

Emerging Technology Fund



IS YOUR BUSINESS READY FOR VENTURE DEBT?

Venture debt is available from the Emerging Technology Fund (ETF), a program administered by MassDevelopment. The ETF helps innovative Massachusetts companies by providing venture debt to reach critical growth milestones in a minimally dilutive way. **We work with companies located in or relocating to Massachusetts that have strong, experienced management teams, demonstrated technical developments, proven product traction, and the ability to raise equity.** ETF competitive term loans are used to hire talent, purchase equipment, and improve facilities.

**Advanced Manufacturing | Advanced Materials | Aerospace & Defense
Biotechnology | Clean Energy | Diagnostics | Digital Health | Electronics
Environmental | FinTech | Medical Devices | Nanotechnology
Other Innovative Technologies | Plastics & Polymers | Robotics | Software**

To assess whether venture debt may be right for your business, consider the following questions:

Have you raised equity or convertible notes in excess of \$2 million?

- Venture debt may be the right fit for you.
 - If not, equity may be your solution for fundraising at this time.
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Do you have commercial traction with your company's product(s)?

- Venture debt may allow you to scale without dilution.
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Do you need 6 to 12 months of additional runway to hit one or more operational milestones?

- Venture debt offers longer terms to provide that extra runway.
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Do you need capital to become cash flow positive?

- Venture debt is the perfect way for your company to become self-sustaining.

“As a fast-growing, privately owned startup in the Boston area, we were looking for funding opportunities that enabled access to liquidity for hiring but also allowed us to retain ownership and control of our company. MassDevelopment’s Emerging Technology Fund (ETF) was the perfect mechanism for us to do so. Working with the ETF team has been wonderful, and because we were already focused on hiring in the incredible Massachusetts tech ecosystem, the focus of the ETF on Massachusetts worked well with our existing strategy.”

— **Dr. Christopher Bouton**
Founder and CEO of Vyasa Analytics

The cost of venture debt to you and your growing company

Venture debt gives emerging-growth companies the cash without unnecessary dilution. The table below shows typical ranges for terms and costs from the private sector and the Emerging Technology Fund, a venture debt program offered by the Commonwealth of Massachusetts via MassDevelopment.

Venture Debt Cost Comparison

Private Sector Venture Debt		Emerging Technology Fund	
Term	2 to 4 years	Term	5 to 7 years
Interest-Only Period	6 months to 1 year	Interest-Only Period	1 to 2 years
Covenants	None to heavy	Covenants	Minimum liquidity
Commitment Fee	1% to 3%	Commitment Fee	1%
Interest Rate	8% to 15%	Interest Rate	Fixed @ Prime + 2.25% or 3.25%, floor of 6.5%
Cash Success Fee	2% to 5%	Cash Success Fee	✗
Warrant Coverage	5% to 15% of loan amount	Warrant Coverage	1 year's interest
Pre-Payment Penalties	✓	Pre-Payment Penalties	✗

While early-stage technology companies require equity capital to provide initial working capital needs, layering additional equity to scale the company is not always the right solution for every business. **Longer-term, flexible debt solutions that leverage private equity for companies with initial revenue traction are proving successful for capital-efficient companies.** Investors and CEOs alike are realizing that prudent, covenant-lite debt structures that align with realistic business models can provide a path to sustainable growth.

Recent success stories

Acacia Communications

Problem: Acacia Communications needed financing for leasehold improvement and equipment purchases to help fund substantial projected growth.



Solution: The ETF provided a \$3 million 7-year term loan in conjunction with Acacia's Series A equity raise.

Result: Acacia Communications went public on NASDAQ and was recently acquired by Cisco Systems, Inc. for \$4.5 billion in cash.

Algorex Health

Problem: Algorex Health, a data science and AI/ML company that supports health care organizations, needed to expand its team.



Solution: The ETF provided a \$1.25 million term loan to finance additional full-time employees to execute on its business plan.

Result: Algorex has tripled its head count allowing the company to better help health care organizations keep their members healthier through non-medical interventions.

MedMinder

Problem: MedMinder, a medication-management company, needed to hire additional full-time employees to support its pharmacy service, marketing, and other operations.



Solution: The ETF provided a \$1.5 million term loan to enable MedMinder to execute on its rapid growth plan.

Result: MedMinder has quadrupled its headcount over the last three years, allowing the company to execute on its mission of providing patients seamless access to prescription medications and frictionless monitoring.

Vyasa Analytics

Problem: Vyasa Analytics, a life sciences-focused, deep-learning startup, recently exited stealth mode and was looking to augment founder-injected equity to rapidly build out its team.

Solution: The ETF provided a \$1.8 million 6-year term loan to jump-start the hiring process.

Result: Vyasa has been rapidly growing both its top line and its employee base to support strategic relationships with numerous Fortune 1000 life science companies.



A smart option for early-stage companies

Venture debt through the ETF offers reasonable terms and attractive rates to grow your company in Massachusetts.

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