

Senate Bill 224

By: Senators Golden of the 8th, Shafer of the 48th and Chance of the 16th

AS PASSED SENATE

**A BILL TO BE ENTITLED
AN ACT**

1 To amend Chapter 10 of Title 10 of the Official Code of Georgia Annotated, relating to the
2 Seed-Capital Fund, so as to create the Invest Georgia Fund; to provide for legislative
3 findings; to provide for definitions; to provide for a fund administrator; to provide for
4 reports; to provide for conditions, procedures, and limitations; to provide for related matters;
5 to provide for an effective date; to repeal conflicting laws; and for other purposes.

6 **BE IT ENACTED BY THE GENERAL ASSEMBLY OF GEORGIA:**

7 **SECTION 1.**

8 Chapter 10 of Title 10 of the Official Code of Georgia Annotated, relating to the
9 Seed-Capital Fund, is amended by designating Code Sections 10-10-1 through 10-10-7 as
10 Article 1.

11 **SECTION 2.**

12 Said chapter is further amended by revising Code Section 10-10-1, relating to definitions, as
13 follows:

14 "10-10-1.

15 As used in this ~~chapter~~ article, the term:

16 (1) 'Board' means the Board of Regents of the University System of Georgia.

17 (2) 'Center' means the Advanced Technology Development Center created by the board
18 and acknowledged and empowered to administer the fund by Article III, Section IX,
19 Paragraph VI(g) of the Constitution of Georgia.

20 (3) 'Enterprise' means a corporation, partnership, limited liability company, or other legal
21 entity that has its principal place of business in this state and that is engaged in an
22 entrepreneurial business, including, but not limited to, tenants of incubators. For the
23 purposes of this ~~chapter~~ article, an enterprise shall not be considered to be engaged in an
24 entrepreneurial business unless it is engaged in innovative work in the areas of
25 technology, bioscience, manufacturing, marketing, agriculture, or information related

26 ventures that will increase the state's share of domestic or international markets. An
27 enterprise engaged primarily in business of a mercantile nature shall not be considered
28 engaged in an entrepreneurial business. An enterprise shall be required to be young, as
29 determined by the center.

30 (4) 'Equity contribution' means:

31 (A) Moneys from the fund used to make direct investments by the state in qualified
32 securities of enterprises; and

33 (B) The capital of an investment entity contributed by the fund, as created in Code
34 Section 10-10-3, and contributed by other investors, which capital shall be used by the
35 investment entity to make investments in qualified securities of one or more enterprises
36 as provided by this ~~chapter~~ article and to pay the expenses of the investment entity but
37 shall not include any current or accumulated income of the investment entity.

38 (5) 'Fund' means the Seed-Capital Fund created in Code Section 10-10-3.

39 (6) 'Incubator' means a facility that leases small units of space to tenants and which
40 maintains or provides access to business development services for use by the tenants or
41 member firms.

42 (7) 'Investment entity' means a limited partnership, a limited liability company, or other
43 legal entity, including, without limitation, any such entity as to which the state is the sole
44 limited liability owner, providing limited liability to its owners that is formed to receive,
45 in part, an investment by the fund or an equity return of investment from a fund loan and
46 for which a general partner or manager manages the equity contributions by making
47 investments in qualified securities of one or more enterprises or, in the case of an
48 investment entity as to which the state is the sole limited liability owner, in another
49 investment entity, as permitted by this ~~chapter~~ article and by paying the expenses of the
50 investment entity.

51 (8) 'Loan' means an advance of money from the fund to an enterprise or an investment
52 entity on such terms as the center shall set, including, but not limited to, an absolute
53 promise to repay the principal amount of the loan made by the recipient enterprise, and
54 any return on investment that the center may require as a term or condition of the loan,
55 which may include, but not be limited to, simple or compound interest or any form of
56 equity participation.

57 (9) 'Qualified security' means any note, stock, treasury stock bond, debenture, evidence
58 of indebtedness, certificate of interest or participation in any profit-sharing agreement,
59 preorganization certificate or subscription, transferable share, investment contract,
60 certificate of deposit for a security, certificate of interest or participation in a patent or
61 application therefor or in royalty or other payments under such a patent or application,
62 or, in general, any interest or instrument commonly known as a security or any certificate

63 for, receipt for, guarantee of, or option, warrant, or right to subscribe to or purchase any
64 of the foregoing of an enterprise.

65 (10) 'State' means the State of Georgia."

66 **SECTION 3.**

67 Said chapter is further amended by revising Code Section 10-10-3, relating to moneys in the
68 fund to be handled in accordance with policies authorized by the board, as follows:

69 "10-10-3.

70 (a) The fund is created as a separate fund maintained by the board or a body designated
71 by the board and shall be expended only as provided in this ~~chapter~~ article. Pending their
72 use as equity contributions or as loans, the moneys in the fund may be invested and
73 reinvested in accordance with the investment policies authorized by the board or its
74 designee. The entire cost of administration of the fund, including expenses of the center
75 incurred in connection with the creation, operation, management, liquidation, and
76 investment of fund moneys in enterprises, directly or through investment entities, may be
77 paid from the assets of the fund. All moneys appropriated to or otherwise paid into the
78 fund shall be presumptively concluded to have been committed to the purpose for which
79 they have been appropriated or paid and shall not lapse.

80 (b) The fund shall consist of all moneys authorized by law for deposit in the fund,
81 including, but not limited to, gifts, grants, private donations, and funds by government
82 entities authorized to provide funding for the purposes authorized for use of the fund and
83 any payments or returns on investments made by the center.

84 (c) In return for equity contributions by the fund, at the discretion of the center, the state
85 ~~will~~ shall receive either direct ownership of qualified securities of an enterprise or a limited
86 liability ownership in an investment entity either directly or indirectly through an
87 investment entity as to which the state is the sole limited liability owner as permitted in
88 subsection (c) of Code Section 10-10-4 with rights accruing from investments in qualified
89 securities by the investment entity. With respect to loans made from the fund, the state
90 shall receive repayment of the loan in accordance with its terms, with cash proceeds or
91 other assets from such repayments being deposited in or held through the fund. Additional
92 returns to the state ~~will~~ shall be secured through the establishment and growth of innovative
93 enterprises that create new, value added products, processes, and services and encourage
94 growth and diversification in the economy of the state.

95 (d) Disbursements from the fund shall be made upon the instruction of the center director
96 in accordance with the policies of the board.

97 (e) The center, subject to the approval of the board or its designee, shall be authorized to
 98 contract and have contracts and other legal documents prepared to carry out the provisions
 99 of this ~~chapter~~ article.

100 (f) The board shall have the authority to issue policies governing the management and
 101 operation of the fund as needed."

102 SECTION 4.

103 Said chapter is further amended by revising Code Section 10-10-6, relating to distribution
 104 to be deposited in the fund, as follows:

105 "10-10-6.

106 All distributions made by an investment entity allocable to the state's limited partner
 107 interest or membership interest therein; all cash proceeds with respect to any loan, whether
 108 interest, the repayment of principal, or other amounts; or proceeds of the sale or transfer
 109 of qualified securities held directly by the fund shall be deposited in the fund for future
 110 investment in other investment entities, in other qualified securities of enterprises, for
 111 making loans as provided in this ~~chapter~~ article, or to pay the cost of administration of the
 112 fund as provided in this ~~chapter~~ article."

113 SECTION 5.

114 Said chapter is further amended by adding a new article to read as follows:

115 "ARTICLE 2

116 10-10-10.

117 Pursuant to the authority granted in Article III, Section IX, Paragraph VI(g) of the
 118 Constitution, there is hereby created the Invest Georgia Fund as a distinct component of
 119 the Seed-Capital Fund. The General Assembly declares that its purpose in creating the
 120 Invest Georgia Fund and enacting this legislation is to increase the amount of private
 121 investment capital available in this state for Georgia based business enterprises in the seed,
 122 early, or growth stages of business development and which require funding, as well as for
 123 established Georgia based business enterprises developing new methods or technologies,
 124 including the promotion of research and development purposes, thereby increasing
 125 employment, creating additional wealth, and otherwise benefitting the economic welfare
 126 of the people of this state. Accordingly, it is the intention of the General Assembly that the
 127 Invest Georgia Fund make investments in support of Georgia based business enterprises
 128 in accordance with the investment policy authorized and required under this article and

129 focus its investment policy principally on venture capital funds and private equity
130 organizations that invest in Georgia based business enterprises.

131 10-10-11.

132 As used in this article, the term:

133 (1) 'Affiliate' means:

134 (A) A person who, directly or indirectly, beneficially owns, controls, or holds power
135 to vote any outstanding voting securities or other voting ownership interests of a
136 venture capital firm; or

137 (B) A person whose outstanding voting securities or other voting ownership interests
138 are directly or indirectly beneficially owned, controlled, or held with power to vote by
139 a venture capital firm.

140 (2) 'Board' means the Invest Georgia Board created under Code Section 10-10-12.

141 (3) 'Center' means the Advanced Technology Development Center.

142 (4) 'Contributed capital' means the amount of money contributed to the Invest Georgia
143 Fund by any authorized method.

144 (5) 'Designated capital' means the amount of money committed and invested by the
145 Invest Georgia Fund into individual early stage venture capital funds or growth stage
146 venture capital funds.

147 (6) 'Early stage venture capital fund' means:

148 (A) A fund that has at least one principal employed to direct the investment of the
149 designated capital;

150 (B) A fund whose principals have at least five years of experience in the venture
151 capital, angel capital, or private equity sector by investing primarily in Georgia
152 domiciled companies or a fund whose managers have been based, as defined by having
153 an office, in the State of Georgia;

154 (C) At the discretion of the fund administrator and the board, one or more early stage
155 venture capital funds that are first-time Georgia based funds, so long as the fund
156 managers have at least five years of experience in venture capital or angel capital
157 investing in Georgia based business enterprises; and

158 (D) A fund which has as its primary investment strategy the achievement of
159 transformational economic development outcomes through focused investments of
160 capital in seed or early stage businesses with high growth potential. The fund principals
161 must have demonstrated the ability to lead investment rounds, advise and mentor
162 entrepreneurs, and facilitate follow-on investments. A minimum of 10 percent of the
163 committed capital of the fund must be committed by the institutional investors, fund
164 principals, or other accredited investors.

165 (7) 'Fund administrator' means a state appointed investment advisory firm consisting of
 166 experienced investment professionals that will actively pursue investment opportunities
 167 for the State of Georgia. The investment advisory firm will evaluate and select Georgia
 168 based venture capital funds, in conjunction with the Invest Georgia Board, through a
 169 rigorous due diligence process.

170 (8) 'Growth stage venture capital fund' means:

171 (A) A fund having its principal office and a majority of its employees in Georgia that
 172 has at least two principals employed to direct the investment of the designated capital;

173 (B) A fund whose principals have at least five years of experience in the venture
 174 capital, angel capital, or private equity sector by investing primarily in Georgia
 175 domiciled companies or a fund whose principals have been based, as defined by having
 176 an office in the State of Georgia; and

177 (C) A fund which has as its primary investment strategy the achievement of
 178 transformational economic development outcomes through focused investments of
 179 capital in growth stage businesses with high return potential. The fund principals must
 180 have demonstrated the ability to lead investment rounds, advise and mentor
 181 entrepreneurs, and facilitate follow-on investments. A minimum of 50 percent of the
 182 committed capital of the fund must be committed by the institutional investors, fund
 183 principals, or other accredited investors.

184 (9) 'Invest Georgia Fund' means the fund created under the provisions of Code Section
 185 10-10-15 to hold the money collected for the purposes of this article.

186 (10) 'Qualified distribution' means any distribution or payment by the Invest Georgia
 187 Fund in connection with any of the following:

188 (A) Costs and expenses of forming, syndicating, and organizing the Invest Georgia
 189 Fund, including fees paid for professional services, and the costs of financing and
 190 insuring the obligations of the Invest Georgia Fund, provided such payments are not
 191 made to a participating investor;

192 (B) An annual management fee in accordance with a fund's partnership agreement, and
 193 consistent with such fund's other private investors, to offset the costs and expenses of
 194 managing and operating the Invest Georgia Fund; or

195 (C) Reasonable and necessary fees in accordance with industry custom for ongoing
 196 professional services, including, but not limited to, legal and accounting services related
 197 to the operation of the Invest Georgia Fund, but not including any lobbying or
 198 governmental relations.

199 (11) 'Qualified early stage business' or 'seed' business means a business that, at the time
 200 of the first investment in the business by a venture capital firm:

201 (A) Has its headquarters located in the State of Georgia;

202 (B) Has its principal business operations located in the State of Georgia and intends to
 203 maintain its principal business operations in this state after receiving an investment
 204 from the venture capital firm. In order to discourage the business from relocating
 205 outside Georgia within three years from the date of an initial investment, the investment
 206 in the business shall be subject to redemption by the venture capital firm within one
 207 year from the time the business relocates its principal business operations outside this
 208 state, unless the business maintains a significant presence in Georgia as determined by
 209 relative number of employees or relative assets remaining in Georgia following the
 210 relocation;

211 (C) Has 20 or fewer employees;

212 (D) Has a current gross annual revenue run rate of less than \$1 million;

213 (E) Has not obtained during its existence more than \$2 million in aggregate cash
 214 proceeds from the issuance of its equity or debt investments, not including commercial
 215 loans from chartered banks or savings and loan institutions; and

216 (F) Does not engage substantially in:

217 (i) Retail sales;

218 (ii) Real estate development or construction;

219 (iii) Entertainment, amusement, recreation, or athletic or fitness activity for which an
 220 admission is charged;

221 (iv) The business of insurance, banking, lending, financial, brokerage, or investment
 222 activities;

223 (v) Natural resource extraction, including, but not limited to, oil, gas, or biomass; or

224 (vi) The provision of professional services by accountants, attorneys, or physicians.

225 A business classified as a qualified early stage business at the time of the first qualified
 226 investment in such business shall remain classified as a qualified early stage business and
 227 may receive continuing qualified investments from venture capital firms participating in
 228 the Invest Georgia Fund. Continuing investments shall constitute qualified investments
 229 even though the business may not meet the definition of a qualified early stage business
 230 at the time of such continuing investments.

231 (12) 'Qualified growth stage business' means a business that, at the time of the first
 232 investment in the business by a venture capital firm:

233 (A) Has its headquarters located in the State of Georgia;

234 (B) Is a corporation, limited liability company, or a general or limited partnership
 235 located in this state;

236 (C) Has its principal business operations located in the State of Georgia and intends to
 237 maintain its principal business operations in this state after receiving an investment
 238 from the venture capital firm. In order to discourage the business from relocating

239 outside Georgia within three years from the date of initial investment, the investment
 240 in the business shall be subject to redemption by the venture capital firm within one
 241 year from the time the business relocates its principal business operations outside this
 242 state, unless the business maintains a significant presence in Georgia as determined by
 243 relative number of employees or relative assets remaining in Georgia following the
 244 relocation;

245 (D) Has 100 or fewer employees;

246 (E) Has a current gross annual revenue run rate of more than \$1 million; and

247 (F) Does not engage substantially in:

248 (i) Retail sales;

249 (ii) Real estate development or construction;

250 (iii) Entertainment, amusement, recreation, or athletic or fitness activity for which an
 251 admission is charged;

252 (iv) The business of insurance, banking, lending, financial, brokerage, or investment
 253 activities;

254 (v) Natural resource extraction, including, but not limited to, oil, gas, or biomass; or

255 (vi) The provision of professional services by accountants, attorneys, or physicians.

256 A business classified as a qualified growth stage business at the time of the first qualified
 257 investment in such business shall remain classified as a qualified growth stage business
 258 and may receive continuing qualified investments from venture capital firms participating
 259 in the Invest Georgia Fund. Continuing investments shall constitute qualified
 260 investments even though the business may not meet the definition of a qualified growth
 261 stage business at the time of such continuing investments.

262 (13) 'Qualified investment' means the investment of money by the Invest Georgia Fund
 263 in each early stage venture capital fund or growth stage venture capital fund selected by
 264 the fund administrator.

265 10-10-12.

266 (a) There is hereby created the Invest Georgia Board, which shall exercise the powers and
 267 perform the duties prescribed by this article. The exercise by the board of its powers and
 268 duties is hereby declared to be an essential state governmental function. The board shall
 269 be subject to all laws generally applicable to state agencies and public officials, to the
 270 extent those laws do not conflict with the provisions of this article.

271 (b) The board shall consist of three members appointed by the Governor, one member
 272 appointed by the Lieutenant Governor, and one member appointed by the Speaker of the
 273 House of Representatives. Each appointed member shall be a resident of Georgia and shall
 274 have experience in at least one of the following areas:

275 (1) Early stage, angel, or venture capital investing;

276 (2) Growth stage venture capital investing;

277 (3) Fund of funds management; or

278 (4) Entrepreneurship.

279 No member of the board shall be an affiliate of any venture capital fund that is selected to
 280 perform services for the board or of an insurance company.

281 (c) The commissioner of economic development, a member of the One Georgia Authority,
 282 and the Commissioner of Insurance or their designees shall serve as nonvoting members
 283 of the board.

284 (d) Initial appointees to the board shall serve staggered terms, with all of the initial terms
 285 beginning within 30 days of the effective date of this Code section. The terms of one
 286 member appointed by the Governor and the members appointed by the Lieutenant
 287 Governor and the Speaker of the House of Representatives shall expire on December 31,
 288 2016. The terms of the other two initial appointments by the Governor shall expire on
 289 December 31, 2018. Thereafter, terms of office for all appointees shall be for four years,
 290 with each term ending on the same day of the same month as did the term that it succeeds.

291 A vacancy on the board shall be filled in the same manner as the original appointment,
 292 except that a person appointed to fill a vacancy shall be appointed to the remainder of the
 293 unexpired term. Any appointed member of the board shall be eligible for reappointment.

294 (e) A member of the board may be removed by such member's appointing official for
 295 misfeasance, willful neglect of duty, or other cause, after notice and a public hearing,
 296 unless the notice and hearing are waived in writing by such member.

297 (f) Members of the board shall serve without compensation. The Governor shall designate
 298 a member of the board to serve as chairperson. A majority of the voting members of the
 299 board shall constitute a quorum, and the affirmative vote of a majority of the voting
 300 members present shall be necessary for any action taken by the board. A vacancy in the
 301 membership of the board shall not impair the right of a quorum to exercise all rights and
 302 perform all duties of the board.

303 (g) The board shall have the power:

304 (1) To have a seal and alter the same at its pleasure;

305 (2) To acquire by purchase, lease, or otherwise, including acquisition of land from the
 306 state government, and to hold, lease, and dispose of real and personal property of every
 307 kind and character for its corporate purpose and to enter into any contracts, leases, or
 308 other charges for the use of property or services of the board and collect and use the same
 309 as necessary to operate the board; and to accomplish any of the purposes of this article
 310 and make any purchases or sales necessary for such purposes;

311 (3) To acquire in its own name by purchase, on such terms and conditions and in such
312 manner as it may deem proper, real property, or rights or easements therein, or franchises
313 necessary or convenient for its corporate purpose, and to use the same so long as its
314 corporate existence shall continue, and to lease or make contracts with respect to the use
315 of such property, or dispose of the same in any manner it deems to be to the best
316 advantage of the board;

317 (4) To appoint, select, and employ officers, agents, and employees, including real estate,
318 environmental, engineering, architectural, and construction experts, fiscal agents, and
319 attorneys, and to fix their respective compensations;

320 (5) To make contracts and leases and to execute all instruments necessary or convenient.
321 Any and all persons, firms, and corporations and any and all political subdivisions,
322 departments, institutions, authorities, or agencies of the state and federal government are
323 authorized to enter into contracts, leases, or agreements with the board upon such terms
324 and for such purposes as they deem advisable; and, without limiting the generality of the
325 foregoing, authority is specifically granted to municipal corporations, counties, political
326 subdivisions, and to the board relative to entering into contracts, lease agreements, or
327 other undertakings authorized between the board and private corporations, both inside
328 and outside this state, and between the board and public bodies, including counties and
329 cities outside this state and the federal government;

330 (6) To accept loans and grants of money or materials or property of any kind from the
331 United States of America or any agency or instrumentality thereof upon such terms and
332 conditions as the United States of America or such agency or instrumentality may
333 require;

334 (7) To accept loans and grants of money or materials or property of any kind from the
335 State of Georgia or any authority, agency, or instrumentality or political subdivision
336 thereof upon such terms and conditions as the State of Georgia or such authority, agency,
337 or instrumentality or political subdivision may require;

338 (8) To exercise any power usually possessed by private corporations performing similar
339 functions, provided that no such power is in conflict with the Constitution or general laws
340 of this state; and

341 (9) To do all things necessary or convenient to carry out the powers expressly given in
342 this article.

343 (h) The center shall provide the board with office space and such technical assistance as
344 the board requires, and the board shall be attached to the center for administrative purposes.
345 The center shall also consult with the board in connection with the administration of the
346 Invest Georgia Fund created under this article.

347 10-10-13.

348 The board's primary responsibilities shall include:

349 (1) Establishing an investment policy for the selection of a fund administrator;

350 (2) Selecting a fund administrator to administer the provisions of this article;

351 (3) Giving final approval to allocations of designated capital to the venture capital funds
352 selected by the fund administrator;

353 (4) Executing and overseeing the contracts of the fund administrator in order to assure
354 compliance with this article; and

355 (5) Establishing a policy with respect to use of capital and profits returned to the state
356 pursuant to the provisions of Code Section 10-10-19.

357 10-10-14.

358 (a) The fund administrator shall be selected by the board through a transparent open bid
359 process and shall be responsible for administering the Invest Georgia Fund and for making
360 all venture capital fund selections in accordance with the investment policies developed by
361 the board or contained in this article.

362 (b) The fund administrator shall be responsible for selecting a group of Georgia based
363 venture capital funds in two categories, seed or early stage venture capital funds and
364 growth stage venture capital funds.

365 (c) The early stage venture capital funds shall invest primarily in early or seed stage
366 businesses and shall be selected using a transparent open bid process pursuant to guidelines
367 developed by the board. The fund administrator shall ensure that a diverse cross section
368 of industry sectors is represented by the selected funds, including technology, health care,
369 life sciences, agribusiness, logistics, energy, and advanced manufacturing.

370 (d) The growth stage venture capital funds shall be selected using a transparent open bid
371 process pursuant to guidelines developed by the board. The fund administrator shall ensure
372 that a diverse cross section of industry sectors is represented by the selected funds,
373 including technology, health care, life sciences, agribusiness, logistics, energy, and
374 advanced manufacturing.

375 (e) In the selection of the early stage venture capital funds and the growth stage venture
376 capital funds, the fund administrator shall consider the following factors:

377 (1) The management structure of the venture capital fund, including:

378 (A) The investment experience of the principals;

379 (B) The applicant's reputation in the venture capital firm industry and the applicant's
380 ability to attract coinvestment capital and syndicate investments in qualified businesses
381 in Georgia;

- 382 (C) The knowledge, experience, and capabilities of the applicant in subject areas
383 relevant to venture stage businesses in Georgia; and
- 384 (D) The tenure and turnover history of principals and senior investment professionals
385 of the venture capital fund;
- 386 (2) The venture capital fund's investment strategy, including:
- 387 (A) The applicant's record of performance in investing in early and growth stage
388 businesses;
- 389 (B) The applicant's history of attracting coinvestment capital and syndicate
390 investments;
- 391 (C) The soundness of the applicant's investment strategy and the compatibility of that
392 strategy with business opportunities in Georgia; and
- 393 (D) The applicant's history of job creation through investment;
- 394 (3) The venture capital fund's commitment to making investments that, to the fullest
395 extent possible:
- 396 (A) Create employment opportunities in Georgia;
- 397 (B) Lead to the growth of the Georgia economy and qualified businesses in Georgia;
- 398 (C) Complement the research and development projects of Georgia academic
399 institutions; and
- 400 (D) Foster the development of technologies and industries that present opportunities
401 for the growth of qualified businesses in Georgia; and
- 402 (4) The venture capital fund's commitment to Georgia, including:
- 403 (A) The applicant's presence in Georgia through permanent local offices or affiliation
404 with local investment firms;
- 405 (B) The local presence of senior investment professionals;
- 406 (C) The applicant's history of investing in early and growth stage businesses in
407 Georgia;
- 408 (D) The applicant's ability to identify investment opportunities through working
409 relationships with Georgia research and development institutions and Georgia based
410 businesses; and
- 411 (E) The applicant's commitment to investing an amount that matches or exceeds the
412 amount of the applicant's designated capital received under this article in Georgia based
413 qualified early stage businesses and qualified growth stage businesses.
- 414 (f) A venture capital fund shall file an application with the board in the form required by
415 the fund administrator. The board shall begin accepting applications no later than 60 days
416 after the initial appointments.

417 10-10-15.

418 (a) The Invest Georgia Fund is created as a separate fund maintained by the board, and
 419 moneys shall be expended only as provided in this article.

420 (b) The Invest Georgia Fund shall be capitalized through grants from the Seed-Capital
 421 Fund, designated appropriations to the center, and private contributions to the board.

422 (c) The capital raised shall be periodically distributed to the venture capital funds selected
 423 by the fund administrator pursuant to Code Section 10-10-14.

424 (d) All moneys appropriated to or otherwise paid into the Invest Georgia Fund shall be
 425 presumptively concluded to have been committed to the purpose for which they have been
 426 appropriated or paid and shall not lapse.

427 (e) The entire cost of administration of the Invest Georgia Fund, including expenses of the
 428 center incurred in connection with the creation, operation, management, liquidation, and
 429 investment of fund moneys may be paid from the assets of the Invest Georgia Fund.

430 10-10-16.

431 The Invest Georgia Fund shall be funded over a five-year period through guidelines
 432 developed by the board. In the first year of the Invest Georgia Fund, the state shall provide
 433 \$10 million to the Invest Georgia Fund; in the second year, \$15 million; in the third year,
 434 \$15 million; in the fourth year, \$25 million; and in the fifth year, \$35 million.

435 10-10-17.

436 (a) As soon as practicable after the board receives contributed capital, the board and each
 437 selected venture capital fund that has been allocated designated capital shall enter into a
 438 contract under which the allocated amount of designated capital shall be committed by the
 439 board to the selected venture capital funds for investment pursuant to this article.

440 (b) The board shall allocate designated capital as follows:

441 (1) Early stage venture capital funds: 40 percent of the total contributed capital in the
 442 Invest Georgia Fund shall be allocated among the early stage venture capital funds, in
 443 accordance with the following eligibility conditions and requirements:

444 (A) Each early stage venture capital fund shall be eligible for a minimum of \$10
 445 million, up to a maximum of \$15 million allocation over a five-year period or in
 446 accordance with the early stage venture capital fund's partnership agreement and
 447 concurrent with the contributions of the early stage venture capital fund's other
 448 investors;

449 (B) Each early stage venture capital fund shall be required to obtain other independent
 450 investors. A minimum of 10 percent of the committed capital of the early stage venture

451 capital fund shall be committed by independent institutional investors, early stage
 452 venture capital fund principals, or other accredited investors; and

453 (C) Each early stage venture capital fund shall be required to commit, via a side letter
 454 or otherwise, to invest in Georgia based qualified early stage businesses and qualified
 455 growth stage businesses an amount that matches or exceeds the amount of the early
 456 stage venture capital fund's designated capital received under this article;

457 (2) Growth stage venture capital funds: 60 percent of the total contributed capital in the
 458 Invest Georgia Fund shall be allocated among the growth stage venture capital funds, in
 459 accordance with the following eligibility conditions and requirements:

460 (A) Each growth stage venture capital fund shall be eligible for an allocation of a
 461 minimum of \$10 million designated capital over a five-year period or in accordance
 462 with the growth stage venture capital fund's partnership agreement and concurrent with
 463 the contributions of the growth stage venture capital fund's other investors;

464 (B) Each growth stage venture capital fund shall be required to obtain other
 465 independent investors. A minimum of 50 percent of the committed capital of the
 466 growth stage venture capital fund shall be committed by independent institutional
 467 investors, growth stage venture capital fund principals, or other accredited investors;
 468 and

469 (C) Each growth stage venture capital fund shall be required to commit, via a side letter
 470 or otherwise, to invest in Georgia based qualified early stage businesses and qualified
 471 growth stage businesses an amount that matches or exceeds the amount of the growth
 472 stage venture capital fund's designated capital received under this article.

473 10-10-18.

474 (a) Not later than December 31 of each year, each venture capital fund shall report to the
 475 board:

476 (1) The amount of designated capital remaining uninvested at the end of the preceding
 477 calendar year;

478 (2) All qualified investments made during the preceding calendar year, including the
 479 number of employees of each business at the time the qualified investment was made and
 480 as of December 31 of that year;

481 (3) For any qualified investment in which the venture capital fund no longer has a
 482 position as of the end of the calendar year, the number of employees of the business as
 483 of the date the investment was terminated; and

484 (4) Any other information the board requires to ascertain the impact of this article on the
 485 economy of Georgia.

486 (b) Not later than 180 days after the end of its fiscal year, each venture capital fund shall
 487 provide to the board an audited financial statement that includes the opinion of an
 488 independent certified public accountant.

489 (c) Not later than 60 days after the sale or other disposition of a qualified investment, the
 490 selling venture capital fund shall provide to the board a report on the amount of the interest
 491 sold or disposed of and the consideration received for the sale or disposition.

492 10-10-19.

493 Designated capital and investment returns resulting from the qualified investments made
 494 under this article shall be retained and used to make additional qualified investments in
 495 venture capital funds selected by the fund administrator; provided, however, that the Invest
 496 Georgia Fund shall receive any and all returns representing the principal portion of
 497 designated capital and shall receive 80 percent of investment returns in excess of
 498 designated capital from each respective venture capital fund with the remaining 20 percent
 499 of investment returns in excess of designated capital retained by each respective venture
 500 capital fund in accordance with such venture capital fund's partnership agreement.

501 10-10-20.

502 (a)(1) On or before January 1, 2015, and January 1 of each subsequent year, the fund
 503 administrator, through the board, shall submit a report on the implementation of this
 504 article to the Governor, the Lieutenant Governor, the Speaker of the House of
 505 Representatives, and the chairpersons of the Senate Finance Committee and the House
 506 Committee on Ways and Means.

507 (2) The center shall also publish the report on the center's website in a publicly available
 508 format.

509 (3) The report published on the website shall not include any proprietary or confidential
 510 information.

511 (b) The report shall include:

512 (1) With respect to each venture capital fund or private equity organization that has
 513 received an allocation of designated capital:

514 (A) The name and address of the venture capital fund or private equity organization;

515 (B) The names of the individuals making qualified investments under this article;

516 (C) The amount of designated capital received during the previous year;

517 (D) The cumulative amount of designated capital received;

518 (E) The amount of designated capital remaining uninvested at the end of the preceding
 519 calendar year;

- 520 (F) The names and locations of qualified businesses receiving designated capital and
 521 the amount of each qualified investment;
- 522 (G) The annual performance of each qualified investment, including the qualified
 523 investment's fair market value as calculated according to generally accepted accounting
 524 principles; and
- 525 (H) The amount of any qualified distribution or nonqualified distribution taken during
 526 the prior year, including any management fee;
- 527 (2) With respect to the Invest Georgia Fund:
- 528 (A) The amount of designated capital received during the previous year;
- 529 (B) The cumulative amount of designated capital received;
- 530 (C) The amount of designated capital remaining uninvested at the end of the preceding
 531 calendar year;
- 532 (D) The names and locations of qualified businesses receiving designated capital and
 533 the amount of each qualified investment; and
- 534 (E) The annual performance of each qualified investment, including the qualified
 535 investment's fair market value as calculated according to generally accepted accounting
 536 principles; and
- 537 (3) With respect to the qualified businesses in which venture capital funds have invested:
- 538 (A) The classification of the qualified businesses according to the industrial sector and
 539 the size of the business;
- 540 (B) The total number of jobs created in Georgia by the investment and the average
 541 wages paid for the jobs; and
- 542 (C) The total number of jobs retained in Georgia as a result of the investment and the
 543 average wages paid for the jobs."

544 **SECTION 6.**

545 This Act shall become effective upon its approval by the Governor or upon its becoming law
 546 without such approval.

547 **SECTION 7.**

548 All laws and parts of laws in conflict with this Act are repealed.