

ARIZONA COMPETES FUND

Annual Report
November 1, 2014



ARIZONA
COMMERCE
AUTHORITY

Revised November 10, 2014

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Table of Contents

I. Overview	3
II. Grants attracting, expanding or retaining Arizona basic enterprises – A.R.S. § 41-1545.02(A)(1)	3
A. GRANTS AWARDED IN FY2014	3
B. GRANTS AWARDED FROM PROGRAM INCEPTION THROUGH FY2014	4
C. GRANTEEES’ PROGRESS TOWARDS GRANT COMMITMENTS THROUGH FY2014.....	5
III. Grants 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)	7
A. GRANTS AWARDED IN FY2014	7
B. REDG AND AIC GRANTS FROM ACF INCEPTION THROUGH FY2014 AND GRANTEEES’ PROGRESS TOWARDS GRANT COMMITMENTS	8
IV. Fund Status.....	9

ARIZONA COMPETES FUND

Annual Report

November 1, 2014

I. Overview

Pursuant to A.R.S. § 41-1545 *et seq.*, the Arizona Commerce Authority (the “Authority”) administers the Arizona Competes Fund (the “ACF”). In accordance with A.R.S. § 41-1545.02, grants from the ACF may be used for (i) attracting, expanding or retaining Arizona basic enterprises (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 1 of each year. This document constitutes the Authority’s annual report on ACF activity for fiscal year 2014 (July 1, 2013 through June 30, 2014) (“FY2014”).

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

A. Grants Awarded in FY2014

During FY2014, the Authority awarded the following four (4) ACF grants in accordance with A.R.S. § 41-1545.02(A)(1) representing a total commitment of \$4,300,000:

1. Grantee	General Motors, LLC
Award Amount	\$1,300,000
New Jobs Commitment	738
Average Wage Commitment	\$71,245
Health Insurance Commitment	65% payable by Grantee
Capital Investment Commitment	\$17,738,333
2. Grantee	Hotchalk, Inc.
Award Amount	\$1,250,000
New Jobs Commitment	595
Average Wage Commitment	\$68,000
Health Insurance Commitment	100% payable by Grantee
Capital Investment Commitment	\$3,300,000

ARIZONA COMPETES FUND

Annual Report

November 1, 2014

3. Grantee	Silicon Valley Bank (Center of Excellence)
Award Amount	\$1,000,000
New Jobs Commitment	250
Average Wage Commitment	\$75,000
Health Insurance Commitment	80% payable by Grantee
Capital Investment Commitment	\$3,500,000
4. Grantee	ZocDoc, Inc.
Award Amount	\$750,000
New Jobs Commitment	634
Average Wage Commitment	\$55,000
Health Insurance Commitment	100% payable by Grantee
Capital Investment Commitment	\$6,000,000

B. Grants Awarded from Program Inception through FY2014

From inception of the ACF through the end of FY2014 (i.e., during Fiscal Years 2012, 2013 and 2014), the Authority has awarded 11 grants pursuant to A.R.S. § 41-1545.02(A)(1). Table 1 below summarizes these grants.

Table 1: Summary of A.R.S. § 41-1545.02(A)(1) Grants through FY2014

Grantee	NAICS	Grant Amount	Grant Amount per Committed Job ¹
FY2012 Awards			
Clear Energy Systems, Inc.	335 (Manufacturing)	\$1,000,000	\$4,444
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
FY2013 Awards			
Accelerate Diagnostics, Inc.	334 (Manufacturing)	\$1,000,000	\$15,385

¹ The amounts set forth below in this column represent in the case of each grant the sum derived by dividing the amount of the grant award by the number of new jobs committed by the grantee. The actual grant agreements may allocate grant payments based on a combination of the actual jobs created *and* the actual capital investment made.

ARIZONA COMPETES FUND

Annual Report

November 1, 2014

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
FY2014 Awards			
General Motors, LLC	5415 (Manufacturing)	\$1,300,000	\$1,762
HotChalk, Inc.	611699 (Education Services)	\$1,250,000	\$2,101
Silicon Valley Bank (Center of Excellence)	522 (Finance and Insurance)	\$1,000,000	\$4,000
ZocDoc, Inc.	519130 (Information Services)	\$750,000	\$1,183
TOTAL/AVERAGE		\$13,000,000	\$3,321

C. Grantees' Progress Towards Grant Commitments Through FY2014

Tables 2 and 3 below summarize the grantees' progress through the end of FY2014 in respect to the job creation, average wage and capital investment commitments of the 11 grants awarded pursuant to A.R.S. § 41-1545.02(A)(1) since inception of the ACF.

Table 2: Job Creation and Wages – Commitment vs. Created through FY2014

Grantee	Job Creation Commitment over 3 Years	Average Annual Wage Commitment	Jobs Created	Average Annual Wage of Jobs Created²	Health Insurance Premiums Paid
FY2012 Awards					
Clear Energy Systems, Inc.	225	\$65,000	5	\$92,300	95%
Silicon Valley Bank	220	\$88,000	203	\$100,865	80%
Ulthera, Inc.	111	\$67,000	85	\$101,216	100%
United Health Care Services, Inc.	400	\$37,000	329	\$36,394	90%
FY2013 Awards					
Accelerate Diagnostics, Inc.	65	\$63,000	60	\$97,534	70%

² In respect to grant payments, a grantee does not receive credit for job creation unless the average wage of the jobs created satisfies the average wage threshold committed by the grantee.

ARIZONA COMPETES FUND

Annual Report

November 1, 2014

GoDaddy.com, LLC	300	\$58,000	172	\$58,039	80%
Maverick Healthcare Group, LLC	376	\$65,000	193	\$65,017	69%
FY2014 Awards					
General Motors, LLC	738	\$71,245	*	*	*
HotChalk, Inc.	595	\$68,000	185	\$54,664	100%
Silicon Valley Bank (Center of Excellence)	250	\$75,000	*	*	*
ZocDoc, Inc.	634	\$55,000	72	\$45,199	100%
TOTAL/AVERAGE	3,914	\$63,571	1,304	\$63,853	87%

*No reporting obligation incurred as of the end of FY2014.

Table 3: Capital Investment – Commitment vs. Created through FY2014

Company	Capital Investment Commitment over 3 Years	Capital Investment Made
FY2012 Awards		
Clear Energy Systems, Inc.	\$7,000,000	\$810,000
Silicon Valley Bank	\$5,000,000	\$7,846,407
Ulthera, Inc.	\$1,680,000	\$3,611,687
United Health Care Services, Inc.	\$4,000,000	\$4,161,124
FY2013 Awards		
Accelerate Diagnostics, Inc.	\$4,520,000	\$954,348
GoDaddy.com, LLC	\$27,000,000	\$19,746,658
Maverick Healthcare Group, LLC	\$15,000,000	\$18,285,366
FY2014 Awards		
General Motors, LLC	\$17,738,333	*
HotChalk, Inc.	\$3,300,000	\$213,149
Silicon Valley Bank (Center of Excellence)	\$3,500,000	*
ZocDoc, Inc.	\$6,000,000	\$408,826
TOTAL	\$94,738,333	\$56,037,565

*No reporting obligation incurred as of the end of FY2014.

ARIZONA COMPETES FUND

Annual Report

November 1, 2014

III. Grants 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)

A. Grants Awarded in FY2014

During FY2014, the Authority awarded grants in accordance with A.R.S. § 41-1545.02(A)(2) through the following two (2) programs supporting rural and small businesses:

1. Program: Rural Economic Development Grant (“REDG”)

Objective: The REDG is a competitive grant program designed to help rural Arizona communities develop infrastructure that strengthens their capacity and competitiveness for economic growth, and thereby ultimately improves economic conditions and enhances the quality of life in rural Arizona. To that end, the REDG provides grants to partially fund qualifying rural infrastructure projects that will generate private sector job creation (or retention) and capital investment, particularly in base industries.

Awards: Aggregate REDG awards of \$2,729,156 were made in FY2014.

Grantees: REDG awards were made in FY2014 to the following six (6) entities:

1. City of Coolidge
2. City of Globe
3. City of Nogales
4. Mohave County
5. Town of Prescott Valley
6. Yuma County

2. Program: Arizona Innovation Challenge (“AIC”)

Objective: The AIC is a competitive business plan competition that helps innovative start-up and early stage companies establish a foundation and grow in Arizona.

Awards: Aggregate AIC awards of \$3,000,000 were made in FY2014.

ARIZONA COMPETES FUND

Annual Report

November 1, 2014

Grantees: AIC awards were made in FY2014 to the following 12 grantees:

- | | |
|--------------------|----------------------------------|
| 1. Amber Alert GPS | 7. Photon Medical Communications |
| 2. Clear Demand | 8. Picnomic |
| 3. Contatta | 9. Recoleta Digital Media |
| 4. Deliver-IT | 10. Triton Microtechnologies |
| 5. EndoVantage | 11. World View Enterprises |
| 6. LawLytics | 12. Yolia Health |

B. REDG and AIC Grants from ACF Inception through FY2014 and Grantees' Progress Towards Grant Commitments

Tables 4 and 5 below summarize all REDG and AIC grants through the ACF since the ACF's inception as well as the grantees' progress through the end of FY2014 in respect to such REDG and AIC grant commitments.

Table 4: REDG Commitments vs. Created through FY2014

	FY2014 Awards	FY2013 Awards	FY2012 Awards	TOTAL/ AVERAGE
Grant Amount	\$2,729,156	\$1,471,000	\$497,675	\$4,697,831
Jobs Committed	941	805	85	1,831
Average Wage of Jobs Committed	\$34,776	\$42,963	\$55,809	\$36,187
Grant Amount per Committed Job	\$2,901	\$1,827	\$8,753 ³	\$4,493
Jobs Created	*	879	N/A	879
Average Wage of Jobs Created	*	\$46,945	N/A	\$46,945
Capital Investment Committed	\$182,140,000	\$77,126,227	\$15,000,000	\$274,266,227
Capital Investment Made	*	\$97,550,710	N/A	\$97,550,710

*No reporting obligation incurred as of the end of FY2014.

³ For purposes of this calculation, the total amount of the FY2012 awards inclusive of other state funding sources – \$744,000 (for more information, see the ACF Fourth Quarter FY2013 Report) – was used.

ARIZONA COMPETES FUND

Annual Report

November 1, 2014

Table 5: AIC Commitments vs. Created through FY2014

	FY2014 Awards ⁴	FY2013 Awards	FY2012 Awards	TOTAL/AVERAGE
Grant Amount	\$3,000,000	\$2,982,000	\$1,399,375	\$7,381,375
Jobs Committed⁵	42	38	21	101
Jobs Created	9	57	56	122
Average Wage of Jobs Created	\$91,733	\$65,916	\$107,929	\$87,105
Capital Investment Made	\$2,046,405	\$1,367,758	\$389,927	\$3,804,090

IV. Fund Status

Since inception of the ACF, the ACA has awarded eleven (11) grants under A.R.S. § 41-1545.02(A)(1) in the cumulative amount of \$13,000,000 and funded two (2) programs under A.R.S. § 41-1545.02(A)(2) in the cumulative amount of \$12,079,206, resulting in ACF commitments through FY2014 year-end totaling \$25,079,206.

⁴ The FY2014 grant data pertaining to actual jobs, wage, and capital investment reflects only those grants that incurred reporting obligations as of the end of FY2014 (i.e., one-half of all AIC FY2014 grants).

⁵ The AIC grant job commitments reflected 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 grantee-company's lifecycle after commercialization milestones are achieved.