

# ARIZONA COMPETES FUND

Annual Report  
November 1, 2015



ARIZONA  
COMMERCE  
AUTHORITY

# ARIZONA COMPETES FUND

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## I. Overview

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Pursuant to A.R.S. § 41-1545 *et seq.*, the Arizona Commerce Authority (the “Authority”) administers the Arizona Competes Fund (“ACF”). In accordance with A.R.S. § 41-1545.02, grants from the ACF may be awarded 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)).

Pursuant to 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 2015 (July 1, 2014 through June 30, 2015) (“FY2015”).

## II. Grants Attracting, Expanding or Retaining Arizona Basic Enterprises – A.R.S. § 41-1545.02(A)(1)

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### A. Grants Awarded in FY2015

During FY2015, the Authority awarded the following two (2) ACF grants in accordance with A.R.S. § 41-1545.02(A)(1) representing a total commitment of \$5,500,000:

<b>1. Grantee</b>	<b>YourPeople, Inc. (dba Zenefits)</b>
Award Amount	\$1,500,000
New Jobs Commitment	1300
Average Wage Commitment	\$60,000
Health Insurance Commitment	65% payable by Grantee
Capital Investment Commitment	\$13,000,000
<b>2. Grantee</b>	<b>Northern Trust Company</b>
Award Amount	\$4,000,000
New Jobs Commitment	1,000
Average Wage Commitment	\$80,000
Health Insurance Commitment	70% payable by Grantee
Capital Investment Commitment	\$26,000,000

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## **B. A.R.S. § 41-1545.02(A)(1) Grants from ACF Inception through FY2015 and Grantees' Progress Towards Grant Commitments**

From inception of the ACF through the end of FY2015 (i.e., during Fiscal Years 2012 through 2015), the Authority has awarded 13 grants pursuant to A.R.S. § 41-1545.02(A)(1). Table 1 at Section VII.A below summarizes the 13 grants as well as the grantees' progress through the end of FY2015 in respect to the job creation, average wage and capital investment commitments of the grants.

## **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)***

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### **A. Grants Awarded in FY2015**

During FY2015, 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 \$1,680,119 were made in FY2015.

**Grantees:** REDG awards were made in FY2015 to the following seven (7) entities:

1. Town of Chino Valley
2. City of Kingman
3. City of Maricopa
4. Town of Wickenburg
5. Town of Sahuarita
6. City of Williams
7. City of Winslow

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## 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 FY2015.

Grantees: AIC awards were made in FY2015 to the following 12 grantees:

- |                                 |                            |
|---------------------------------|----------------------------|
| 1. Iris PR Management, Inc.     | 7. CampusLogic, Inc.       |
| 2. Iron Horse Diagnostics, Inc. | 8. eVisit, LLC             |
| 3. NuvOx Pharma, LLC            | 9. RBar Organic, LLC       |
| 4. ParkX, LLC                   | 10. Revolution Parts, Inc. |
| 5. Pure Chat, Inc.              | 11. RightBio Metrics, Inc. |
| 6. Spotlight Software, LLC      | 12. Swimlane, LLC          |

## B. REDG and AIC Grants from ACF Inception through FY2015 and Grantees’ Progress Towards Grant Commitments

From inception of the ACF through the end of FY2015, pursuant to A.R.S. § 41-1545.02(A)(2), the Authority has awarded 24 REDG and 42 AIC grants. Tables 2 and 3 at Sections VII.B and C below, respectively, summarize each of the REDG and AIC grants, as well as the grantees’ progress through the end of FY2015 in respect to the applicable job creation, average wage and capital investment commitments of the 66 combined grants.

## IV. *Summary of All ACF Grants from ACF Inception through FY2015*

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Table 4 at Section VII.D below summarizes all 79 ACF grants (the 13 awarded pursuant to A.R.S. § 41-1545.02(A)(1) and the 66 awarded pursuant to A.R.S. § 41-1545.02(A)(2)) from the ACF’s inception through the end of FY2015 in respect to grant awards and payments, job, wage and investment commitments and grantee performance.

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## **V. *Average Grant Award per Committed Job and Jobs Created per NAICS Sector***

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Pursuant to A.R.S. § 41-1545.04(A)(7), from inception of the ACF through the close of FY2015, (i) the average ACF grant award per committed job has been \$3,873 (\$35,259,325 in aggregate grant awards divided by 9,104 aggregate jobs committed by all grantees) and (ii) the average ACF grant payment per created job has been \$4,689 (\$17,659,456 in aggregate grant payments to date divided by 3,766 aggregate jobs created by all grantees to date).

Pursuant to A.R.S. § 41-1545.04(A)(8), Table 5 at Section VII.E below reflects the number of jobs created in Arizona by ACF grant recipients in all applicable sectors of the North American Industry Classification System (“NAICS”).

## **VI. *Fund Status***

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Since inception of the ACF, the Authority has (i) awarded 13 grants under A.R.S. § 41-1545.02(A)(1) in the cumulative amount of \$18,500,000 and (ii) funded two (2) programs under A.R.S. § 41-1545.02(A)(2), which have awarded a total of 66 additional grants in the cumulative amount of \$16,759,325, resulting in ACF commitments through FY2015 year-end totaling \$35,259,325. A total of \$17,659,456 has been paid in respect to the 79 total grants from the ACF’s inception.

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## VII. Tables

**A. Table 1: A.R.S. § 41-1545.02(A)(1) Grants through FY2015**

Grant Year	Grantee	NAICS Code	Grant Award	Job Creation Commitment	Jobs Created	Average Annual Wage Commitment	Average Annual Wage of Jobs Created [1]	Capital Investment Commitment	Capital Investment Made	% of Employee Health Insurance Cost Offered [2]
2012	Clear Energy Systems, Inc.	335312	\$1,000,000	225	0	\$60,000	N/A	\$7,000,000	\$810,000	N/A
2012	Silicon Valley Bank	522110	\$3,000,000	220	235	\$80,000	\$96,162	\$5,000,000	\$8,971,097	80%
2012	Ulthera, Inc.	339112	\$1,000,000	111	89	\$67,000	\$95,407	\$1,680,000	\$5,330,234	100%
2012	United Health Care Services, Inc.	524114	\$200,000	400	295	\$37,000	\$36,223	\$4,000,000	\$4,161,124	90%
2013	Accelerate Diagnostics, Inc.	334516	\$1,000,000	65	65	\$63,000	\$95,431	\$4,520,000	\$4,520,000	70%
2013	GoDaddy.com, LLC	541511	\$1,500,000	300	265	\$58,000	\$58,033	\$27,000,000	\$89,044,304	100%
2013	Maverick Healthcare Group, Inc.	532291	\$1,000,000	376	288	\$65,000	\$65,065	\$15,000,000	\$24,168,689	70%
2014	General Motors, LLC	541511	\$1,300,000	738	407	\$71,245	\$87,584	17,738,333	19,692,531	66%
2014	HotChalk, Inc.	611699	\$1,250,000	595	185	\$68,000	\$54,664	\$3,300,000	\$213,149	100%
2014	Silicon Valley Bank – Center Of Excellence	522110	\$1,000,000	250	32	\$75,000	\$100,950	\$3,500,000	\$35,000	80%
2014	ZocDoc, Inc.	519130	\$750,000	634	58	\$55,000	\$71,982	\$6,000,000	\$1,670,860	100%
2015	YourPeople, Inc. (dba Zenefits)	541612	\$1,500,000	1,300	620	\$60,000	\$46,500	\$13,000,000	0	65%
2015	Northern Trust Company	522110	\$4,000,000	1,000	[3]	\$80,000	N/A	\$26,000,000	[3]	[3]
<b>Total/ Avg</b>	<b>13 Grants</b>		<b>\$18,500,000</b>	<b>6,214</b>	<b>2,539</b>	<b>\$65,468</b>	<b>\$61,018</b>	<b>\$133,738,333</b>	<b>\$158,616,988</b>	<b>78%</b>

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[1] Commencing in FY2016, the Authority will request grantees to report both the *average* annual wage *and* the *median* annual wage of created jobs. It is contemplated that both items of information will be reported in the context of new job creation commencing with the FY2016 ACF Annual Report.

[2] Pursuant to A.R.S. § 41-1545.02(B)(5), a condition to eligibility for grants issued in accordance with A.R.S. § 41-1545.02(A)(1) is that the prospective applicant include health insurance coverage for employees and pay at least 65 percent of the attendant insurance premium or membership cost. The percentages reflected in this column represent the percentages of the premium or membership cost of health insurance paid by grantees of grants issued in accordance with in accordance with A.R.S. § 41-1545.02(A)(1) to all employees accepting offers of health care coverage. No similar health insurance requirement governs grants issued in accordance with A.R.S. § 41-1545.02(A)(2), which are discussed in Section III of the text.

[3] No reporting obligation incurred by grantee as of the end of FY2015.



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**B. Table 2: REDG Grants through FY2015**

Grant Year	Grantee Name	Grant Award [1]	Job Creation Commitment	Jobs Created	Average Annual Wage Commitment	Avg Annual Wage of Jobs Created [2]	Capital Investment Commitment	Capital Investment Made
2012	City of Flagstaff	\$95,043	8	7	\$89,000	\$75,000	N/A	\$400,000
2012	City of Yuma	\$296,263	61	59	\$35,360	\$49,920	N/A	\$810,000
2012	Verde Valley Wine Consortium	\$46,768	14	24	\$26,625	\$40,591	N/A	\$3,609,000
2012	NACET	\$59,601	2	9	\$72,250	\$75,000	N/A	\$300,000
2013	Access Arizona	\$340,000	87	53	\$44,577	\$46,508	\$63,358,651	\$61,578,941
2013	City of Casa Grande	\$150,000	59	51	\$38,251	\$34,000	\$5,150,000	\$25,000,000
2013	City of Flagstaff	\$100,000	5	16	\$45,000	\$37,336	\$1,000,000	\$541,570
2013	City of Prescott	\$55,000	9	9	\$65,000	\$104,374	\$55,000	\$53,986
2013	Yuma Econ. Dev. Corp.	\$432,500	555	696	\$26,520	\$26,520	\$5,980,000	\$9,331,761
2013	Town of Pinetop-Lakeside	\$185,000	35	15	\$49,920	\$47,840	\$500,000	\$486,000
2013	Verde Valley Wine Consortium	\$208,500	55	39	\$31,471	\$32,040	\$1,082,576	\$1,024,791
2014	City of Coolidge	\$369,156	30	20	\$37,440	\$31,200	\$4,000,000	\$10,000,000
2014	Town of Prescott Valley	\$500,000	100	18	\$33,280	\$29,000	\$5,000,000	\$2,416,075
2014	Mohave County	\$500,000	268	0	\$41,080	N/A	\$22,500,000	\$0
2014	City of Nogales	\$500,000	427	20	\$23,834	\$18,512	\$134,190,000	\$2,000,000
2014	City of Globe	\$360,000	40	0	\$43,900	N/A	\$2,500,000	\$0
2014	Yuma County	\$500,000	75	0	\$29,120	N/A	\$13,950,000	\$0
2015	Town of Chino Valley	\$250,000	205	0	\$39,044	N/A	\$41,400,000	\$0
2015	City of Kingman	\$216,000	125	2	\$33,945	Confidential	\$17,500,000	\$81,636
2015	City of Maricopa	\$250,000	110	0	\$38,429	N/A	\$7,900,000	\$0
2015	Town of Wickenburg	\$250,000	75	0	\$37,400	N/A	\$16,000,000	\$0
2015	Town of Sahuarita	\$250,000	85	[3]	\$57,500	[3]	\$9,200,000	[3]
2015	City of Williams	\$250,000	225	[3]	\$44,000	[3]	\$17,500,000	[3]
2015	City of Winslow	\$214,119	83	[3]	\$52,818	[3]	\$15,000,000	[3]
<b>Total/Avg</b>	<b>24 Grants</b>	<b>\$6,377,950</b>	<b>2,738</b>	<b>1,038</b>	<b>\$34,649</b>	<b>\$31,635</b>	<b>\$383,766,227</b>	<b>\$117,633,760</b>

[1] The 2012 REDG grants are inclusive of other state funding sources. For more information, see the ACF Fourth Quarter FY2013 Report.

[2] To protect the confidentiality of individual employee information, average wages are specified only for grantees that have created at least 3 jobs; the wage information is, however, included in the computation of the average wage of all REDG jobs created.

[3] No reporting obligation incurred by grantee as of the end of FY2015.

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C. Table 3: AIC Grants through FY2015

Grant Year	Grantee	NAICS Code	Grant Award	Job Creation Commitment	Jobs Created	Average Annual Wage of Jobs Created [1][2]	Capital Investment Made[3]
2012	Agave Semiconductor, LLC	334141	\$250,000	2	0	N/A	\$43,609
2012	Cancer Prevention Pharmaceuticals, Inc.	325412	\$229,875	0	9	\$95,420	\$0
2012	HJ3 Composite Technologies, LLC	325211	\$170,000	9	34	\$41,533	\$231,318
2012	Kutta Radios, Inc.	334290	\$249,500	2	3	\$96,373	\$75,000
2012	Max Q Technology, L.L.C.	332271	\$250,000	3	3	\$42,000	\$0
2012	Shelvspace Inc., formerly Wholesale Fund, Inc.	511210	\$250,000	5	7	\$50,571	\$40,000
2013	Athena Wireless Communications, Inc.	334220	\$250,000	4	11	\$57,431	\$110,974
2013	Instant Bioscan, LLC	334516	\$250,000	10	14	\$71,683	\$12,000
2013	Post,Bid,Ship., Inc.	511210	\$232,000	3	5	\$40,140	\$0
2013	Serious Integrated, Inc.	334111	\$250,000	1	2	Confidential	\$18,661
2013	Stat Health Service, Inc.	621999	\$250,000	2	3	\$133,333	\$370,000
2013	Stimwave Technologies, Inc.	334510	\$250,000	2	5	\$60,000	\$220,000
2013	appsFreedom, Inc.	541511	\$250,000	0	1	Confidential	\$4,723
2013	Gingerbread Shed Corporation	711410	\$250,000	11	16	\$55,727	\$261,672
2013	Nasseo, Inc.	541711	\$250,000	1	1	Confidential	\$800,000
2013	ReplyBuy, Inc.	541412	\$250,000	2	2	Confidential	\$4,900
2013	Strongwatch Corporation	334511	\$250,000	1	1	Confidential	\$0
2013	Viomics, Inc.	621511	\$250,000	1	1	Confidential	\$26,076
2014	Clear Demand, Inc.	511210	\$250,000	2	6	\$99,626	\$38,000
2014	Ryver, Inc., formerly Contatta, Inc.	541511	\$250,000	9	3	\$72,000	\$2,617,763
2014	Delivery IT, Inc.	488510	\$250,000	6	8	\$67,700	\$10,340
2014	Photon Medical Communications, Inc.	541511	\$250,000	2	2	Confidential	\$56,500
2014	Recoleta Partners LLC	517919	\$250,000	1	1	Confidential	\$218,047
2014	Osio Corp. (dba Yolia Health)	339115	\$250,000	0	1	Confidential	\$30,000
2014	Alert GPS Holdings, Corp	541512	\$250,000	4	3	\$54,666	\$1,205

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Grant Year	Grantee	NAICS Code	Grant Award	Job Creation Commitment	Jobs Created	Average Annual Wage of Jobs Created [1][2]	Capital Investment Made[1]
2014	EndoVantage, LLC	423540	\$250,000	4	3	\$53,333	\$24,995
2014	Marlytics, LLC (dba Lawlytics)	541613	\$250,000	3	11	\$36,755	\$0
2014	Picmonic Inc.	511210	\$250,000	4	8	\$58,999	\$7,000
2014	Triton Microtechnologies, Inc.	541712	\$250,000	2	4	\$68,750	\$40,670
2014	World View Enterprises Inc.	541712	\$250,000	4	16	\$88,893	\$830,000
2015	IRS PR Management, Inc.	511210	\$250,000	7	0	N/A	0
2015	Iron Horse Diagnostics, Inc.	541711	\$250,000	2	2	Confidential	\$22,042
2015	NuvOx Pharma, LLC	541711	\$250,000	1	0	N/A	0
2015	Park X, LLC	812390	\$250,000	1	0	N/A	0
2015	Pure Chat, Inc.	511210	\$250,000	4	1	Confidential	0
2015	Spotlight Software, LLC (dba SalesFitRx)	511210	\$250,000	7	2	Confidential	\$263,000
2015	CampusLogic, Inc.	541219	\$250,000	10	[3]	[3]	[3]
2015	eVisit, LLC	541511	\$250,000	8	[3]	[3]	[3]
2015	Rbar Organic, LLC	311811	\$250,000	3	[3]	[3]	[3]
2015	RevolutionParts, Inc.	511210	\$250,000	4	[3]	[3]	[3]
2015	RightBio Metrics, Inc.	339112	\$250,000	2	[3]	[3]	[3]
2015	SwimLane, LLC	511210	\$250,000	3	[3]	[3]	[3]
<b>Total /Avg</b>	<b>42 Grants</b>		<b>\$10,381,375</b>	<b>152</b>	<b>189</b>	<b>\$63,381</b>	<b>\$6,378,495</b>

[1] As AIC grants are extended to help early-stage companies achieve specific steps in the commercialization stages of development, grantees are not required to make commitments relating to wages or capital investment (other than relating to any capital investment that is part of a grant milestone).

[2] To protect the confidentiality of individual employee information, average wages are specified only for grantees that have created at least 3 jobs; the wage information is, however, included in the computation of the average wage of all AIC jobs created.

[3] No reporting obligation incurred by grantee as of the end of FY2015.

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**D. Table 4: Aggregate ACF Grant Activity through FY2015**

Grant Type	# of Grants	Aggregate Grant Awards	Aggregate Grant Payments To Date	Job Creation Commitment	Jobs Created	Average Annual Wage Commitment	Average Annual Wage of Jobs Created	Capital Investment Commitment	Capital Investment Made
A-1 [1]	13	\$18,500,000	\$7,475,920	6,214	2,539	\$65,468	\$61,018	\$133,738,333	\$158,616,988
REDG	24	\$6,377,950	\$2,467,661	2,738	1,038	\$34,649	\$31,635	\$383,766,227	\$117,633,760
AIC	42	\$10,381,375	\$7,715,875	152	189	[2]	\$63,381	[2]	\$6,378,495
<b>Total/ Avg</b>	<b>79</b>	<b>\$35,259,325</b>	<b>\$17,659,456</b>	<b>9,104</b>	<b>3,766</b>	<b>\$55,109</b>	<b>\$53,038</b>	<b>\$517,504,560</b>	<b>\$282,629,243</b>

[1] A-1 grants refer to grants awarded in accordance with A.R.S. § 41-1545.02(A)(1).

[2] As AIC grants are extended to help early-stage companies achieve specific steps in the commercialization stages of development, grantees are not required to make commitments relating to wages or capital investment (other than relating to any capital investment that is part of a grant milestone).

**E. Table 5: Jobs Created Per Grant Recipient NAICS Sector through FY2015**

NAICS CLASSIFICATION	A-1 Grant Jobs [1]	AIC Grant Jobs	Total[2]
Manufacturing (31-33)	154	83	237
Wholesale Trade (42)	0	3	3
Transportation, Warehousing (48-49)	0	8	8
Information Services (51)	678	30	708
Finance and Insurance (52)	562	0	562
Real Estate Rental and Leasing (53)	288	0	288
Professional, Scientific, Technical (54)	672	45	717
Education Services (61)	185	0	185
Health Care, Social Assistance (62)	0	4	4
Arts, Entertainment, Recreation (71)	0	16	16
Other Services (72) [3]	0	0	0
<b>Total (11 NAICS Sectors)</b>	<b>2,539</b>	<b>189</b>	<b>2,728</b>

[1] A-1 Grant Jobs refer to jobs created pursuant to grants awarded in accordance with A.R.S. § 41-1545.02(A)(1).

[2] Table 5 does not reflect jobs created under REDG grants because the direct recipients of REDG grants are governmental entities and the NAICS information of private businesses creating jobs under REDG grants is not available.

[3] The sole grant recipient in NAICS Sector 72 was awarded its grant in 2015 and had not commenced job creation as of the end of FY2015.