

ARIZONA COMPETES FUND

Annual Report
November 1, 2013



ARIZONA
COMMERCE
AUTHORITY

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I. Overview

Pursuant to A.R.S. § 41-1545 *et seq.*, the Arizona Commerce Authority (the “Authority”) administers the Arizona Competes Fund (ACF). Under A.R.S. § 41-1545.02, grants from the ACF may be used for (i) attracting, expanding or retaining Arizona businesses (A.R.S. § 41-1545.02(A)(1)); and (ii) supporting and advancing programs and projects for rural businesses, small businesses and business development that enhance economic development (A.R.S. § 41-1545.02(A)(2)).

Under A.R.S. § 41-1545.04, the Authority is required to submit an annual report on ACF activity by November 1st of each year. This document constitutes the Authority’s annual report for Fiscal Year 2013 (July 1, 2012 through June 30, 2013).

II. Attracting, expanding or retaining Arizona basic enterprises – A.R.S. § 41-1545.02(A)(1)

A. Grants Awarded in Fiscal Year 2013

During FY2013, the Authority awarded three grants under A.R.S. § 41-1545.02(A)(1) representing a total commitment of \$3,500,000:

- | | |
|---------------------|---|
| 1. Grantee: | Maverick HealthCare Group, LLC |
| Awarded: | \$1,000,000 |
| New Jobs: | 376 (NAICS 532291) |
| Average Wage: | \$65,000 ¹ |
| Health Insurance: | 65% paid by company |
| Capital Investment: | \$15,000,000 |
| 2. Grantee: | Accelerate Diagnostics
(formerly known as Acceler8 Technologies Corporation) |
| Awarded: | \$1,000,000 |
| New Jobs: | 65 (NAICS 334516) |
| Average Wage: | \$63,000 |
| Health Insurance: | 65% paid by company |
| Capital Investment: | \$4,520,000 |
| 3. Grantee: | The Go Daddy Group, Inc. |
| Awarded: | \$1,500,000 |
| New Jobs: | 300 (NAICS 518) |
| Average Wage: | \$58,000 |
| Health Insurance: | 65% paid by company |
| Capital Investment: | \$27,000,000 |

¹This wage is a blend of the wages of the jobs required to be created and retained under the grant agreement.

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B. Grants Awarded from Program Inception through FY2013 and Grantees' Progress Towards Grant Requirements

From inception of the ACF through the end of FY2013 (i.e., during Fiscal Years 2012 and 2013), the Authority awarded seven grants pursuant to A.R.S. § 41-1545.02(A)(1). Tables 1 – 3, below, summarize these grants and the grantees' progress through the end of FY2013 towards the jobs, wages and capital investment requirements of the grants.

Table 1: Summary of Grants through FY2013

Company	NAICS	Grant Amount	Grant Amount per Committed Job
Accelerate Diagnostics, Inc.	334 (Manufacturing)	\$1,000,000	\$15,385
Clear Energy Systems, Inc.	335 (Manufacturing)	\$1,000,000	\$4,444
GoDaddy.com, LLC	541 (Professional, Scientific, and Technical Services)	\$1,500,000	\$5,000
Maverick Healthcare Group, LLC	532 (Rental and Leasing Services)	\$1,000,000	\$2,660
Silicon Valley Bank	522 (Finance and Insurance)	\$3,000,000	\$13,636
Ulthera, Inc.	339 (Manufacturing)	\$1,000,000	\$9,009
United Health Care Services, Inc.	524 (Finance and Insurance)	\$200,000	\$500
	TOTAL/AVERAGE	\$8,700,000	\$5,126

Table 2: Job Creation and Wages – Commitment vs. Created through FY2013

Company	Job Creation Commitment over 3 Years	Average Annual Wage Commitment for Jobs Created	Jobs Created (through FY13)	Average Annual Wages of Jobs Created	Health Insurance Premiums Paid
Accelerate Diagnostics, Inc.	65	\$63,000	30	\$105,193	70%
Clear Energy Systems, Inc.	225	\$65,000	5	\$92,300	95%
GoDaddy.com, LLC	300	\$58,000	25	\$72,377	80%
Maverick Healthcare Group, LLC	376	\$65,000	114	\$64,685 ²	69%
Silicon Valley Bank	220	\$88,000	120	\$110,439	80%
Ulthera, Inc.	111	\$67,000	54	\$101,513	100%
United Health Care Services, Inc.	400	\$37,000	313	\$38,520	90%
TOTAL / AVERAGE	1,697	\$60,199	661	\$65,948	65%+

² This wage is a blend of the wages created and retained thus far under the grant agreement.

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Table 3: Capital Investment – Commitment vs. Invested through FY2013

Company	Capital Investment Commitment over 3 Years	Capital Investment Made (through FY2013)
Accelerate Diagnostics, Inc.	\$4,520,000	\$954,348
Clear Energy Systems, Inc.	\$7,000,000	\$810,000
GoDaddy.com, LLC	\$27,000,000	\$19,746,658
Maverick Healthcare Group, LLC	\$15,000,000	\$9,419,627
Silicon Valley Bank	\$5,000,000	\$6,805,648
Ulthera, Inc.	\$1,680,000	\$953,078
United Health Care Services, Inc.	\$4,000,000	\$4,161,124
TOTAL	\$64,200,000	\$42,850,483

III. Supporting and advancing programs and projects for rural businesses and small businesses – A.R.S. § 41-1545.02(A)(2)

A. Grants Awarded in Fiscal Year 2013

During FY2013, the Authority awarded the following grants pursuant to A.R.S. § 41-1545.02(A)(2) through two programs in support of rural and small businesses:

1. Name:

Rural Economic Development Grant (REDG)

Objective:

The Rural Economic Development Grant is a competitive grant program that helps rural communities initiate and sustain economic development projects that focus on job growth and capital investment in base industries. The program provides direct assistance to rural communities for Projects that (i) attract new business development from other states and/or (ii) retain and expand existing businesses, both for the purpose of job creation.

Awarded:

\$1,471,000 (FY2013), \$497,675 (FY2012)

Grantees:

Seven new awards were made and the funding of four FY2012 awards was moved to the Arizona Competes Fund:

- 1) Central Arizona Regional Economic Development Foundation (CAREDF)
- 2) City of Casa Grande
- 3) City of Flagstaff
- 4) City of Prescott

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- 5) Greater Yuma Economic Development Council (GYEDC)
- 6) Town of Pinetop Lakeside
- 7) Verde Valley Wine Consortium
- 8) City of Flagstaff (FY2012 award)
- 9) City of Yuma (FY2012 award)
- 10) Northern Arizona Business and Technology Incubator (NACET) (FY2012 award)
- 11) Verde Valley Wine Consortium (FY2012 award)

2. Name:

Arizona Innovation Challenge (AIC)

Objective:

The Arizona Innovation Challenge is a competitive business plan competition that helps high-ceiling, innovative start-up and early stage companies establish a foundation and grow in Arizona.

Awarded:

\$2,982,000 (FY2013), \$1,399,375 (FY2012)

Grantees:

Twelve new awards were made and the funding of six FY2012 awards was moved to the Arizona Competes Fund for the first time:

- 1) appsFreedom
- 2) Athena Wireless
- 3) Gingerbread Shed
- 4) Instant Bio Scan
- 5) Nasseo, Inc.
- 6) Post.Bid.Ship
- 7) ReplyBuy
- 8) Serious Integrated
- 9) Stat Health Services
- 10) Stimwave Technologies
- 11) Strongwatch
- 12) Viomics
- 13) Agave Semiconductor (FY2012 award)
- 14) Cancer Prevention Pharmaceuticals (FY2012 award)
- 15) HJ3 Composite Technologies (FY2012 award)
- 16) Kutta Radios Inc (FY2012 award)
- 17) MaxQ Technology LLC (FY2012 award)
- 18) WholeSale Fund Corporation (FY2012 award)

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B. Grants Awarded from Program Inception through FY2013 and Grantees' Progress Towards Grant Requirements

Table 4: Rural Economic Development Grant (REDG)

Rural Economic Development Grant		
	FY2013	FY2012
Grant Amount	\$1,471,000	\$497,675
Jobs Committed	805	85
Avg Wages of Jobs Committed	\$42,963	\$55,809
Grant Amount per Committed Job	\$1,827	\$6,653 ³
Jobs Created (through end of FY13)	364	N/A
Avg Wages of Jobs Created	\$71,374	N/A
Capital Investment Committed	\$77,126,227	\$15,000,000
Capital Investment made (through FY13)	\$36,584,857	N/A

Table 5: Arizona Innovation Challenge (AIC)

Arizona Innovation Challenge ⁴		
	FY2013	FY2012
Grant Amount	\$2,982,000	\$1,399,375
Jobs Committed	38	21
Avg Wages of Jobs Committed	N/A	N/A
Grant Amount per Committed Job	N/A	N/A
Jobs Created (through FY13)	22	34
Avg Wages of Jobs Created	N/A	N/A
Capital Investment Committed	N/A	N/A
Capital Investment made (through FY13)	\$332,626	\$231,521

³ For purposes of this calculation, the total amount of these awards inclusive of other funding sources – \$744,000 (for more information, see the Fourth Quarter, FY2013 Arizona Competes Fund Report) – was used to show the total leverage on total state funds.

⁴ Arizona Innovation Challenge grant commitments shown in Table 5 are for the one-year period of the grant agreements, only. By program design, this one-year period represents an important commercialization stage for the company. Accordingly, more significant job creation and capital investment impacts are projected later in the company's lifecycle, after commercialization milestones are achieved.