



2019 Annual Report



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To: Governor Brian Kemp
Lieutenant Governor Geoff Duncan
Speaker of the House of Representatives, David Ralston
Chairperson of the Senate Finance Committee, Chuck Hufstetler
Chairman of the House Ways and Means Committee, Brett Harrell

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

RE: End of Year Report on the Invest Georgia Program, 2019

Date: December 31, 2019

Summary

The Invest Georgia legislation was passed by the General Assembly in 2013 by amending Chapter 10 of Title 10 of the OCGA. Since inception, Invest Georgia has committed capital to nine Georgia-based venture capital and private equity funds. These funds are TTV Capital IV, Mosley Ventures, Engage Venture Fund, Tech Square Capital, Knoll Ventures, Noro-Moseley Partners VII, Technology Operators III, MSouth IV and TTV Capital V.

In fiscal 2017, 2018, 2019 and 2020, the Invest Georgia Fund received additional allocations of capital in the amount of \$10,000,000 each year. This capital is distributed to Invest Georgia in each state fiscal year in monthly allocations through the Board of Regents.

Investment Program in its Fifth Year

With the expansion of the aggregate Invest Georgia portfolio to nine funds in 2019 and a tenth pending, we are delighted to report that the demand for Georgia-based funds is growing. Invest Georgia has contributed in increasing the amount of capital available to fund entrepreneurs and businesses in high growth industries through its support of new fund formations in our State. In addition, we note that opportunities that are abundant in our state have both enabled General Partners of the funds to increase the amount of capital they can raise and attract out of state investment capital thereby creating a multiplier effect. While this is nascent, it is very encouraging evidence that the Invest Georgia Program is having the positive effect on the access to growth capital in our state.

The Board of Directors of Invest Georgia welcomed two new Board Members in 2019 and selected an interim Chairman. The Board provides counsel and reviews investments recommended by the Executive

Director and the Investment Consultant. One additional Board seat is currently vacant after a Board Member stepped down due to a family illness.

Job Creation

Invest Georgia is pleased to report that the number of companies and fulltime employees has grown substantially as the Invest Georgia program has deployed capital to funds and the fund managers have drawn down funds to invest in Georgia. **Through the end of November, 2019 there are at least 67 Georgia-based companies that have been funded through the Invest Georgia Program in years 2015-2019. These companies employ at a minimum, 2120 Georgia residents, representing a year-over-year increase of 70%.** The number of employees includes companies that are headquartered out of the state but are employing full time employees (“FTEs”) in Georgia, a clear indication that corporations are expanding their knowledge and appreciation of the opportunities and talent within Georgia.

Investment Commitments by Year

In its first year of operations, 2015, Invest Georgia made an initial \$3 million commitment to TTV IV, a Georgia-based venture capital fund that invests principally in companies in the financial technology, “fintech” industry, a rapidly growing industry sector in the State of Georgia.

Invest Georgia and its Investment Consultant pursued the full due diligence process for several funds in 2016 but 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 supporting new funds being launched in our State. These funds, founded by experienced investors, were 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 capital, the newly formed partnerships help entrepreneurs find work space, provide expertise on their go-to-market strategies and advise 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 fund formations. Invest Georgia actively sought to allocate capital commitments to the new funds subscribing as a limited partner to Engage Venture Fund and TechSquare Capital.

Invest Georgia continued to be open to supporting new funds and invested in Knoll Ventures, a fund formed in 2018 by two young partners who have been active in the seed and early stage investing community for a number of years. Additionally, Invest Georgia was also able to partner with several Georgia-based venture and private equity funds that returned to the market to raise subsequent funds. Noro-Moseley Partners, Tech Operators and MSouth, were all recipients of capital commitments from Invest Georgia during the 2018 calendar year.

In 2019, Invest Georgia committed to a follow-on fund sponsored by TTV Capital, TTV V, and is in final negotiations with another fund regarding terms. These discussions were at the recommendation of the

Executive Director, the Investment Consultant and the Invest Georgia Board after full due diligence as a means of strengthening the terms to fulfill Invest Georgia's fiduciary responsibility. In 2019, Invest Georgia also pursued a number of fund opportunities that did not result in a commitment either because the diligence did not support the investment thesis or they did not meet the criteria.

The pipeline of opportunities, our "Forward Calendar" for 2020, is robust and promising and while all may not meet the criteria and standards of the program, we expect 2020 to be a very active year for Invest Georgia.

2019 Investments

In 2019, Invest Georgia reviewed a number of funds as potential commitments and engaged in lengthy due diligence with them. However, after careful evaluation, several of these failed to meet enough of the criteria to warrant a commitment. Invest Georgia did subscribe to TTV V in 2019 for a total commitment of \$5,000,000 with an additional commitment to another fund pending negotiation on terms. As of November 30, 2019, TTV V has invested in one company; the company is based in Georgia and has 8 employees who are residents of Georgia.

TTV is strategically located in Atlanta, Georgia, a global payment processing hub. The investing partners are: Gardiner Garrard, Mark Johnson and Sean Banks. Tom Smith remains a partner but became a Senior Advisor with the opening of TTV V. Mr. Smith will not make additional investments but will continue to serve on Boards and fulfill his commitments in funds I-IV. The Firm focuses on the sectors of the FinTech investment universe that it believes offer the most compelling opportunities to create disruptive, innovative and ultimately successful companies. Within FinTech, key areas of interest for TTV include Specialized Payments, Data Analytics, Machine Learning, Banking/Lending/Financial Wellness, Cybersecurity and Distributed Ledger/Blockchain. Within these areas, TTV will pursue various themes that range from business to business, the gigabyte economy and the household as an enterprise.

Prior Investments

Technology Operators Fund III

Invest Georgia subscribed to Technology Operators Fund III ("Tech Operators") in 2018 for a total commitment of \$5,000,000. As of November 30, 2019, Tech Operators has invested in one portfolio company in Georgia which employs 9 people.

Tech Operators is based in Atlanta, Georgia. The investing partners are: Said Mohammadioun, David Gould, Tom Noonan, Glenn McGonnigle and Tom McNeight. Each of the General Partners has experience as an entrepreneur and as a CEO of software and/or cyber security businesses. Their strategy focuses on early stage software, security and technology companies located in the Southeast.

MSouth Equity Partners IV

Invest Georgia subscribed to MSouth IV in 2018 for a total commitment of \$5,000,000. As of November 30, 2019, MSouth has invested in 2 companies, both of which are based in Georgia. These two companies employ 315 Georgia residents.

MSouth is headquartered in Georgia. The investing partners for MSouth IV are: Michael Long, Barry Boniface, Dan Campbell, Mark Feidler, Peter Pettit and Charles Stubbs. MSouth is the successor firm to Atlanta based Cravey Green & Wahlen and was founded in 2007. MSouth's strategy focuses on lower middle market companies primarily with strong management teams and established business models that enable growth at rates exceeding their underlying industries. The firm primarily targets business services, healthcare, specialty distribution and manufacturing and media/ telecommunications companies.

Noro-Moseley Partners VIII

Invest Georgia subscribed as a Limited Partner to Noro-Moseley Partners VIII ("NMP") for a total commitment of \$5,000,000. As of November 30, 2019, NMP has one portfolio company based in Georgia with 81 employees.

NMP is headquartered in Atlanta, Georgia; the investing partners are: Allen Moseley, Alan Taetle and Spence McClelland. Noro-Moseley Partners is one of the oldest venture capital firms in Atlanta; it was founded in 1983 by Charlie Moseley, father of Allen Moseley and no relation to Sig Mosley of Mosley Ventures. NMP's strategy is to invest in early growth Information Technology and Healthcare with rapidly scaling revenue, a capital-efficient model and a clear pathway to profitability. NMP looks for opportunities that are located in the Southeast and Southwest.

Knoll Ventures Fund

Invest Georgia subscribed as a Limited Partner to Knoll Ventures ("Knoll") for a total commitment of \$1,000,000. Knoll has four portfolio companies based in Georgia that in the aggregate employ 406 Georgia based FTEs.

Knoll Ventures is based in Georgia. The investing partners are Andrew Dorman and Richard Fraim. Knoll was founded in 2017 and held a first close on the fund in June 2018. Knoll's strategy is to fill the funding gap between seed stage investing and the Series A round by being the lead or co-lead in \$1-3 million post-seed stage companies. Knoll will lead or co-lead these rounds and reserve capital for follow-on needs providing value by adding a syndicate partner and preparing the management team or founders for the diligence and reporting standards expected by funds that will come in at later stages.

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 November 30, 2019, TTV IV had 8 portfolio companies based in Georgia employing in the aggregate 185 people.

TTV Capital is based in Georgia; 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 in the State of Georgia,

known as Transaction Alley. Technology Association of Georgia, TAG, estimates that there are over 38,000 Georgia based employees working in the FinTech Sector at 120 Georgia Fintech companies.

Mosley Ventures

Moseley Ventures is based in Georgia. 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. 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 11 are headquartered in Georgia. These portfolio companies employ 181 people.

Tech Square Capital

Tech Square Capital is headquartered in Atlanta, Georgia. The Invest Georgia Fund has subscribed as a Limited Partner to Tech Square Capital ("TSC") for a total commitment of \$1 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. The General Partner is Allen Nance; Paul Judge is a member of the General Partner. Both Allen and Paul are successful entrepreneurs who invested their own capital as angel investors prior to forming the fund. Some of those pre-fund investments were contributed to TSC or purchased by TSC. As a consequence, from its founding as a fund in 2016 to date, the portfolio consists of 22 investments and over 800 and counting full time employees.

Engage Venture Fund

Engage is headquartered in Atlanta, Georgia within the Georgia Institute of Technology campus. The Invest Georgia Fund has subscribed to Engage Venture Fund for a total commitment of \$1.5 million. Engage is a Venture Capital fund formed by Georgia Institute of Technology and a consortium of Georgia corporations for the purpose of investing in early and seed stage technology companies. The mission of Engage is to strengthen collaboration and partnership between leading corporations and top entrepreneurs by helping startup founders get their product to market. To accomplish this mission, Engage operates an accelerator program using office space and resources provided by Georgia Tech in which promising startups receive the training and mentoring that they need to take their products to market. Engage is managed by Blake Patton. Thiago Olson and Daley Ervin are co-managing Directors of the accelerator program. To date, 36 companies have been selected to participate and have completed the curriculum of which 14 are based in Georgia. The startups that are selected also receive funding from Engage and become part of the Engage portfolio of investments.

Other Activities

Invest Georgia serves on the Limited Partner Advisory Committee ("LPAC") of 8 of the 9 IG investments and plays an active role in monitoring the underlying investments in the funds. As a member of the LPAC, the Executive Director meets regularly with the Partners of each fund and is well informed on the progress of IG Fund portfolio companies, additional investments to portfolio companies, amendments to any partnership rules or regulations and any current or anticipated changes in any of the partnerships.

Invest Georgia anticipates significant activity in 2020 – our pipeline of opportunities is exceptionally strong with both newly formed funds targeting seed, venture and growth stages and follow on funds from established fund managers who seek to expand their franchise. Invest Georgia will work with these newer funds to develop their operational and governance capabilities so that they may meet the criteria to become an applicant for the Invest Georgia Program. With this promising Forward Commitment Calendar, Invest Georgia anticipates being fully committed on existing capital at end of the 2019 fiscal year.

Knox Massey, III

Executive Director, Invest Georgia Program

knox@investgeorgia.net

www.investgeorgia.net

LCG Associates

Investment Consultant to Invest Georgia

www.lcgassociates.com