



2017 Annual Report



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To: Governor Nathan Deal
Lieutenant Governor Casey Cagle
Speaker of the House of Representatives, David Ralston
Chairperson of the Senate Finance Committee, Chuck Hufstetler
Chairperson of the House Committee on Ways and Means, Jay Powell

From: Knox Massey, Executive Director, Invest Georgia;
LCG Associates, Fund Administrator to Invest Georgia

RE: Report on the Implementation of Code Section 10-10-1

Date: December 31, 2017

Summary

The Invest Georgia Program was created by the General Assembly in 2013 by amending Chapter 10 of Title 10 of the OCGA. Invest Georgia was initially funded in February, 2015 with the receipt of its first tranche of capital in the amount of \$10,000,000. In its inaugural year, 2015, Invest Georgia set up an office, opened the bid process for an Investment Consultant, created an Investment Policy Statement, developed a database of funds in Georgia, hired a law firm to represent Invest Georgia, engage an accounting firm and met frequently with its Board of Directors. The first year of operations culminated in December 2015 with an initial commitment of \$3.0 million to TTV Capital IV, a venture capital fund that invests principally in companies in the financial technology (FinTech) industry.

In the 2016 General Assembly, Invest Georgia Fund received a second allocation of capital in the amount of \$10,000,000. This capital was disbursed to Invest Georgia in monthly allocations by the Board of Regents during the 2017 fiscal year. Invest Georgia and its Investment Consultant pursued the full due diligence process for several funds in 2016 but in the end were unable to recommend them to the Invest Georgia Board as they did not meet the criteria set forth in the Investment Policy Statement and the Legislation. However, in December 2016, Invest Georgia closed on its second commitment of \$3.25 million to Mosely Ventures, an Atlanta Georgia based seed and early stage venture capital fund with a primary investment focus on Security software, "Big Data" and Digital Media technologies.

During 2017, Invest Georgia was actively involved in an exciting trend – an increase in new funds being launched in our State. These funds, founded by experienced investors, have been formed to provide seed and early stage capital to Georgia based start-ups as well as offer

growth and expansion capital to companies that are more established. In addition to new capital, the newly formed partnerships are helping entrepreneurs by providing work space, expertise on their go-to-market strategies and advice on key hires for their companies' development. These funds, which did not exist in 2015 or 2016, benefitted from the fact that the Invest Georgia Program was in place and available as a source of advice, encouragement and support for new fund formations. Invest Georgia actively sought to allocate capital commitments to the new funds and has subscribed as a limited partner to Engage Venture Fund and TechSquare Capital.

With the expansion of the portfolio to four funds actively investing in the State, Invest Georgia is pleased to report that there are between 875 and 925 employees directly related to the Invest Georgia Program.

2017 Investments

TechSquare Capital

Invest Georgia subscribed as a Limited Partner to Tech Square Capital ("TSC") for a total capital commitment of \$1.0 million in June 2017. As of December 31, the Invest Georgia Fund has contributed 47% of its commitment. The Managing Partner of TSC is Allen Nance. Paul Judge is a founding Venture Partner and a member of the General Partner. Ben Dyer recently joined as a Venture Partner. The address is 859 Spring Street, Atlanta, Georgia, 30318.

Allen Nance and Paul Judge established Tech Square Labs as an LLC in 2014 as a "co-working space" located adjacent to Technology Square in Midtown Atlanta. In 2016, they founded the fund, TechSquare Capital. The Fund held its final close in November 2017 with total capitalization of \$12.65 million. The Fund focuses on investing in privately held seed or early stage software and technology companies that are based or founded in Atlanta, Georgia. Portfolio companies have the option of renting space in TechSquare Labs but are not required to do so.

The main funnel for deal sourcing is the Atlanta Start-Up Battle sponsored by TechSquare Labs three times a year. The Atlanta Startup Battle is a pitch competition where participants submit applications to compete for a \$100,000 investment by TechSquare Capital. The top 10 ideas receive a full day of hands on mentorship from experts on their strategy, brand refinement and engineering. From these, five are selected for the Start-up Battle which is held as an open forum. The winner is selected by judges appointed by the founders. There have been over 1300 applications in the first 12 months of the Start-UP Battle with 3 winners and an audience of over 850 at the most recent Battle in September, 2017.

Additional sourcing comes from Allen and Paul both of whom have operating backgrounds and are serial entrepreneurs. Allen founded WhatCounts, an email marketing firm in 2000 which he later sold to the Riverside Company. Allen also co-founded Springbot, a provider of

marketing automation and analytics to ecommerce retailers. Paul was the Chief Technology Officer of CipherTrust, an anti-spam email software company acquired by Secure Computing in 2006. In 2007, Paul went on to co-found Purewire, a web-based provider of security services, which was acquired by Barracuda in 2009. Paul served as Chief Research Officer of Barracuda for four years, through its IPO in 2013. In 2014, Paul co-founded Pindrop, which provides enterprise solutions that help prevent phone-based fraud. He currently serves as chairman of the board of Pindrop and CEO of Luma.

The TechSquare Capital portfolio is intentionally large and early. Investments typically start as convertible notes at the earliest stage ranging from \$10,000 to \$25,000. Winners of the Start-Up Battle receive equity commitment of \$100,000 invested as needed. As of December 31, 2017, the TSC portfolio has 24 investments including purchased or contributed securities of which 18 are located in Georgia. These portfolio companies employ 793 people.

Engage Venture Fund

Invest Georgia subscribed as a Limited Partner to Engage Venture Fund in October 2017 with a total commitment of \$1.5 million. As of December 31, 2017, the Invest Georgia Fund had contributed 20% of its commitment. Engage hired Tech Square Ventures (a separate and distinct entity from TechSquare Labs or TechSquare Capital) to serve as the Fund Manager. Tech Square Ventures is an Atlanta-based early/seed stage Venture Capital firm led by Blake Patton. Blake previously was General Manager of the Advanced Technology Development Center (“ATDC”) at Georgia Tech, President and COO of Interactive Advisory Software and Executive Vice President of iXL. Thiago Olson is the Managing Director of the Accelerator Program and is a Venture Partner at TechSquare Ventures. Prior to becoming Managing Director of the Accelerator, Thiago was Entrepreneur in Residence at the ATDC and prior to that he was CEO and Co-Founder of Stratos Technologies. Thiago has also served in a number of Venture/think tank roles for the U.S. Department of Defense and the U.S. Department of Energy. Engage occupies space across from the ATDC; the address is 75 Fifth Street, NW, Suite 427, Atlanta, Georgia 30308.

Engage was announced as a new venture fund by its founding corporate partners in January 2017. Engage’s mission is to strengthen collaboration and partnership between leading corporations and top entrepreneurs and to lift the image of Atlanta as a technology hub. The 10 Corporations are all Georgia-based Fortune 1000 companies. This new venture fund includes AT&T Mobility and Consumer, Chick-Fil-A, Cox Enterprises, Delta Airlines, Georgia-Pacific, Georgia Power, Intercontinental Exchange (ICE), Invesco, Home Depot, and UPS. Each of these corporations closed on a commitment to invest \$1.5 million Engage Venture Fund I and agreed to have their CEOs serve on Engage’s Board of Directors. They also appointed representatives from their respective companies to actively mentor the startup companies and introduce them to contacts within their organizations. The Georgia Institute of Technology is also a founding partner in this venture. While Georgia Tech is not permitted by statute to contribute capital, it does provide leadership and resources.

Engage operates an accelerator program using office space and resources provided by Georgia Tech to give the founders of start-up companies the training and mentoring that they need to achieve commercial success. Applications were submitted for the first cohort through a web portal; the inaugural cohort of 8 companies was announced in August. The three month program which is open to start-ups nationwide concluded with a private pitch event in October. Each of the 8 companies selected for the cohort received an equity investment of \$75,000 in addition to access to representatives of the founding corporations, work space and the go-to market oriented curriculum. Four of the eight portfolio companies are in Atlanta with a total of 34 full time employees.

Prior Investments

TTV Capital IV

The Invest Georgia Fund has subscribed as a Limited Partner in TTV Capital IV, (“TTV”) in 2015 for a total commitment of \$3,000,000. As of December 31, 2017, the Invest Georgia Fund has contributed 21% of its commitment to fund 10 investments. Five of these companies are in Georgia and employ 71 people.

TTV Capital is based in Georgia; the address is: TTV Capital, 1230 Peachtree ST NE, Suite 1150, Atlanta, GA 30309. The investing partners of TTV Capital are: Gardiner W. Garrard, W. Thomas Smith, Jr; Mark A. Johnson and Sean M. Banks. TTV Capital’s strategy focuses on innovative companies in Financial Services Technology, a rapidly growing industry sector which currently provides over 40,000 jobs to citizens of Georgia in payment processing with more than 250,000 people in the State working in finance-related occupations.

Mosley Ventures

The Invest Georgia Fund has subscribed as a Limited Partner to Mosley Ventures for a total capital commitment of \$3.25 million. At the closing, Invest Georgia invested 50% of its commitment. Mosley Ventures is based in Georgia; the address is 75 Fifth Street NW, Suite 328, Atlanta, Georgia, 30308. The investing partners are: Sig Mosley, Wei-Chun Tai and John Vecchio. Mosley Ventures’ strategy is to invest at the seed and early stage in Atlanta and the Southeast. The primary focus is on Security software, “Big Data”, Digital Media and to a lesser extent, eCommerce technology. To date, Mosley Ventures has made 22 investments of which 10 are headquartered in Georgia. These portfolio companies employ 267 people.*

*There are some redundancies in these numbers. Adjusted for overlap and acknowledging the dynamic nature of a workforce in small growth companies, it is estimated that there are about 920 employees related to the Invest Georgia fund as of December 31, 2017.

Other Activities

Invest Georgia plays an active role in monitoring its investments in the funds by serving on the Limited Partner Advisory Committee of each of the funds. In this capacity, the Executive

Director meets regularly with the Partners of each fund and is therefore well informed on the progress of the portfolio companies, additional investments, valuation increases and decreases and changes in the partnership itself as well as any amendments.

In 2017, the Invest Georgia Board welcomed Jeff Muir, Managing Partner of Fulcrum Equity Partners as a member. The Board of Directors of Invest Georgia met several times during the year to provide counsel and review investments recommended by the Executive Director and the Investment Consultant.

Invest Georgia anticipates being very active in 2018. At least two well-regarded early and growth stage venture capital funds will be in the market to raise subsequent funds for the first time since Invest Georgia initiated its Program. With this promising Forward Calendar, Invest Georgia expects to be fully committed on existing capital before the end of the fiscal year and will request an additional allocation to keep capital available for existing and new capital formations that meet the criteria set forth in the Legislation and the Investment Policy.

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