



2015 Investment Memorandum

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

From: Knox Massey, Executive Director; The Invest Georgia Board of Directors;
LCG Associates, Fund Administrator to Invest Georgia

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

Date: December 31, 2015

Summary

The Invest Georgia Program (IG Fund, LLC), created by amending Chapter 10 of Title 10 of the OCGA, commenced operations in the first quarter of 2015 with the receipt of the first tranche of capital, \$10,000,000. Thereafter, the Executive Director and the Invest Georgia Board conducted a transparent, open bid process to select a Fund Administrator. LCG Associates was selected to serve as the Fund Administrator as of August, 2015 and will hereby be referred to as "Investment Consultant". After assuming its responsibilities, the Investment Consultant screened qualifying funds and chose a venture capital fund candidate for further evaluation and due diligence. The information gathered in support of an investment recommendation was submitted to the Executive Director, who reviewed and later convened a Board meeting. The first investment for the Invest Georgia Fund was approved December 3, 2015.

2015 Investments

The Invest Georgia Fund has subscribed as a Limited Partner in TTV Capital IV, ("TTV") for a total commitment of \$3,000,000. TTV Capital is based in Georgia and 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 IV will not draw capital until 2016 as it is still in registration. TTV Capital's strategy focuses on innovative companies in Financial Services Technology, a rapidly growing industry sector within Georgia which currently provides over 40,000 jobs to citizens of Georgia.

As of this report, the Invest Georgia fund has committed to invest \$3,000,000 with TTV Capital, IV. TTV will periodically call capital for investments over an approximate 12-24 month time period. The Invest Georgia Fund is in early discussions with one additional Georgia-based private equity fund and is tracking 3-4 other Georgia-based venture capital funds for possible capital commitments in 2016. The Invest Georgia Program anticipates fully investing the available allocation in the 2015 tranche by EOY 2016.

Fund Selection Process

In selecting investments for Invest Georgia, The Investment Consultant is guided by the Investment Policy adopted by the Board of Directors. This Policy resides on the Invest Georgia website. In essence, the Policy states the Objectives of the Fund, Permitted Investments, Allocations and Guidelines for fund selection.

The Investment Consultant and Executive Director have worked together throughout 2015 to identify qualifying funds which include both venture capital and private equity funds. Positive developments in the State since the Financial Crisis have included a revival of entrepreneurial activity, particularly around certain areas of technology industries in Georgia. The areas of cyber security/internet security, Healthcare IT, FinTech/Payment Processing and Marketing Automation are strong growth industries in the State of Georgia. In addition, data from PWC indicates that there is a shortage of capital in Georgia to support young businesses in these industries as they grow beyond the startup phase. This growth phase is typically where the venture capital and private equity funds play a role in supporting entrepreneurs with capital and expertise.

The Investment Consultant has developed a professional process that includes both investment due diligence and operational due diligence on the firm under review. Candidates must not only meet the criteria of the Investment Policy but must also pass a rigorous due diligence process and meet the approval of the Executive Director and the Board of Directors. The investment due diligence includes becoming knowledgeable about the investment professionals, their credentials, experience and capabilities through numerous visits with the team. Investment performance for all prior funds is analyzed, risks are assessed and reference calls are made to gain an understanding of what the firm does well and what their perception is in the marketplace. Research is also conducted on the industry sector and market opportunity to assess the firm's capabilities within their investment area. Separately, operational diligence is conducted by the Investment Consultant which includes background checks, service provider verifications and reviews of key terms in the Limited Partnership Agreement. Investment and operational due diligence information is then presented by the Investment Consultant in a detailed investment memo.

VC and PE Market In Georgia

In aggregate, Georgia has between 20-25 active Venture Capital/Private Equity funds. Within the next 12 to 18 months, roughly 50% of these Georgia funds will launch capital campaigns based on market demand they perceive at a state and regional level. These firms have a cumulative capital target of over \$1 billion, although individually their fund sizes range from \$25 million to \$150 million. However, there are an insufficient number of private and institutional investors in Georgia willing to support this activity. These Georgia funds are the likely candidates that would benefit from support from the Invest Georgia Program as these funds are focused on high growth sectors of the economy where Georgia has a competitive edge and where there is job creation potential. The Invest Georgia Program can play a vital role in helping the success of these Georgia-based funds by becoming “anchor” tenants (the first investors of committed capital) which would help attract additional out of state institutional investments, would help deliver expectations of topline ROI for these funds and would align with the important economic development goals of the State of Georgia.

The Invest Georgia Board, the Executive Director and the Investment Consultant are in agreement that adherence to these processes will ensure that the objectives of the Invest Georgia Fund are met in 2015 and will be met in 2016 and beyond.

Knox Massey, III

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