



## 2020 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, 2020

**Date:** December 31, 2020

### 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 twelve 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 and Engage Venture Fund II.

An initial allocation of \$10,000,000 was distributed to Invest Georgia in 2014 and through fiscal years 2017, 2018, 2019 and 2020, an additional \$40,000,000 was allocated to the Invest Georgia Fund. These allocations were disbursed to Invest Georgia in monthly allocations each fiscal year through the Board of Regents. In fiscal 2021, due to the Coronavirus pandemic and State Budget issues, an annual allocation to Invest Georgia was eliminated.

### Job Creation:

Invest Georgia is pleased to report that the number of companies funded by Invest Georgia and the number of full-time employees within those Georgia-based companies grew substantially in 2020. **Since inception, 72 Georgia-based companies have been funded through the Invest Georgia Program in years 2015-2020. These companies employ 2,361 Georgia residents, an 11% increase compared to the number reported last year (2,120 employees).** This increase in number of employees, during a year in which small businesses across the country were impacted by the pandemic and resulting economic conditions, is remarkable. It is attributable in part to the leadership of the fund managers who coached these company founders to conserve cash while continuing to pursue their business objectives. In addition, Invest Georgia is observing that companies headquartered out of state are hiring Georgia residents as full time employees (“FTEs”) to work with their Georgia-based customers and to establish a presence within the State, now recognized as an innovation hub.

## **2020 Investments:**

In 2020, Invest Georgia reviewed a number of funds as potential commitments. Due diligence for these funds was adjusted for the pandemic and resulting economic condition by substituting in-person meetings to online meetings.

### **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 two investments since its first close in March 2020, one of which is based in Georgia and has 4 employees. Tech Square Ventures II, is located in Atlanta, Georgia, and 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; 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. Criteria for investment include revenue of \$1-\$10 million, cash flow traction and a clear path to a ramping up the revenue stream.

### **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. Engage is a collaboration between the 10 founding partners (AT&T, Chick-fil-A, Cox Enterprises, Delta Airlines, Georgia Pacific, Georgia Power, Intercontinental Exchange, Invesco, Home Depot and UPS) and Georgia Tech. 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. Thiago Olsen and Daley Ervin are Managing Directors of Engage. The Engage program is a 10 week curriculum offered twice a year to company founders who are selected to participate in each cohort. In the spring, the curriculum for Engage II moved 100% to a web based format where it will remain for the foreseeable future. The target size of Engage II is \$40 million, more than double the size of Engage I with the objective of adding corporate partners.

## **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, 2020, TTV IV had 8 portfolio companies based in Georgia employing in the aggregate 362 people of which 316 have been added since the initial investment. 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, 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 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. To date, Mosley Ventures has made 22 investments of which 9 are headquartered in Georgia. These portfolio companies employ 172 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 and 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; 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 26 investments in Georgia based companies and 866 full time employees.

### **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 product 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. Engage is managed by Blake Patton. Thiago Olson and Daley Ervin are Co-Managing Directors of the accelerator program. The Investment Period closed in the spring of 2020; 43 companies have completed the curriculum. The startups that were selected received funding from Engage and became part of the Engage portfolio of investments. Engage has 16 companies based in Georgia and including 8 companies who employ FTEs based in Georgia, the total is 217 full time employees in Georgia.

### **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, 2020, Tech Operators has invested in one portfolio company in Georgia which employs 16 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, 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, 2020, MSouth has invested in 2 Georgia-based companies. These two companies employ 157 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, 2020, NMP has two portfolio companies based in Georgia which together have 67 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 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, 2020 Knoll has 6 portfolio companies based in Georgia that in the aggregate employ 490 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 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, the gigabyte economy and the household as an enterprise. General Partners of the Fund are Gardiner Garrard, Mark Johnson and Sean Banks. Tom Smith has become a Senior Advisor to the fund. TTV V has made 5 investments; one investment is headquartered in Atlanta and has 10 employees.

## **Invest Georgia Operations in 2020**

Invest Georgia closed on three fund investment commitments in 2020 with a fourth approved (pending the fund manager’s ability to meet certain conditions required by Invest Georgia and its Board).

Over the six years since inception, Invest Georgia has constructed a portfolio of funds that have in the aggregate invested in over 150 total companies. These investments are diversified by manager, by stage, by industry sector and by end market sector exposure. Late stage and growth stage investments make up 61% of the current portfolio in dollars; early stage is at 26% with capital to be committed as the balance. This stage diversification conforms to allocations set in the Invest Georgia legislation but it does not adequately explain where these portfolio companies are in their development.

The Early stage funds are often investing in a company that is little more than 2-4 person teams who have an idea for a business that may benefit from being encouraged and advised inside one of the growing number of incubators and accelerators that have sprung up around Atlanta. For some of these very early stage companies, it will be 3 or more years before they reach the stage at which the “growth stage” funds will invest. The growth stage funds, on the other hand, expect to invest in companies that have their business models in place and are generating revenues. Invest Georgia’s growth stage funds have various revenue thresholds some \$5 million, some

\$10 or more million in revenue. Since the funds also vary in size, their investment strategy will reflect the amount that they are willing to invest at a given stage.

Technology and tech enabled products and services represent the base of the portfolio with applications in financial technology, “fintech”; cloud computing; cybersecurity; data analytics; software; logistics; media and communications; manufacturing; waste management; healthcare and healthcare IT and technology hardware. The End Market Sectors that the companies address are large and equally diverse. They include Consumer, Information Technology, Financial Services, Commercial and Professional Services, Healthcare and others.

Invest Georgia’s portfolio of funds is still relatively young and is invested in venture capital funds with a strong bias towards investments in Georgia. Typical investment periods for the funds are 5 or six years. The average time that venture capital funds hold investments until they are ready to be merged or sold may extend to 9 or more years. To date, two funds have completed the 5 year investment period for making new investments and will now use remaining capital only for follow-on rounds in current portfolio companies. The eight funds that are actively making new investments have an average age of less than two years. Two funds that were approved in 2020 will each have made one investment by the end of 2020.

The Board of Directors of Invest Georgia provides counsel to the Executive Director. The IG BOD reviews all recommended commitments for final approval. The Board has been actively engaged in dialogue with the Executive Director and the Investment Consultant on the current portfolio of funds, upcoming new commitments and the future direction of the program.

### **Other Activities:**

Invest Georgia serves on the Limited Partner Advisory Committee (“LPAC”) of 11 of the 12 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 2020 was not slowed by the pandemic; the pipeline of opportunities remains strong. The majority of current capital allocated to the Invest Georgia program has been committed but Invest Georgia has observed new fund formations during the past 12 months that target minority business owners in the seed, venture and growth stages. As with other funds approved in prior years, Invest Georgia and the Investment Consultant will mentor these new funds to develop their operational and governance capabilities so that they may meet the criteria to become successful, future candidates for the Invest Georgia Program.

### **Knox Massey, III**

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