



2021 Annual Report

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, Shaw Blackmon

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

RE: End of Year Report on the Invest Georgia Program, 2021

Date: December 31, 2021

Summary

The Invest Georgia legislation was passed by the General Assembly in 2013, amending Chapter 10 of Title 10 of the OCGA and thus creating the Invest Georgia Fund. Since inception, Invest Georgia has committed capital to fourteen 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 VIII, Technology Operators III, MSouth IV, TTV Capital V, Kinetic Ventures X, Tech Square Venture Fund II, Engage Venture Fund II, Atlanta Seed Fund and TTV VI, which will begin its investment period in 2022.

An initial allocation of \$10,000,000 was distributed to Invest Georgia in 2014. In fiscal years 2016, 2017, 2018 and 2019, an additional \$40,000,000 was allocated to the Invest Georgia Fund. These allocations were disbursed to Invest Georgia monthly each fiscal year through the Board of Regents. There have been no Annual Allocations since fiscal 2020.

2021 Investments:

In 2021, Invest Georgia conducted due diligence on a number of funds including those led by diverse managers. Two new funds were added to the Invest Georgia portfolio during 2021: Atlanta Seed Fund and TTV VI.

Atlanta Seed Fund

Invest Georgia made a commitment to the Atlanta Seed Fund of \$1 million. Atlanta Seed Fund (“ASF”) was founded by Jamie Hamilton, a 15-year veteran of seed and angel investing in Atlanta and the Southeast. Prior to founding the Atlanta Seed Fund, Mr. Hamilton managed the Atlanta Seed Company as a fund-less sponsor making investments in software, healthcare and financial technology. Each investment was packaged as a Special Purpose Vehicle (“SPV”) and capital was raised separately. A fund structure provides a pool of capital, allows for more formal governance and enables the development of a portfolio of investments to diversify risk and improve overall return.

The Atlanta Seed Fund is more stage focused than industry focused. Seed and early stage capital is important to the development of the start-up ecosystem in Georgia and the Southeast. The established funds that are able to raise bigger pools of capital typically move upstream making larger investments in companies at a later and less risky stage. In doing so, they leave a funding gap for capital at the angel, seed and early A rounds of funding. There are only a handful of investors who can support the early stage capital needs in the market, each relatively small in terms of fund size. A community of seed and early stage investors is needed to support the continued development of companies in Georgia and to provide funding at this critical stage of development. Invest Georgia was pleased to support ASF as its first institutional investor. The Atlanta Seed Fund is located in Atlanta, Georgia. Jamie Hamilton and Connor Davidson are the Managing Partners. The Fund has made six investments; two of the companies are based in Georgia.

TTV Fund VI

The Invest Georgia Board of Directors approved a small commitment to TTV VI, the most recent fund raised by the TTV team. Since its founding in 2000, TTV has developed into one of the most prominent investors in financial technology, “Fintech”, at the early stage. TTV has now grown into a more established fund and has broadened its portfolio to focus on its “winners” that attract out of state investors who are paying high valuations to invest alongside them. TTV’s strategy is to look for Fintech products and services that have investable characteristics, such as: high margins, software-as-a-service implementation, transaction-based pricing, recurring revenue, continuous adoption of new technology and low capital requirements. The team has been built out; in 2021, Neil Kapur joined Gardiner Garrard, Sean Banks and Mark Johnson as an investing partner. Mike Hurst is a venture partner focused on deal sourcing; Tom Smith moved to Senior Advisor in TTV V and continues to serve in that role.

Job Creation:

Invest Georgia is pleased to report that the number of companies funded by the Invest Georgia program and the number of full-time employees within those Georgia-based companies grew substantially in 2021. **Since inception, the 13 investing funds have funded 84 unique Georgia-based companies in years 2015-2021; a 16.6% increase in the number of Georgia based companies using data through September 30, 2021. These companies employ 3,128 Georgia residents, a 32.5% increase compared to the number reported last year (2,361 employees).** The expansion in the number of employees is remarkable against the backdrop of a second year of disruption caused by the pandemic and its effects on economic activity. Invest Georgia’s Program is now entering its eighth year and has evolved in a number of ways benefitting jobs creation and company development. Invest Georgia’s funds are deploying capital at various stages from pre-seed and early stage to the expansion stage. The number of employees may start with one or two founders but now that the Program is underway with 13 funds, soon to be 14, investing, the fastest growing companies in the portfolios are hiring to build scale. As of the end of the third quarter, at least three companies in the portfolio employed over 300. As noted in prior years, the number of jobs for Georgia residents also includes some companies headquartered in other states but employing Georgia residents to work with their Georgia-based customers and to establish a presence within the State, now recognized as an Innovation Hub.

Invest Georgia Operations in 2021

Invest Georgia allocated capital to two new venture capital funds in 2021 bringing the total number of funds within the Invest Georgia portfolio to 14. Invest Georgia also met with a number of other Georgia-based funds, some of which are led by diverse managers. Diligence was not completed by year-end for some of these funds, but will be ongoing into 2022.

Over the seven years since inception, Invest Georgia has constructed a portfolio of funds that have in the aggregate invested in over 200 portfolio companies. Despite the focus on Georgia based funds, it is surprising that so far, there are just 10 companies with more than one fund as an investor or co-investor.

Some companies within the Invest Georgia portfolio of funds are beginning to scale their operations. This expansion creates incremental job opportunities and requires additional capital. Several companies in the IG portfolio who raised additional rounds of financing received significantly higher valuations placing them in the Unicorn category – that is, companies valued at over \$1 billion while still privately held.

Invest Georgia’s portfolio of funds is still relatively young: only a few of the funds have completed their investment periods; new commitments are just beginning to deploy capital. Typical investment periods for the funds are five or six years. The average time that venture capital funds hold investments until they are ready to be merged or sold may extend to nine or more years. To date, three funds have completed their 5-year investment period for making new investments; remaining capital can only be used to support additional rounds in current portfolio companies. The portfolios of the ten funds that are actively making new investments have an average age of a little over two years. Of the two funds approved in 2021, one has made five investments and the other is expected to start investing in the first quarter of 2022.

In calendar year 2022, the focus is on developments in the funds’ underlying portfolios and the commitment of remaining capital. As the ecosystem of venture and growth capital has expanded in Georgia and the Southeast, capital requirements will continue to grow. The Board of Directors, the Executive Director and the Investment Consultant are actively engaged in dialogue to determine the future direction of the program.

Current Invest Georgia Investment Portfolio:

TTV Capital IV

The Invest Georgia Fund subscribed as a Limited Partner in TTV Capital IV, (“TTV”) in 2015 for a total commitment of \$3,000,000. As of December 2021, TTV IV had eight portfolio companies based in Georgia employing in the aggregate 438 Georgia residents. 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 and dominant industry sector in the State of Georgia, sometimes referred to as Transaction Alley for the number of payments processed in the State and the large and growing number of financial services companies located in Georgia.

Mosley Ventures

Moseley Ventures is based in Georgia. The Invest Georgia Fund subscribed as a Limited Partner to Mosley Ventures in 2016 for a total capital commitment of \$3,250,000. The Mosley Ventures portfolio consisted of 22 investments of which nine were headquartered in Georgia. This fund began its investment period in 2013 and is in a harvest mode, i.e. investments are being realized through mergers and acquisitions or outright sales. There are four portfolio companies remaining that are based in Georgia employing 104 people. The investing partners are: Sig Mosley, Wei-Chun Tai and John Vecchio. Sig Mosley is often called the “godfather of Angel investing” in Atlanta as he worked with John Imlay, both at Imlay Ventures and at MSA, an early, successful software company based in Atlanta. 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.

Tech Square Capital

Tech Square Capital is headquartered in Atlanta, Georgia. The Invest Georgia Fund subscribed as a Limited Partner to Tech Square Capital (“TSC”) for a total commitment of \$1,000,000 in 2017. 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; Janet Mulroy is the CFO. As a result of pre-fund investments contributed to the fund, TSC has had some realizations through mergers, acquisitions and one initial public offering. As a consequence, from its founding as a fund in 2016 to date, the portfolio consists of 26 investments in Georgia based companies employing over 1,000 Georgia residents.

Engage Venture Fund I

Engage is headquartered in Atlanta, Georgia within the Georgia Institute of Technology campus. The Invest Georgia Fund subscribed to Engage Venture Fund in 2017 for a total commitment of \$1,500,000. Engage is a Venture Capital fund formed by a consortium of Georgia corporations and the Georgia Institute of Technology 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 start-up founders get their products to market. To accomplish this mission, Engage operates an accelerator program using office space and resources provided by Georgia Tech in which promising start-ups receive the training and mentoring that they need to take their products to market. Tech Square Ventures is the Manager and Advisor to Engage; the Managing Partner of Tech Square Ventures and Engage is Blake Patton. Daley Ervin is Managing Director; Dr. Namaratha “Nammy” Vedire is Director, Platform & Operations. The Investment Period closed in the spring of 2020; 43 companies completed the curriculum in Engage I and another 14 in Engage II. Across both funds, Engage has 22 companies based in Georgia and 29 companies with full time Georgia employees for a total of 326 full time employees in Georgia, up 50% from 2020. This increase in employees is not just a product of a growing portfolio but rather is representative of significant growth in three companies who accounted for 55% of the total.

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 December, 2021, the Tech Operators III portfolio includes one portfolio company in Georgia employing 20 people, a year over year increase of 4. 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. The strategy focuses on early stage software, cybersecurity 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 December 2021, MSouth has invested in four Georgia-based companies. These four companies employ over 400 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 was founded in in 2007 as the successor firm to Atlanta based Cravey Green & Wahlen. MSouth’s strategy focuses on lower middle market companies primarily in the Southeast 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”) in 2018 for a total commitment of \$5,000,000. As of December 2021, NMP has two portfolio companies based in Georgia, which together have 81 employees, a year over year increase of 20%. 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 companies that have rapidly scaling revenues, a capital-efficient business 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”) in 2018 for a total commitment of \$1,000,000. As of December 2021, Knoll has six portfolio companies based in Georgia that in the aggregate employ 606 people. 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 type of diligence and reporting standards expected by funds that will come in at later stage rounds of financing.

TTV Capital V

TTV Capital is headquartered in Atlanta. Invest Georgia subscribed as a Limited Partner in TTV V in 2019 for a total commitment of \$5,000,000. TTV V 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 (“B2B”), the gigabyte economy and the household as an enterprise. General Partners of the Fund are Gardiner Garrard, Mark Johnson and Sean Banks. Tom Smith, co-founder, has become a Senior Advisor to the fund. TTV V has made two investments in Georgia based companies that employ a total of 15.

Tech Square Ventures II

Invest Georgia made a commitment to Tech Square Ventures II of 10% of total capital raised for the fund. TSV II is the successor to a smaller fund founded by Blake Patton in 2015. TSV II has made seven investments since its first close in March 2020, six of which are based in Georgia employing a total of 43. Tech Square Ventures II is located in Atlanta, Georgia; it was formed to make early stage and Series A investments with a focus on enterprise (B2B), marketplace technology and tech enabled services companies. TSV II will make investments in operating companies as a minority investor in the form of equity, debt or convertible securities to fund the go-to-market stages of development. The Investment team and Investment Committee includes Blake Patton, Founder and Managing Partner of the General Partner; Vasant Kamath, Partner; Joelle Fox, CFO and Operating Partner of the General Partner and Scott Lopano, Principal.

Kinetic Ventures Fund X

In 2020, Invest Georgia completed its negotiations with Kinetic Ventures X and closed its \$2,000,000 commitment to the Fund. Kinetic Ventures X formally includes Cam Lanier as Senior Director along with William Heflin, Jake Tarr and Nelson Chu as Managing Directors. Kinetic has offices in West Point, GA, Atlanta, GA and Chevy Chase, Maryland. Kinetic will build a balanced portfolio of venture stage investments in enterprise software, mobility and related emerging concepts. Kinetic has a preference for investing in a company’s first institutional round. During 2021, Kinetic made three early stage investments all based in Georgia creating jobs for 35 total employees.

Engage Ventures Fund II

In November 2020, Invest Georgia formalized its commitment of \$3,000,000 to Engage II. Engage Venture Fund II was formed by the founding partners of Engage to further the development of the corporate innovation platform and enterprise go-to-market program that they launched in 2016. In addition to the founding Limited Partners (Chick-fil-A, Cox Enterprises, Delta Airlines, Georgia Pacific, Georgia Power, Intercontinental Exchange, Invesco, Home Depot, UPS, Invest Georgia, Goldman Sachs and Georgia Tech), Coca Cola, Inspire Brands, Wellstar and Honeywell have joined the collaboration. Each contributing partner, including the founding Limited Partners

committed \$3 million to the new fund. Engage II is more than twice the size of Engage I enabling the initial investment Engage makes to each cohort to be more competitive with other Accelerator programs. As in Engage Venture Fund I, Blake Patton is the Managing Partner and Co-founder of Engage and Managing Partner and Founder of Tech Square Ventures, the Investment Adviser to Engage. Daley Ervin is the Managing Director; Dr. Nammy Vedire is Director of Platform and Operations. The Engage program is a 10-week curriculum offered twice a year to company founders who are selected to participate as cohorts Spring and Fall sessions. As previously mentioned, the two Engage funds have invested in 29 companies that have full time Georgia employees totaling 326.

Other Activities:

Invest Georgia serves on the Limited Partner Advisory Committee (“LPAC”) of 13 of the 14 Invest Georgia 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 the partnerships.

Invest Georgia’s activity in 2021 was not slowed by the continued disruption of the pandemic. The pipeline of opportunities remains strong for both first time funds and for follow-on funds from established managers. The majority of current capital allocated to the Invest Georgia program has been committed. However, Invest Georgia has a small amount of capital available for funds who qualify and is willing to mentor new funds so that they may meet the criteria becoming successful, future candidates for the Invest Georgia Program.

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