

Invest Georgia Fund

INVESTMENT POLICY

Objective

The Invest Georgia Fund was created with multiple objectives. First, to increase the amount of private investment capital available for Georgia based businesses that are in the early and growth stages of their development and second, to increase the amount of capital available to established businesses that are developing new methods or technologies. Integral to the increase in capital are the goals of increasing employment, creating additional wealth and benefitting the economic welfare of the people of the State.

Legislation

Chapter 10 of Title 10 of the Official Code of Georgia Annotated (“OCGA”), relating to the Seed-Capital fund was amended and a new Article, (“the Article”) was added to create the Invest Georgia Fund.

The Article further defines the type of investments that the Invest Georgia Fund is permitted to make; creates the Invest Georgia Board describing its powers and duties including the selection of a Fund Administrator and sets out reporting requirements.

Permitted Investments and Allocations

The Invest Georgia Fund will commit and invest into individual growth stage venture or early stage venture capital funds as follows:

Growth Stage Venture Capital Funds: 60% of total contributed capital in the Invest Georgia fund shall be allocated among growth stage venture capital funds in accordance with certain requirements.

Growth stage venture capital fund means:

- A fund that has its principal office and a majority of its employees in Georgia and that has at least two principals to direct the investment
- A fund whose principals have at least 5 years of experience in the venture capital, angel capital or private equity sector by investing primarily in Georgia domiciled companies or a fund whose managers have an office in the State of Georgia
- A fund which has as its primary investment strategy the achievement of transformational economic development outcomes through focused investments of capital in growth stage businesses with high growth potential.

The fund principals must have demonstrated the ability to lead investment rounds, advise and mentor entrepreneurs and facilitate follow on investments.

A minimum of 50% of the committed capital of the fund must be committed by institutional investors, fund principals or other accredited investors.

Early Stage Venture Capital Funds: 40% of total contributed capital in the Invest Georgia fund shall be allocated among early stage venture capital funds in accordance with certain requirements.

Early stage venture capital means:

- A fund that has at least one principal employed to direct the investment
- A fund whose principals have at least 5 years of experience in the venture capital, angel capital or private equity sector by investing primarily in Georgia domiciled companies or a fund whose managers have an office in the State of Georgia
- A fund that is a first-time Georgia based fund, so long as the fund managers have at least 5 years of experience in venture capital or angel capital investing in Georgia based businesses
- A fund which has as its primary investment strategy the achievement of transformational economic development outcomes through focused investments of capital in seed or early stage businesses with high growth potential.

The fund principals must have demonstrated the ability to lead investment rounds, advise and mentor entrepreneurs and facilitate follow on investments.

A minimum of 10% of the committed capital of the fund must be committed by the institutional investors, fund principals or other accredited investors.

Guidelines for Funds

The growth stage businesses that the growth stage venture capital firms invest in must have at the time of the first investment:

- Headquarters in the State of Georgia
- A corporate, limited liability company or a general of limited partnership structure located in the State
- Principal business operations located in the State of Georgia with the intention to maintain its principal business operations in the State after receiving an investment from the venture capital firm
- 100 or fewer employees
- Current gross annual revenue run rate of more than \$1 million

The early stage or seed business that the early stage venture capital funds invest in must have at the time of the first investment:

- Headquarters in the State of Georgia
- Principal business operations located in the State with the intention to maintain its principal business operations in the State after receiving an investment from the venture capital firm

- 20 or fewer employees
- Current gross annual revenue run rate of less than \$1 million
- A maximum of \$2 million in aggregate cash proceeds from the issuance of equity or debt, not including commercial loans

Limitations

Growth stage as well as seed stage businesses may not engage substantially in:

- Retail sales
- Real estate development or construction
- Entertainment, amusement, recreation or athletic or fitness activity for which an admission is charged
- Insurance, banking, lending, financial, brokerage or investment activities
- Natural resource extraction including but not limited to oil, gas or biomass
- Professional services by accountants, attorneys or physicians

Investment Considerations

Access to investments may be through primary fund investments and/or through secondary investing.

Consideration will be given to diversification across industry sectors including technology, health care, life sciences, agribusiness, logistics, energy and advanced manufacturing.

Attention will also be given to the potential for investment returns by qualifying growth stage and venture capital funds.

Investment Criteria

During investment due diligence, consideration will be given to:

Management of the venture capital fund including:

- Investment experience of the fund's principals and the results of their prior investments
- Character and reputation of the principals
- Knowledge, experience and capabilities of the firm as it relates to the venture stage in Georgia
- Tenure and turnover of principals and senior investment professionals

Strategy

- Record of performance
- Sound strategy and compatibility of that strategy with business opportunities in Georgia and the skill set of the principals

- Ability to identify investment opportunities through relationships with research and development institutions and Georgia based businesses and to attract co-investment capital and syndicate investments
- History of job creation

Commitment by the venture capital growth stage firm to:

- Creating employment opportunities in Georgia
- Growing the Georgia economy
- Complementing the research and development projects of Georgia academic institutions
- Fostering the development of technologies and industries that present opportunities for the growth of qualified businesses in Georgia and
- Maintaining a presence in Georgia
- Investing an amount that matches or exceeds the amount of capital received from the Invest Georgia Fund.

Due Diligence Process

The Fund Administrator will be responsible for conducting due diligence and recommending a group of Georgia based venture capital in conjunction with the Executive Director to the Invest Georgia Board. The Fund Administrator will make its selections based on the criteria as outlined in this Investment Policy Statement and in accordance with its proprietary due diligence process. This comprehensive process includes a review of the fund offering, terms and conditions; multiple meetings with the management team to assess their abilities and motivation; analysis of prior performance and current portfolio; examination of reporting, valuation policy and audits; assessment of back office operations, systems and controls as well as other best practices for investment and operational due diligence.

Invest Georgia Board

The Invest Georgia Board was created in the Article. Its membership consists of 3 members appointed by the Governor, one member appointed by the Lieutenant Governor and one member appointed by the Speaker of the House of Representatives. Each member of the Board must be a resident of Georgia and have experience in early stage, angel or venture capital investing, growth stage venture capital investing, fund of funds management or entrepreneurship. Members of the board cannot be affiliated with any venture capital fund that is selected.

Investment Approval

The Invest Georgia Fund will review the due diligence and the recommendation submitted by the Fund Administrator and will submit these findings to the Board for the approval (or disapproval) of all allocations of designated capital to qualif