



Arizona Competes Fund

Quarterly Report

October 1, 2018 through December 31, 2018



ARIZONA COMPETES FUND

Quarterly Report

January 15, 2019

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)).

This document constitutes the Authority’s quarterly report regarding ACF activity for the second quarter (October 1, 2018 through December 31, 2018) (“Q2”) of fiscal year 2019 (July 1, 2018 through June 30, 2019) (“FY2019”).

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

During Q2 of FY 2019, the Authority awarded no grants in accordance with A.R.S. § 41-1545.02(A)(1).

During this same period, one grant was rescinded pursuant to mutual agreement at the initial request of the grantee. McKesson Corporation significantly revised upward its original plans for job creation and capital investment in the State. As a result of this expansion in plans, statutorily available incentives became more attractive for McKesson Corporation, and the discretionary funds available through the ACF were surrendered. The rescinded grant was originally issued in Q1 of FY2017 for a total amount of \$1 million.

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)

During Q2 of FY 2019, the Authority awarded ten (10) grants in accordance with A.R.S. § 41-1545.02(A)(2) through the following program that supports small business and business development that enhances economic development:



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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:	AIC awards made in Q2 FY2018 aggregated \$1,500,000.
Grantees:	AIC awards were made in Q2 FY2019 to the following ten (10) entities in the amount of \$150,000 each: <ol style="list-style-type: none">1. Breezing2. eTrack Tech, Inc.3. Innovative Climatic Technologies (Air2o)4. Mindset Medical5. Paradigm Diagnostics6. Persosa7. Quote Countertops8. Qwick9. Trainual10. Virtuous Software, LLC

IV. Fund Status

Since inception of the ACF, the ACA has awarded 135 grants through three programs resulting in *gross* ACF commitments to date totaling \$74,201,748 Under A.R.S. § 41-1545.02(A)(1), 33 grants have been awarded in the cumulative amount of \$49,800,000. Through the two programs under A.R.S. § 41-1545.02(A)(2), 102 grants have been awarded in the cumulative amount of \$24,401,748.

In respect to the 33 grants originally awarded pursuant to A.R.S. § 41-1545.02(A)(1); (i) five grants in an aggregate amount of \$6,450,000 were relinquished by grantees without any payments to the respective grantees, and (ii) the performance periods of two other grants expired with aggregate remaining payment commitments of \$667,670, one of which resulted in a repayment by the grantee to the ACA of \$91,090.

In respect to the funding of the two programs under A.R.S. § 41-1545.02(A)(2), (i) one grant of \$250,000 was relinquished by the awardee without any payment to the awardee, and (ii) the performance period of seven grants expired with aggregate remaining payment commitments of \$294,848.



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Taking into consideration the adjustments described in the two preceding paragraphs, the *net* ACF commitments as of the date hereof total \$66,539,229 (\$74,201,748 in the original gross commitments minus aggregate adjustments of \$7,662,519).

V. *Reporting Schedule* –

Report Name	Reporting Period	Date Published
First Quarter (“Q1”)	7/1/18 through 9/30/18	10/15/18
Second Quarter (“Q2”)	10/1/18 through 12/31/18	1/15/19
Third Quarter (“Q3”)	1/1/19 through 3/31/19	4/15/19
Fourth Quarter (“Q4”)	4/1/19 through 6/30/19	7/15/19
Comprehensive Annual Report	7/1/19 through 6/30/19	11/1/19

