

**NOTICE OF ADOPTION**

**RULE NO. 24-01**

**1. Rule.**

Applied Research Centers – Wearable Technology

**2. Date of Posting Notice of Rule Making.**

January 12, 2024

**3. Public Comment Period.**

January 12, 2024 to February 11, 2024

**4. Hearing Date.**

None

**5. The deadline for the Authority to file a Notice of Adoption.**

July 10, 2024

**6. Notice of Adoption Posting Date.**

March 15, 2024

One comment was received identifying a clerical error in Section E, subsection 2 in reference to the date notifications would be deemed received. The final rule has been corrected accordingly. Therefore, the Arizona Commerce Authority hereby gives notice that Rule 24-01 has been adopted. The effective date of the Rule is March 15, 2024.



# Arizona Commerce Authority Applied Research Centers – Wearable Technology

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## A. Guidelines<sup>1</sup>

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Arizona Laws 2023, Chapter 133, Section 19 of S.B. 1720 enacted May 11, 2023 appropriated the sum of \$2.5M to the Arizona Commerce Authority to be distributed to applied research centers located in the State specializing in wearable technology.

The Arizona Commerce Authority intends to distribute the funds as set forth in the law to support research for the development or improvement of wearable technology and products in a way that helps establish Arizona as a leader in these emerging technology sectors. The distributions referenced herein shall be allocated for research purposes only and not for operations, management, or overhead costs.

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## B. Eligibility

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An Applied Research Center is eligible to receive a distribution if they meet all the following criteria:

- a) Maintains a presence in the State of Arizona with evidence of research expenditures being made in the State.
  - b) Has secured matching funds from sources other than state funds that are of, at least, equal value to the requested Increment.
  - c) Conducts applied research in Wearable technology, including hardware or software components, or both.
  - d) Has a Principal Investigator leading the research efforts with substantively rigorous academic credentials and a history of intellectual contribution to the targeted technology.
  - e) Provides evidence of collaboration with universities, nonprofit business associations, health science research centers, institutes, or other technology businesses that do business in this State.
  - f) Is conducting or plans to conduct research in support of a defined product or service for commercial use and is therefore conducting “applied” research. Distributions hereunder are not intended to support basic research without a specific application in mind.
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## C. Processing Notifications

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1. All applications for funds shall be submitted using the current application method in use by the Authority at the time of application. The Authority’s electronic application system will time and date stamp applications in the order in which they are submitted.

However, at the time of publication of these Guidelines, the ACA shall accept notification for eligible Applied Research Center projects via submission of the Notification Form and supporting documentation via email to: [appliedresearch@azcommerce.com](mailto:appliedresearch@azcommerce.com).

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<sup>1</sup> These guidelines are provided to assist applicants. In case of conflict between these guidelines and Arizona statutes or legislation, the statute or legislation shall prevail.

2. Any conforming notification shall include, at a minimum, information sufficient to identify the Applied Research Center as well as the source and amount of Matching Funds with all supporting information and documentation. Each element for eligibility set forth in Section B shall be documented and supported by evidence. The ACA may request clarifying or additional information during its review of any notification.
3. The ACA shall distribute an Increment within 30 days of determining that a notification submission was substantially complete.

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## **D. Reporting Requirements**

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1. Annual Requirements – Any Applied Research Center receiving funds shall submit an expenditure and performance report to the ACA on or before January 1<sup>st</sup> of each year. Such report shall be on a form provided by the ACA and shall include information that reflects the Applied Research Expenditures and performance of the Applied Research Center as a whole, including the required Matching Funds, and collaboration by the Applied Research Center with universities, non-profit business associations, health science research centers, institutes or other technology businesses that do business in this State.
2. Concluding Report – Any Applied Research Center receiving funds shall report to the ACA on or before July 15, 2027, the amount of monies received hereunder that have been expended or encumbered as of June 30, 2027. The Applied Research Center shall return to the ACA by July 15, 2027, all funds received under this program that remain unexpended or unencumbered on June 30, 2027.

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## **E. Miscellaneous**

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1. Treatment of Intellectual Property – All intellectual property arising from or developed under any distribution hereunder shall be governed pursuant to applicable law or any agreement between an Applied Research Center and its collaborative universities, nonprofit business associations, health science research centers, or other technology businesses as the case may be.
2. Timing and Amount of Distributions – In order to maximize the benefit to Arizona and its residents, the ACA will accept initial notifications between March 15, 2024 and April 15, 2024. All notifications received during this initial period may be amended, supplemented, or withdrawn at any time and thus all substantially complete notifications that are present in the system will be deemed received on April 15, 2024. Distributions for this initial group of notifications shall occur within 30 days from April 15, 2024. Thereafter, any remaining funds shall be distributed on a rolling first come, first served basis 30 days following submission of a substantially complete notification. If insufficient funds are available within the applicable cap to cover all initial notifications, all requested Increments shall be reduced in an amount not greater than what is required to provide an equal amount of funds to each Applied Research Center with a then pending notification. If sufficient funds are available within the applicable cap for the initial notifications, but insufficient for any subsequent batch of notifications, the same pro-rata distribution shall occur for all Increments that are outstanding as of the date the insufficiency arises. For purposes of calculating this pro-rata distribution after the initial period, all notifications that are received by the ACA on a specific day shall be treated as having been received in the same batch.

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## F. Definitions

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1. “Applied Research Center” - means any enterprise located in the State that specializes in Wearable technology, including hardware or software components, or both into products and services for an end consumer.
2. “Applied Research Expenditures” – means expenditures that are necessary and prudent in the research and testing process. Operating, general management, and overhead costs are not considered Applied Research Expenditures.
3. “Encumbered” – means a legally binding written obligation to make an expenditure or investment.
4. “Increment” – means any specified tranche of funds distributed to an Applied Research Center and shall not exceed \$250,000. Each Increment – regardless of the amount – shall be supported by Matching Funds that are, at least, equal to the value of the Increment.
5. “Matching Funds” – shall be limited to monetary support secured from sources other than the State of Arizona for research regarding wearable technology, including hardware or software components, or both. In-kind or other non-monetary support shall not be included in considering the amount of Matching Funds. Funds cannot be used to compensate Principal Investigators who are otherwise investors, executives, or founders at the entities from whom matching funds are being received.
6. “Principal Investigator” – means the individual in an executive or leadership role who directs research at the Applied Research Center.
7. “Wearables” – refers generally to any manufactured element or system intended to attach to or be connected with a human body that defends, enhances, or supplements the human body’s natural abilities or characteristics, that generates environmental or biological data relative to the human body, or that otherwise incorporates technological applications or innovations of whatever type or nature to provide such enhancement or information.

Applied Research Centers – Wearable Technology Arizona Commerce Authority 100 North 7 <sup>th</sup> Ave, Suite 400 Phoenix, AZ 85007
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Questions regarding ARC Funds can be directed to: <a href="mailto:appliedresearch@azcommerce.com">appliedresearch@azcommerce.com</a>
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