



GEARING UP

for a high-tech future

Entrepreneurs, especially small-business entrepreneurs, are the fuel that drives Arizona's economy. Over 98 percent of our job creation originates from Arizona's 651,000 small businesses. Add the benefits of economic growth and social stability and it's even more puzzling why Arizona has such a poor record of fostering business development in the Valley.

But relief may be in sight. In 2003, Governor Janet Napolitano formed the Governor's Council on Innovation and Technology (GCIT) as a catalyst for developing new economic development strategies to improve Arizona's knowledge-based economy. The resulting Small Business Opportunity program is designed to attract more venture capital to Arizona to increase the state's share of fast-growing, high-tech companies.

"Arizona's economic future depends heavily on the success of our entrepreneurs," says **Quinn Williams**, appointed by the Governor to chair GCIT's Capital Formation Committee. In the past decade, Arizona has lost many large employers to consolidation. If we really want to encourage job creation in Arizona, says Williams, we must support small business growth.

Williams, a shareholder in the law firm of **Greenberg Traurig**, is a recognized expert on the subject of financing technology-based businesses and the creation of public/private partnerships to foster entrepreneurial growth.

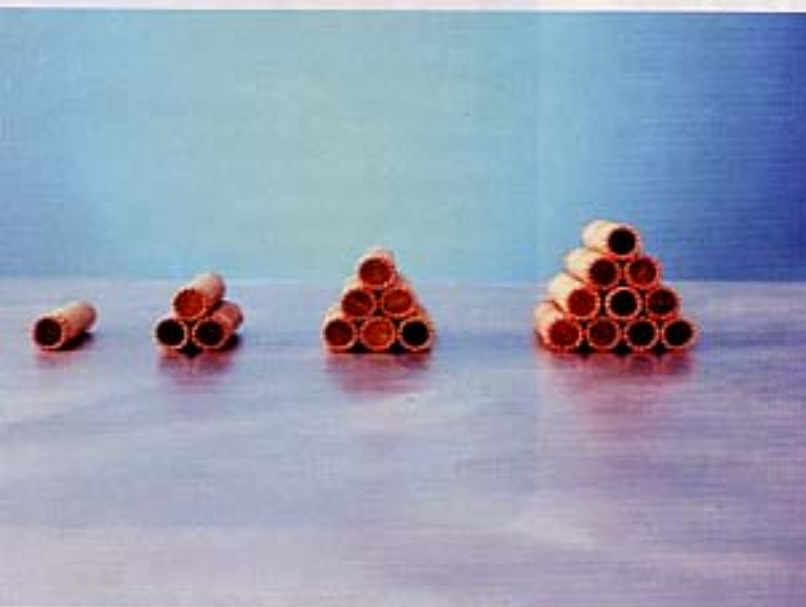
His practice specializes in advocating for entrepreneurs and fast-growing small businesses. "I love working with entrepreneurs who are willing to take risks to make a difference," says Williams.

Williams feels strongly that advocating for small business growth has far-reaching implications. Large corporations rely on small local business to provide necessary supplies and services at a fraction of the cost of importing, so failure to provide a supportive infrastructure to entrepreneurs negatively impacts the entire business community.

Also at stake are the state's educational systems. "If we fail to provide good job opportunities for students to graduate into, why should they bother to excel and graduate?" asks Williams.

A TALL TASK

Historically, Arizona companies have received less than 1 percent of the venture capital invested nationally, making it difficult for Arizona-based, high-tech companies to bring their product to market. "We risk losing our knowledge-based small firms to other states," says Williams.



GCT's Capital Formation Committee studied how Arizona could improve its small businesses' access to venture capital, mezzanine and private equity. Two other committees – the Technology and Transfer Committee and the Technology Business Infrastructure Committee – investigated how the state's universities could enhance innovation and how the state could address the infrastructure needs of the technology industry.

Williams and his group studied how Arizona compared to other states in access to capital, our linkages to universities for technology transfer and the image that Arizona has in the national technology community. Ultimately the committee made three recommendations to the Governor's Council.

First, Arizona should develop tax credits so we can compete with other states for access to research dollars. The R & D Tax Credit Enhancement Bill, currently in the legislature, encourages public/private partnerships to support university-based research with potential commercial applications. "Attracting researchers to the state is critical for creating intellectual property that is the basis for the formation of new companies," says Williams.

Second, the committee proposed encouraging private investment in high-tech start-up companies through state tax credits. "Most of Arizona's private equity is invested in real estate right now," says Williams. "We felt it necessary to provide incentives for high net worth 'angels' to invest in companies that will create the high growth, high paying jobs of the future."

The Small Business Opportunity Program provides a 30 percent tax credit for investment in qualified small businesses and a 35 percent tax credit for rural start-ups. "We need to make it easier for early stage companies to access the critical capital they need to move to the next level of development."

Finally, the committee recommended the creation of the Arizona Investment Fund to attract a significant private sector pool of capital to grow Arizona's high-paying technology industry. The fund is expected to raise \$50 million in capital that would be available to venture capital firms who open offices in Arizona or invest in Arizona-based companies.

Williams says the governor's decision to open an office in Washington, D.C. will be a tremendous asset in helping Arizona companies better access federal funding and programs. It was also one of the GCT recommendations.

ARIZONA'S FUTURE

If passed, the Small Business Opportunity Program would allow up to \$20 million in tax credits to corporations or individuals who invest in

selected small businesses. These credits should attract follow on capital of at least \$200 million and will have no budgetary impact on the fiscal 2005 budget.

Failure to create and retain successful small businesses has broad, negative impact. The first fallout will be un- or under-employment, as the state struggles to find other job sources for our fast-growing population. "It's very difficult to improve our state's standard of living and per capita income when three out of five people are working in a low wage service-based business."

New technology-based start-up companies create higher-paying jobs for Arizonans at an annual average wage of \$65,000 as compared to \$18,000 for other industries. "A lot of people are wondering if their kids can afford to stay in Arizona," says Williams. "What kind of economic legacy are we leaving to our children?"

Williams further believes that the shape of our economy dictates the excellence of our educational systems. If we fail to provide good jobs for students, there is less motivation for students to study and graduate. "Why take science or math courses if the only job waiting for you is a construction or service job?" asks Williams.

But Williams is hopeful that Arizona can and will create a vibrant economic future. William's law firm of Greenberg Traurig LLP, one of the nation's top 10 law firms, has a long history of providing integrated solutions to clients worldwide and has been at the center of some of the most pivotal cases in the nation, including representing the George W. Bush for President campaign.

Based on his experiences in corporate, acquisition and equity capital transactions, Williams believes that changes in capital formation are critical to the success of small business in Arizona. "Changes in capital formation will attract and retain our best entrepreneurs in the state to grow new businesses that are critical to Arizona's future."

Greenberg Traurig

Quinn Williams, Shareholder
Greenberg Traurig LLP
2375 E. Camelback Road, Suite 700
Phoenix, AZ 85016
(602) 445-8343
www.gtlaw.com
WilliamsQ@gtlaw.com

