



## **2018 Annual Report**

**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:** End of Year Report on the Invest Georgia Program, 2018

**Date:** December 31, 2018

### **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 the 2014 Legislative Session; the first tranche of capital was distributed to IG Fund, LLC in Q1, 2015. In 2015, Invest Georgia set up an office, opened a bid process for an Investment Consultant, created an Investment Policy Statement, developed a database of venture and private equity funds in Georgia, hired a law firm to represent Invest Georgia, engaged an accounting firm and met frequently with its Board of Directors to develop oversight and reporting mechanisms. The first year of operations culminated with an initial commitment of \$3.0 million to TTV Capital IV in December 2015. TTV, IV is a Georgia-based venture capital fund that invests principally in companies in the financial technology (FinTech) industry. TTV, IV has been actively funding Georgia-based companies since 1999.

In each of the state fiscal years 2016, 2018 and 2019, the Invest Georgia Fund received additional allocations of capital in the amount of \$10,000,000. This capital has been, or will be, distributed to Invest Georgia in monthly allocations by the Board of Regents.

In the fourth quarter of 2018, Invest Georgia received two notifications of early distributions following the realization of an investment in each of Moseley Ventures and TTV IV's

portfolios. This is an encouraging sign after only three years of investing in Georgia based funds.

### **Investment Program 2016-2018**

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 an exciting trend – an expansion of 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 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.

During 2018, Invest Georgia continued following this trend of pursuing and encouraging the growth of new funds in the State of Georgia by investing in Knoll Ventures, a recently formed \$25M fund founded 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 which have returned to the Georgia market to raise subsequent funds. Noro-Moseley Partners, Tech Operators and MSouth were all recipients of capital from Invest Georgia during the 2018 calendar year.

With the expansion of the aggregate Invest Georgia portfolio to eight funds in 2018, from 4 funds in 2017, we are delighted to report that the Georgia investment market is responding positively to a Georgia-based program that is intended to help fund entrepreneurs and businesses in high growth industries within our state.

Invest Georgia is pleased to report that the number of companies and full time employees has grown exponentially as the Invest Georgia program has deployed capital to funds. **Through the end of September, 2018 there are at least 48 Georgia-based companies that have been funded through the Invest Georgia Program in years 2015-2018. These companies employ at**

**a minimum, 1250 Georgia residents.** Additionally, many of the individual funds have invested in companies that are headquartered out of the state but are employing FTEs in Georgia to be close to Atlanta and other markets. Corporations are expanding their knowledge and appreciation of the opportunities and talent within Georgia.

## **2018 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 September 30, 2018, the Invest Georgia Fund has contributed 10 % of its commitment to fund 2 companies, one of which is based in Georgia and employs 5 people.

Tech Operators is based in Georgia; their address is One Buckhead Plaza, Suite 720, Atlanta, Georgia 30305. 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 as a Limited Partner to MSouth Equity Partners IV (“MSouth”) in 2018 for a total commitment of \$5,000,000. MSouth IV held its final close in September, 2018 and has not yet called capital or made investments out of this fund.

MSouth is headquartered in Georgia: their address is Two Buckhead Plaza, 3050 Peachtree Road, Suite 550, Atlanta, Georgia 30305. 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 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. NMP has not yet held a final close and has not called capital to make new investments.

NMP is headquartered in Georgia; the address is 3284 Northside Parkway, Suite 525, Atlanta, Georgia 30327. 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 at the early growth stage in Information Technology and Healthcare in areas which have Innovation Hubs but are markets without enough local capital to support resident opportunities. NMP looks for opportunities that require growth equity to help companies scale their businesses and reach profitability and 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 called capital and made one investment in a Georgia based company that has 9 employees.

Knoll Ventures is based in Georgia: the address is 75 5<sup>th</sup> St. NW, Atlanta, Georgia 30308. 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 Series A or B.

### **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. Six of these companies are in Georgia and employ 90 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**

Moseley Ventures is based in Georgia; the address is: 2451 Cumberland Parkway, SE, Suite 3429, Atlanta, GA 30339. 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 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 9 are headquartered in Georgia. These portfolio companies employ 221 people.

### **Tech Square Capital**

Tech Square Capital is based in Georgia; the address is 859 Spring Street, NW, Atlanta, GA 30308. 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**

The Invest Georgia Fund has subscribed as a Limited Partner to Engage Venture Fund. 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 will operate 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 and Thiago Olson. Thiago is the Managing Director of Engage's accelerator program which accepts 5-8 start-ups in Fall and Spring sessions. Each of the start-up companies that participate in the sessions are expected to complete a curriculum structured to help entrepreneurs succeed. The startups that are selected receive funding from Engage.

To date, two cohorts have completed the course and a third is in session. There are currently 24 companies in the portfolio 9 of which are based in Georgia and employ 105 people.

### **Other Activities**

Invest Georgia serves on the Limited Partner Advisory Committee ("LPAC") of 7 of the 8 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.

The Board of Directors of Invest Georgia met several times during the 2018 to provide counsel and review investments recommended by the Executive Director and the Investment Consultant. The Invest Georgia Board of Directors will have two seats expiring December 31, 2018. One additional Board seat is currently vacant after a Board Member stepped down because of family illness. We look forward to welcoming new Board members January 1, 2019.

Invest Georgia anticipates significant activity in 2019. At least three growth stage venture capital funds will be in the market to raise subsequent funds in 2019 and new fund commitments will be deploying capital to fund new companies as well as funding expansion rounds for existing companies. Additionally, we expect new fund formations of early/seed stage funds in Georgia with new venture partners. 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

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