Listing Service
- V. Value & Business Model Discussion
- VI. Conclusion
- VII. Disclaimer

## OUR TEAM

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



ALLEN GILLESPIE, CFA®  
Partner, Chief Investment  
Officer



SCOTT SOLTAU  
SVP, Capital Markets



CHIP HARDY, AIF®, CBFA  
SVP, Fiduciary Consultant



JOHN HIRT  
SVP, Capital Markets



WILL KIBLER  
VP, Investment Advisor

# OUR MISSION

*“TO DELIVER FINANCIAL  
PEACE OF MIND WITH  
UNEQUALED  
CONFIDENCE &  
CONVICTION”*



# OUR VALUES

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- KNOWLEDGE:

- ✓ We have assembled a group of professionals with decades of experience from all corners of the industry. Our team has the necessary knowledge to formulate custom solutions to meet the needs of our clients.

- INTEGRITY:

- ✓ As an independent, SEC registered investment advisor and FINRA registered broker dealer, we have taken control and responsibility for decisions that have a financial impact on our clients. Our unbiased approach to investment management builds a strong foundation of trust that supports long lasting relationships.

- STEWARDSHIP:

- ✓ We take every opportunity to earn and renew our client's confidence by ensuring that the little things are consistently done right.

# CORPORATE & INSTITUTIONAL SERVICES

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## I. INVESTMENT MANAGEMENT

- FIXED INCOME PORTFOLIOS
- CASH MANAGEMENT
- ASSET LIABILITY MANAGEMENT

## II. RESEARCH & CAPITAL MARKETS

- FIXED INCOME RESEARCH
- FIXED INCOME EXECUTION
- EQUITY RESEARCH
- OTHER SERVICES: BOND ACCOUNTING & DATA AGGREGATION

## III. FIDUCIARY CONSULTING

## IV. RETIREMENT PLAN CONSULTING



# BACKGROUND

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## SECTION TWO

# BACKGROUND

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## PRE-CRISIS PERIOD (PRE 2008)

- Inception of Peer to Peer Loan Market (2005)
- Municipal market perceived as stable

## CRISIS PERIOD (2008-2009)

- Historic spread widenings in muni credit
- Collapse of auction rate muni securities
- Muni derivative issues
- AIG Bankruptcy
- Distress of mono-line/muni insurance companies

# BACKGROUND

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## POST-CRISIS PERIOD 2010-2016

- Municipal Advisor Rule (2010) – Dodd Frank
- Direct Placements as Percent of Muni Mkt (< 5% to > 25%)
- Increasing regulator and rating agency concerns about muni direct placements
- ❖ 2012 Jobs Act (Crowd Funding Mandate to SEC)
- ❖ South Carolina Issues Crowd Funding Rules (2015)

## TRUMP, TECHNOLOGY, AND TRANSFORMATION PERIOD (2017-)

- Bank balance sheet composition
- Where is the public in direct placement public finance?
- What is the purpose of public finance projects?
- Taxes, Infrastructure, Regulation?

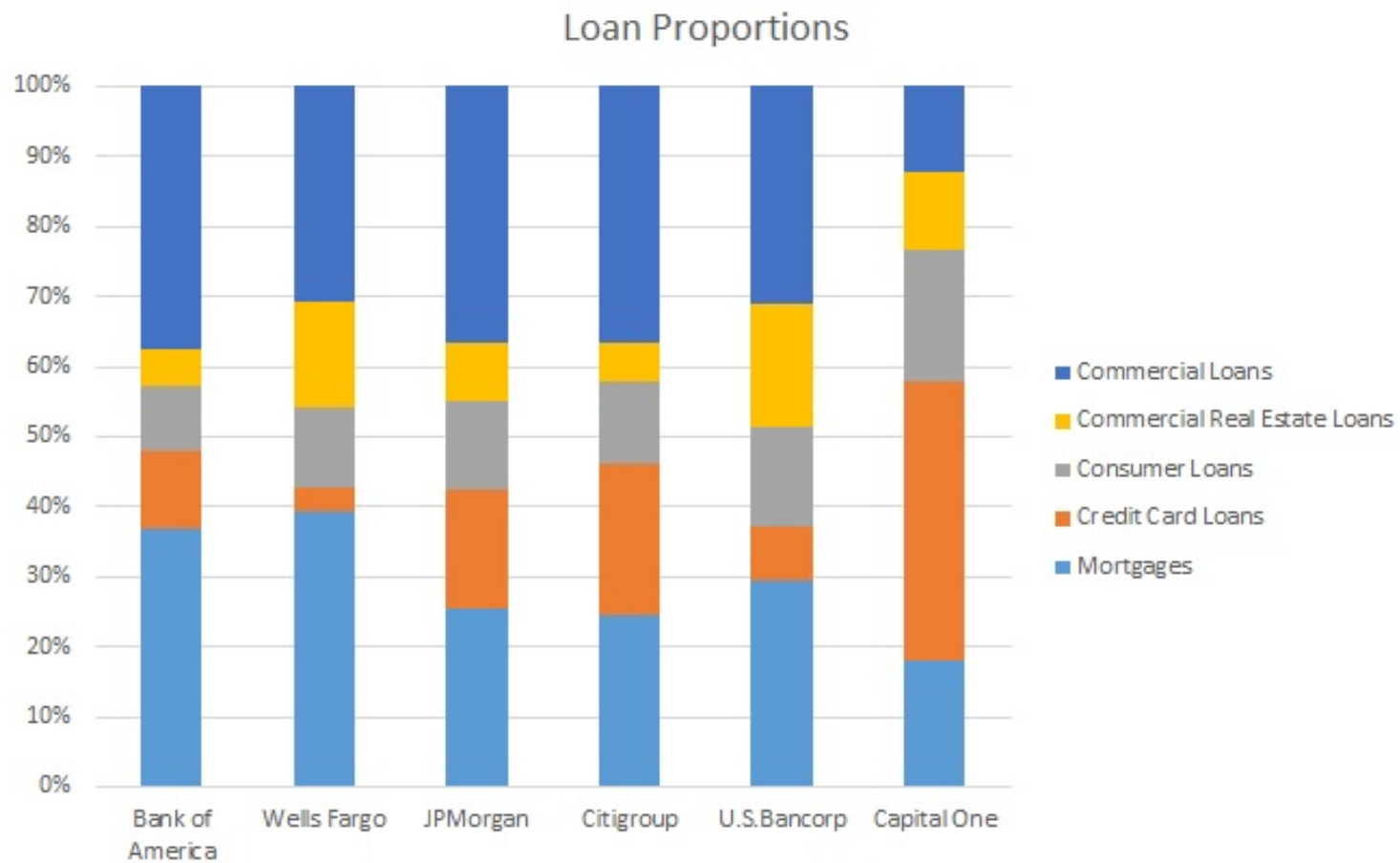
# BACKGROUND: U.S. BANKS: MAJOR ASSET CATEGORIES

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- TYPICAL BANK BALANCE SHEET
  - ✓ Securities (20.66% of Assets)
  - ✓ Loans Secured by Real Estate (27.2% of Assets)
    - ✓ 1-4 Family Residential Mortgage Loans
    - ✓ Nonfarm nonresidential Commercial real estate loans
    - ✓ Construction and Development
    - ✓ Home Equity Lines
  - ✓ Commercial & Industrial Loans to Businesses (11.67% of Assets)
  - ✓ Retail Loans to Individuals (9.15% of Assets)
    - ✓ Car Loans
    - ✓ Credit Cards
  - ✓ Other Loans and Leases (6.59% of Assets)

Source: FDIC

# BACKGROUND: DIVERSITY IN BANK LOAN PORTFOLIOS

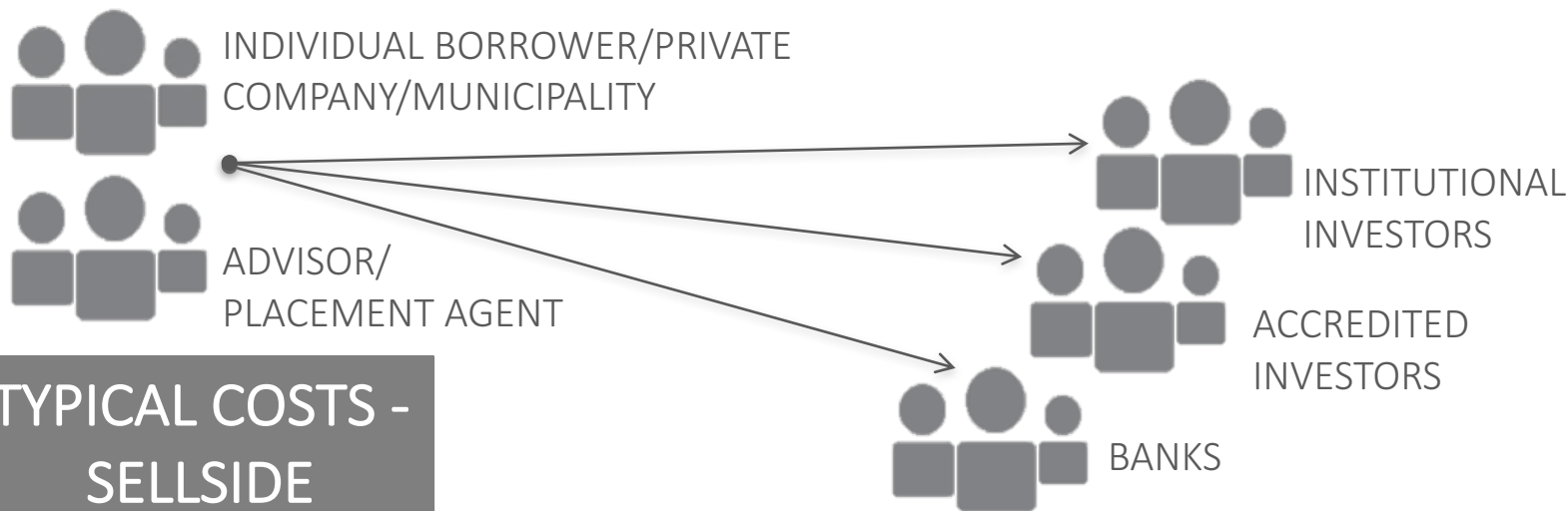


# FUNDING PORTALS

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## SECTION THREE

# FUNDING PORTALS: HOW A VC MAKES A 10X IMPROVEMENT?



## TYPICAL COSTS - SELLSIDE

- Underwriting
- Distribution
- Legal
- Financing Cost
- Structure
- Time to Market

## TYPICAL COSTS - BUYSIDE

- Research & Due Diligence
- Client Servicing Costs
- Operational Risk
- Return Hurdles
- Access & Structure

## KEY IMPEDIMENTS

- Time and Labor
- **Narrow audience**
- Expensive & Inefficient due diligence process
- Expensive & Uncertain closing costs
- Cost problem is larger for smaller capital raise

# FUNDING PORTALS: HOW A VC MAKES A 10X IMPROVEMENT?

## KEY ATTRIBUTES

- Standardized Docs
- Transparent Terms & Valuation
- More efficient process
- Regulatory compliance oversight



ISSUER



ISSUER 2



EXCHANGE (I.E. NYSE)



INVESTORS

## REVENUE SOURCES

- Membership fees
- Listing fees
- Trading Fees
- Sell data








# FUNDING PORTALS: MULTIPLE LISTING SERVICE

HOME SEARCH SELL FINANCE COMMUNITIES MARKET INSIDER BLOG ABOUT RENTALS

Your search found **200** homes.  
Narrow results with [Advanced Search](#)

Sorted by  [List](#) [Map](#)

	<b>1100 Commons Blvd</b> <b>#1205</b> Myrtle Beach, SC 29572 3 bds 2 ba 1351-1400 sqft Listing #: 1623339 Listing courtesy of Jacobs Real Estate 	\$150,000
	<b>410 Ashwood Lane</b> Myrtle Beach, SC 29588 3 bds 2 ba 2001-2100 sqft Listing #: 1715899 Listing courtesy of CENTURY 21 Boling & Associates 	\$150,000
	<b>4115 Little River Rd</b> Myrtle Beach, SC 29577	\$150,000

### Search Homes

Property type

to

[Additional search options](#)

[Search Now](#)

[Save](#)

### RE/MAX Southern Shores

Office: (843) 357-0220

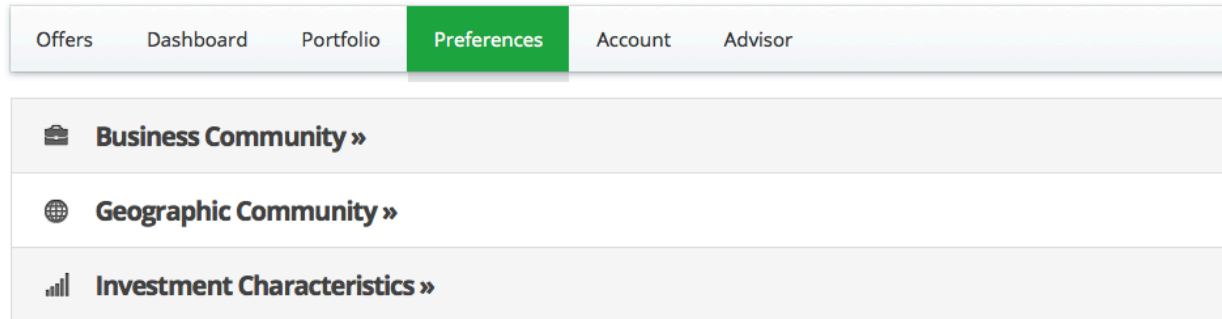
# FUNDING PORTALS: MUNI MULTIPLE LISTING SERVICE

The screenshot displays the FINTRUST Investment Advisors website interface. At the top, the logo 'FINTRUST INVESTMENT ADVISORS' is on the left, and navigation links 'Help', 'Home', and 'Logout' are on the right. Below the logo is a navigation bar with icons for 'Dashboard', 'Offers', 'Inbox', 'Data Room', and 'Settings'. The main content area features three columns of bond listings, each with a logo, title, issuer, and key financial details.

Listing Title	Issuer	Term	Security Type	Raise	Minimum Purchase	Unit Price
GENERAL OBLIGATION BONDS, SERIES 2017	LEXINGTON COUNTRY SCHOOL DISTRICT No.4, SOUTH CAROLINA		GENERAL OBLIG...	\$ 25,400,000	\$ 5,000	\$ 0
GENERAL OBLIGATION BOND ANTICIPATION NOTE	Spartanburg County School District Six, South Carolina	September 27, 2...	GENERAL OBLIG...	\$ 25,000,000	\$ 5,000	\$ 0
GENERAL OBLIGATION BONDS, SERIES 2017C	THE SCHOOL DISTRICT OF GREENVILLE COUNTY, SOUTH CAROLINA	June 1, 2018	General Obligatio...	\$ 99,550,000	\$ 5,000	\$ 0

Each listing includes a blue 'Investment Details' button at the bottom.

# FUNDING PORTALS: BUYER PREFERENCES = EFFICIENCY



## BUSINESS COMMUNITY

- Business Stage
- Annual Revenue
- Use of Proceeds
- Industry
- Affinity Groups
- Community Partners

## GEOGRAPHIC COMMUNITY

- Region
- State
- City

## INVESTMENT CHARACTERISTICS

- Raise Type
- Funding Round
- Debt:
  - ✓ Interest Rate
  - ✓ Final Maturity
  - ✓ Pay-Back Period
- Equity:
  - ✓ Hold Period
  - ✓ Primary Exit Strategy
- Investment Funds:
- Investment Strategy

# FUNDING PORTALS: DATA AGGREGATION = MA, STAFF & LEGAL EFFICIENTCY

Due Diligence Profile Overview Tombstone Settings

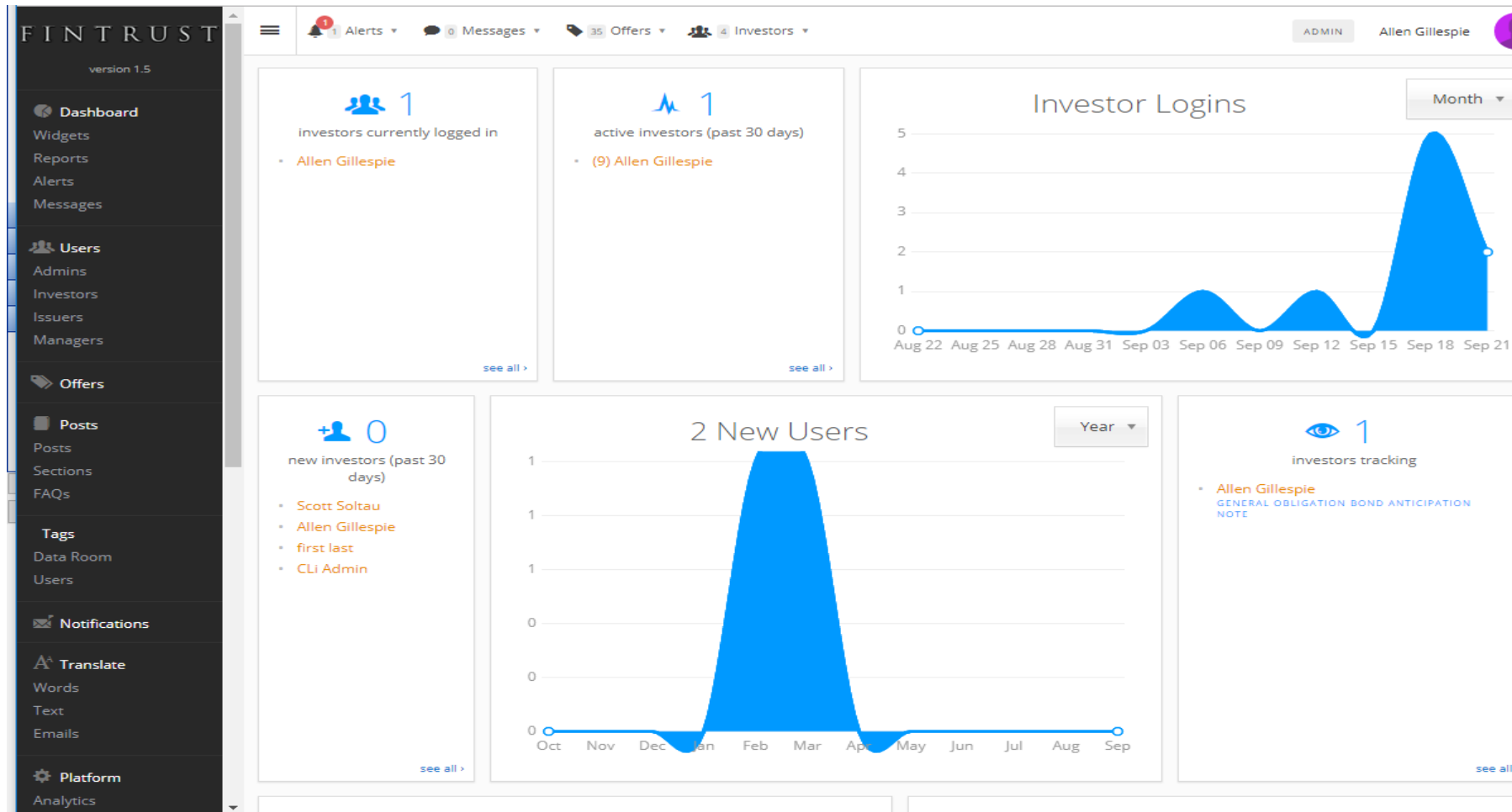
Search

- Assessment
- Assets**
- Liabilities
- Equity
- Income
- Projections
- Business Plan
- Miscellaneous
- Document Review
- Pre-Offering

Project Status:  In Progress (open)

STATUS	ORDER ▲	NAME	PROJECT	DUE IN
<input checked="" type="checkbox"/>	2-1	Cash & Investments	Assets	9 days
<input checked="" type="checkbox"/>	2-2	Accounts Receivable	Assets	9 days
<input checked="" type="checkbox"/>	2-3	Inventory	Assets	9 days
<input checked="" type="checkbox"/>	2-4	Other Short-Term Assets	Assets	9 days
<input checked="" type="checkbox"/>	2-5	Property, Plant & Equipment	Assets	9 days
<input checked="" type="checkbox"/>	2-6	Other Long-Term Assets	Assets	9 days

# FUNDING PORTALS: ALLOW ISSUERS FEEDBACK



# BUSINESS MODEL DISCUSSION

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## SECTION FIVE

# BUSINESS MODEL: REVENUE SOURCES

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## ISSUERS

- LISTING FEES

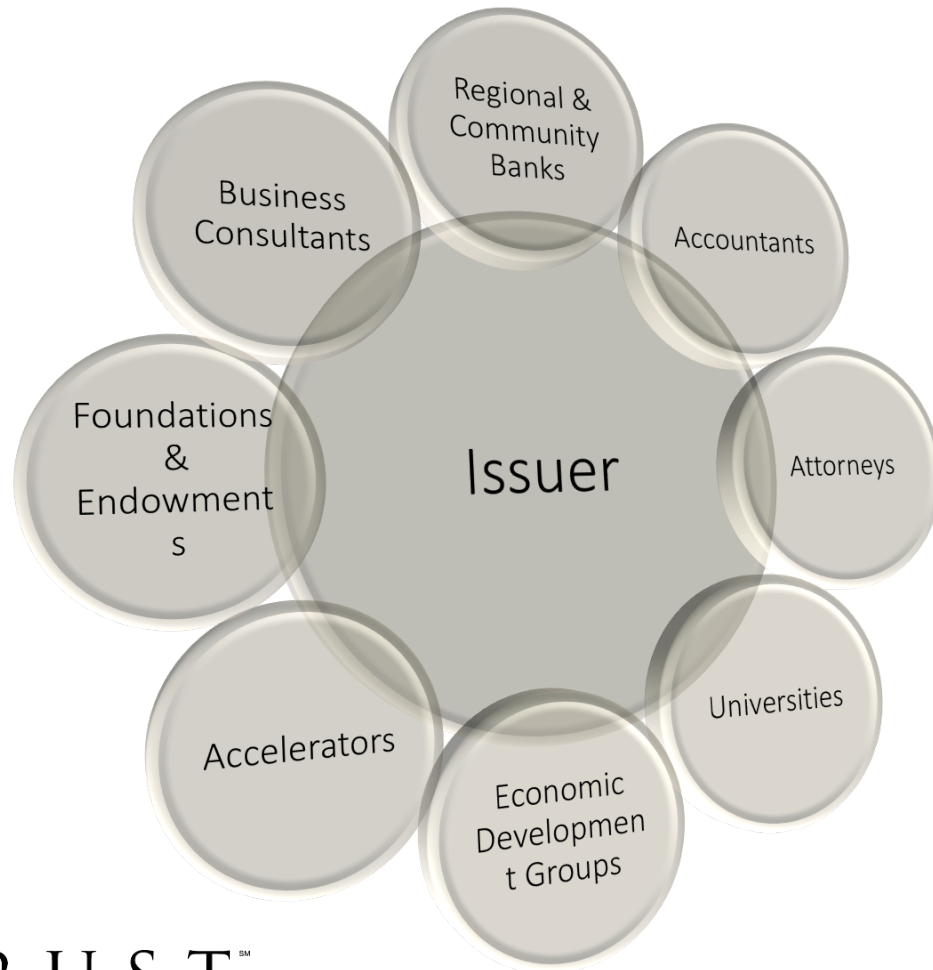
ADVISORS  
MUNICIPAL ADVISORS  
ATTORNEYS  
PLACEMENT AGENTS

- Membership Fees

## INVESTORS

- Origination Fees
- Data Fees

# ENCOURAGES A STRONG BUSINESS ECOSYSTEM

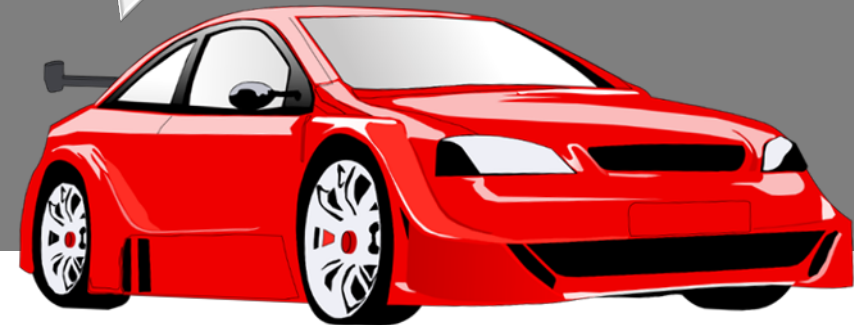


## COMMUNITY PARTNERS

- Regional market for capital
- Stimulates local economic growth
- Enhances community participation
- Cross-referral opportunities
- Ability to track community impact



# BUILDING A CAPITAL HIGHWAY & “BRIDGING” THE FUNDING GAP



# DETAILED READERSHIP REPORT – THOMSON REUTERS

Contributor: Fintrust Brokerage Services, CTB ID: 114548, Run Date: 09/21/2015

TICKER	USER CITY	USER STATE
LC.N{LC.N}	Singapore	
ONDK.N{ONDK.N}	Singapore	
DDD.N{DDD.N}	Queensway	
SSB.OQ{SSB.OQ}	San Francisco	CA
WRLD.OQ{WRLD.OQ}	San Francisco	CA
RM.N{RM.N}	San Francisco	CA
SSB.OQ{SSB.OQ}	Greenwich	CT
SSB.OQ{SSB.OQ}	Greenwich	CT
SSB.OQ{SSB.OQ}	New York	NY

- Countries where FinTrust Brokerage Services reports have been downloaded:

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- Brazil
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- Spain
- Sweden
- Most of the 50 states

# CONCLUSION

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## SECTION SIX

# CONCLUSION

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- Funding portals are designed to squeeze out costs
- FinTrust, as both an IA and Broker Dealer, seeks to enhance income through smart portfolio management.
- We would like to engage in this conversation with you and or your FA's and will follow up with you soon.

# BIOGRAPHIES

## **ALLEN GILLESPIE, CFA, PARTNER, CHIEF INVESTMENT OFFICER**

- Institutional Investor, “25 Rising Stars of Hedge Funds”
- South Carolina Retirement System Investment Commission, Commissioner
- CFA Institute Research Challenge Mentor
- Licenses: Series 4,7,24,53,63,65, 86 & 87
- B.A., Economics, cum laude, Washington & Lee University

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- Accredited Investment Fiduciary
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- AmSouth Capital Markets, Fixed Income Sales
- SunTrust Capital Markets, Vice President, Fixed Income Sales & Trading
- Executive Advisor to FoxMark International, a Tokyo based international business incubator, where he was born and raised.
- B.A., Business Administration, Covenant College

# DISCLAIMER

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## SECTION SEVEN

# DISCLAIMER

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