

# Emerging Technology Fund (ETF)

## Quarterly Report to the Legislature

July 1, 2021 to September 30, 2021

### ETF Quarterly Activity Summary

As of September 30, 2021, the ETF has made loans and guarantees to 58 companies totaling \$96,897,115. Potential loans of another \$15 million were in the ETF pipeline as of September 30, 2021. An additional loan of \$900,000 was previously approved by the MassDevelopment Board of Directors and was in the closing process as of September 30, 2021. While the Agency has closed 65 loans and guarantees over the lifetime of the ETF, 35 of those have been paid off in full and are no longer in the portfolio. Since inception, the Fund's portfolio companies have raised over \$6.31 billion of equity capital. The Fund's realized portfolio investments (loans paid off) have returned a weighted average Internal Rate of Return of 13.7% from 2011 through June 30, 2021. The Fund had Total Value to Paid in Ratio (capital loaned to capital returned) of 1.56x since data was first recorded in 2011 through June 30, 2021. These performance metrics do not include current outstanding loans. The Fund also received partial proceeds after liquidation of certain assets on loans provided to eight companies in the portfolio and charged off \$6,517,005. Seven of the companies involved have ceased to exist.

### Featured Company

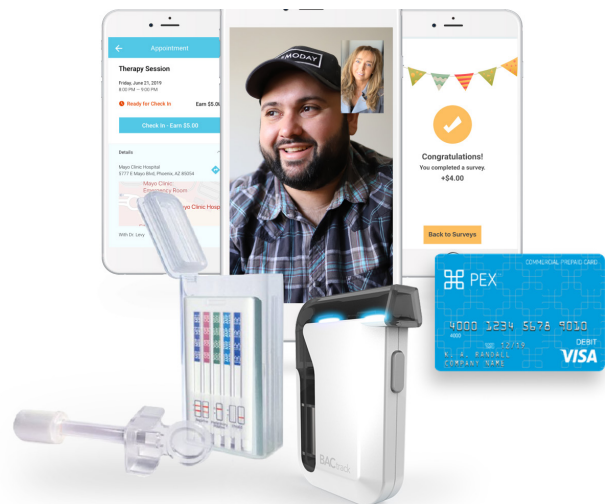
#### DynamiCare Health, Inc.

On August 8, 2019, the MassDevelopment Board of Directors approved a \$1,250,000 term loan to DynamiCare Health, Inc. ("DynamiCare" or "Company"). DynamiCare is a privately held Delaware Corporation with headquarters in Cambridge.

DynamiCare Health has developed a digital health technology platform for monitoring substance use and combating the opioid epidemic while rewarding recovery from addiction. DynamiCare's mission is to build evidence-based technology to motivate people to live healthy lives. Through hardware accessories and a smartphone application, DynamiCare uses financial incentives to reward patients for staying sober and staying in treatment, which has been demonstrated to be effective in over one hundred randomized controlled trials for drug, alcohol, and tobacco addiction. Sobriety tests are taken from member's homes.

The DynamiCare platform automates intervention using smartphone-based random breath and saliva tests (verified by selfie video), treatment attendance tracking (verified by GPS), and financial incentives (using a smart debit card funded by families or payers). With DynamiCare, payers reduce costs, municipalities reduce crime, employers improve productivity, families support their loved one's recovery, and patients stay motivated and accountable.

DynamiCare is currently working with over a dozen academic institutions (including Johns Hopkins, Henry Ford Health System, University of Vermont, University of Chicago, and Advocate Aurora Health System) on research studies using the DynamiCare platform. They've completed 3 published clinical studies showing 2-3x increases in quit rates using DynamiCare involving drug use, alcohol and tobacco. Recently, DynamiCare has been awarded a Fast-Track Small Business Innovation Research (SBIR) Grant from the National Institute of Drug Abuse (NIDA), part of the U.S. National Institutes of Health (NIH). DynamiCare will receive up to a total of approximately \$2 million over the course of three years if project milestones are met. The grant will support a large-scale randomized controlled trial to test the effectiveness of incentivizing addiction treatment providers to adopt underutilized evidence-based practices.



# Closed Loan Activity

## Loans Closed

Company	Loan Amount	Date Closed	Municipality	Industry
Intigua	\$1,000,000	4/9/2021	Boston	Software
Beeken Biomedical	\$1,500,000	4/8/2021	Stoughton	Medical Device
Dive Technologies	\$1,300,000	6/30/2020	Quincy	Autonomous Underwater Vehicle Manufacturer
Armored Things	\$2,250,000	6/3/2020	Boston	Software
MentorWorks Education Capital	\$1,000,000	3/20/2020	Boston	Financial Technology
DynamiCare Health	\$1,250,000	12/5/2019	Cambridge	Digital Health
Massachusetts Materials Technologies	\$1,000,000	8/30/2019	Waltham	Advanced Manufacturing
Algorex Health Technologies	\$1,250,000	7/30/2019	Boston	Software
First Light Diagnostics	\$2,500,000	5/31/2019	Chelmsford	Medical Device
Nano-C	\$2,400,000	11/10/2018	Westwood	Advanced Material Manufacturer
Vyasa Analytics	\$1,800,000	6/27/2018	Newburyport	Analytics Software
6K	\$2,000,000	6/30/2017	North Andover	Advanced Material Manufacturer
<b>Sub-Total</b>	<b>\$17,250,000</b>			

## Loans Closed and Repaid in Full

Company	Loan Amount	Date Closed	Paid Off	Municipality	Industry
XRHealth USA (99.07%*)	\$2,000,000	11/16/2020	3/22/2021	Brookline	Digital Health
Lionano	\$2,500,000	2/1/2019	11/25/2019	Woburn	Battery Material Manufacturer
Zylotech (21.53%*)	\$500,000	8/15/2018	1/20/2021	Boston	Analytics Software
MedMinder Systems (10.54%*)	\$1,500,000	5/11/2018	3/16/2021	Needham	Medical Device
6K, Inc f/k/a Amastan Technologies LLC (7.7%*)	\$2,000,000	6/30/2017	4/2/21	North Andover	Advanced Material Manufacturer
Lexington Medical (13.16%*)	\$2,500,000	2/22/2017	6/12/2019	Billerica	Medical Device
Atentiv Holdings and Atentiv	\$3,000,000	3/4/2016	6/17/2017	Waltham	Medical Device
Biomedical Research Models (Replacement Facilities)	\$500,000 and \$500,000 (Guarantee)	12/29/2015	10/30/2019	Worcester	Contract Research (Biotechnology)
Dynamo Micropower (9.25%*)	\$175,000	1/30/2015	5/12/2016	Somerville	Fuel Flexible Turbine Power
Ginkgo Bioworks	\$1,000,000	12/15/2014	10/5/2016	Boston	Biotech Engineering
Biomedical Research Models (Replacement Facilities)	\$500,000 and \$200,000 (Guarantee)	10/29/2014	10/30/2019	Worcester	Contract Research (Biotechnology)
Scencio Systems (7.52%*)	\$650,000	8/18/2014	8/1/2019	Boxborough	Telemedicine
Persimmon Technologies (7.38%*)	\$1,500,000	10/1/2013	12/18/2015	Wakefield	Vacuum Robotics
PoroGen Corporation (9.96%*)	\$1,000,000	4/1/2013	10/2/2015	Woburn	Industrial Filtration
TeraDiode (7.4%*)	\$2,000,000	12/6/2012	3/7/2017	Wilmington	Industrial Lasers
InVivo Therapeutics Corporation (7.03%*)	\$2,000,000	10/5/2012	3/1/2019	Cambridge	Medical Device
Fusion Optix (8.95%*)	\$1,500,000	8/30/2012	11/5/2018	Woburn	CleanTech
CryoXtract Instruments (7.18%*)	\$800,000	5/15/2012	4/21/2017	Woburn	Medical Device
PowerHouse Dynamics (7.08%*)	\$1,000,000	3/30/2012	3/1/2018	Newton	CleanTech
Court Square Group (2.74%*)	\$500,000	3/28/2012	9/30/2016	Springfield	Software & IT
Quiet 3PF (formerly Quiet Logistics) (15.4%*)	\$2,500,000	1/26/2012	12/28/2018	Devens	eCommerce and Fulfillment
ConforMIS (6.79%*)	\$1,445,000	6/28/2011	12/23/2016	Burlington	Medical Device

## Loan Closed and Repaid in Full (continued)

Company	Loan Amount	Date Closed	Paid Off	Municipality	Industry
T2 Biosystems (8.19%*)	\$1,687,500	5/9/2011	12/30/2016	Lexington	Medical Device
Acacia Communications (27.36%*)	\$3,000,000	2/25/2011	5/14/2015	Maynard	Information Technology
Biomedical Research Models	\$500,000 and \$200,000 (Guarantee)	11/17/2010	10/30/2019	Worcester	Contract Research (Biotechnology)
Qteros	\$2,000,000	10/29/2009	11/22/2010	Chicopee	Biofuel Developer
Premium Power Corporation	\$2,500,000	5/28/2009	4/13/2012	North Reading	POS Battery Manufacturer
E-Ink Corporation	\$1,000,000	5/15/2007	8/31/2009	Cambridge	Electronic Display
Luminus Devices	\$2,500,000	4/26/2007	8/22/2013	Billerica	Lighting
Nuvera Fuel Cells	\$2,500,000	1/31/2007	12/22/2010	Billerica	Hydrogen Fuel Cell Developer and Manufacturer
Valeritas	\$2,500,000	1/12/2007	5/19/2014	Shrewsbury	Medical Device
Middleton Aerospace Corporation	\$2,000,000	8/11/2006	8/31/2016	Haverhill	Military and Commercial Aircraft Component Manufacturer
BioVex Group	\$2,500,000	6/30/2006	3/1/2011	Woburn	Biotechnology
RenaMed Biologics	\$2,300,000	6/14/2006	12/29/2006	Westborough	Bioreplacement Therapies
Hyaluron	\$1,000,000	12/19/2005	6/14/2010	Burlington	Contract Manufacturer (Biopharma)
Blue Sky BioTech	\$150,000	9/28/2005	7/9/2007	Worcester	Contract Research
MicroTest Laboratories	\$799,340 (Loan) \$367,500 (Mortgage Guarantee)	7/6/2005	7/31/2012	Agawam	Contract Manufacturer (Biopharma)
Cytonome	\$600,000	6/30/2005	2/27/2009	Boston	Medical Devices
Aspen Aerogels	\$1,500,000	1/12/2005	12/2/2011	Northborough	Advanced Materials
Celldex Therapeutics (formerly Avant)	\$903,657	12/12/2003	3/30/2011	Fall River	Biopharmaceutical
<b>Sub-Total</b>	<b>\$62,277,997</b>				

## Loans Closed and Principal Partially Charged Off

Company	Loan Amount	Date Closed	Charge Off Date	Municipality	Industry
N12 Technologies	\$2,500,000	12/12/2014	10/29/2019	Cambridge	Composite Materials
Advanced MicroSensors	\$2,000,000	10/13/2011	3/31/2014	Shrewsbury	Electronics
Lilliputian Systems	\$2,500,000	11/13/2009	6/30/2014	Wilmington	Portable Fuel Cell Power Developer
Konarka Technologies	\$2,500,000	2/11/2009	11/25/2013	New Bedford	Solar Power Consumer Product Manufacturer
Beacon Power	\$2,500,000	6/30/2008	3/7/2012	Tyngsboro	Renewable Energy
ECl BioTech	\$630,000	11/16/2007	1/31/2016	Worcester	Health Care Products
Spherics	\$2,500,000	7/12/2005	11/19/2008	Mansfield	Pharmaceutical
WorkshopLive	\$239,118	5/26/2005	6/30/2012	Pittsfield	Music Software and Technology
Acusphere	\$2,000,000	8/16/2004	5/19/2009	Tewksbury	Specialty Pharmaceutical
<b>Sub-Total</b>	<b>\$17,369,118</b>				
<b>Total</b>	<b>\$96,897,115</b>				

\*Calculated Internal Rate of Return (IRR) on a closed loan that has been paid off. Historical data is available for calculation from 2011 to present.

## Financial & Technical Assistance

MassDevelopment assisted Acusphere, Celldex Therapeutics (formerly Avant Immunotherapeutics), and Cytonome in finding suitable facilities in the Commonwealth. All loan applicants received assistance in structuring financing for their projects with MassDevelopment and other lenders.

## Uncommitted Fund Balance

Between July 1, 2021 and September 30, 2021, the ETF received \$213,734 in loan repayments, interest income, and fees. Operating expenses were \$195,005. The uncommitted balance of the Fund on September 30, 2021 is \$22,419,764.

### As of 6/30/2021

Beginning Fund Balance	\$ 24,750,000
Fund Recapitalization	10,000,000
Fund Recapitalization	15,000,000
<b>Total Funding</b>	<b>49,750,000</b>

### Cash Activity (accumulated):

Net Loan Disbursements*	(15,430,569)
Operating Income	11,029,465
Operating Expenses	(7,599,195)
Transfer to MGCC	(15,000,000)
Investment Income	12,655,522
Non-Operating Income	5,670,863
Accrued Expenses	500
Accrued Interest Income	(107,723)
Prepaid Insurance	(1,249)
Investment in Warrants	(267,917)
Deferred Income	0
Investment in Common Stock	(2,663,869)
Investment in Privately Held Companies	(1,649,374)
Equity Investment - Contributions	(3,991,486)
<b>Cash Balance</b>	<b>32,394,967</b>

### Less: Cash Commitments:

Reserved for Guarantees Closed	0
Undisbursed Loans and Guarantees	(8,066,689)
Approved Loans and Guarantees (not closed)	(900,000)
Available Committed Equity - MTDC	(1,008,515)
<b>Uncommitted Cash Balance:</b>	<b>22,419,764</b>

### Less:

Current Pipeline - Potential New Loans	15,000,000
<b>Cash Exceeding Current Pipeline</b>	<b>7,419,764</b>

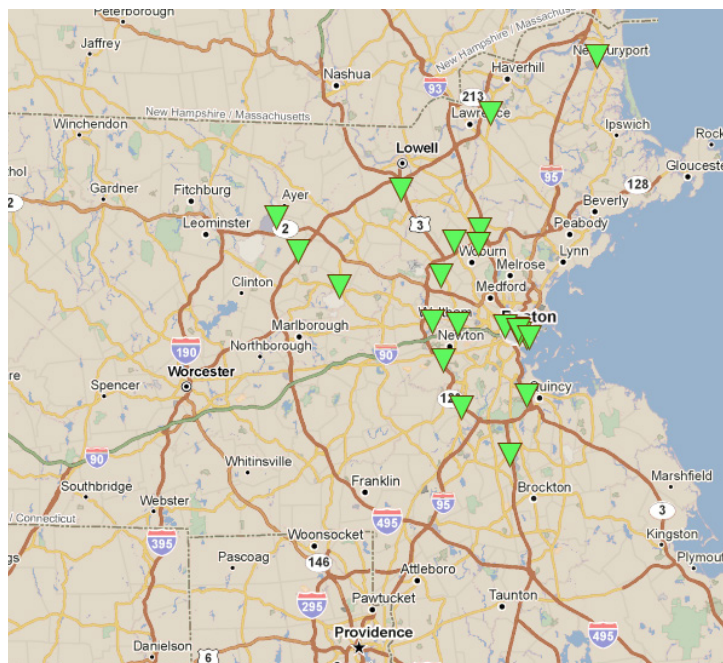
\* Total loan write-offs as of 3/31/21 \$6,517,005

## Geographic Distribution

As of September 30, 2021, the ETF has closed loans and guarantees with companies in each of the Commonwealth's five geographic regions as follows:

Region	Closed Loans	# of Companies
North	\$ 20,300,000	9
South	\$ 8,703,657	5
Central	\$ 13,980,000	7
West	\$ 3,905,958	4
Greater Boston	\$ 50,007,500	33
<b>Total</b>	<b>\$ 96,897,115</b>	<b>58</b>

## Current ETF Portfolio



There are 17 current portfolio companies. A portfolio company is defined as a company with an active loan, warrant, or equity position.

## Program History

The mission of the Emerging Technology Fund (ETF) is to create jobs in Massachusetts by providing financing for facilities, equipment, and working capital that leverages private financing to growing companies employing or commercializing emerging technologies.

Since its creation in 2003, the ETF has helped cutting-edge companies locate or expand in the Commonwealth, providing jobs and strengthening the innovation economy. The ETF has leveraged private investment for companies and maintained its ability to serve as an “evergreen fund,” providing unconventional risk capital in the form of debt to development-stage emerging technology companies seeking to commercialize their products. In an effort to increase both employment and production, the Commonwealth passed legislation in 2010 that allowed MassDevelopment to offer a working capital term loan product from the Fund to help growing companies address staffing and other working capital needs. This new capability has been well-received especially in light of new technological developments in Deep Tech, Digital Health, and Artificial Intelligence (AI).

The ETF was recapitalized in 2007, and in 2010, the Legislature transferred \$15 million to launch the Massachusetts Growth Capital Corporation. Since then, the Fund has taken various measures to ration capital. These measures, as well as early loan payoffs from successful portfolio companies, have stabilized the Fund’s liquidity position. The Fund has restored its maximum loan size to \$2.5 million and can now support larger expansions. The ETF, however, continues to rely on loan repayments to capitalize new loans and may need recapitalization if new investments for business expansions and relocations outpace loan repayments.

## Background

Chapter 141 of the Acts of 2003 created the ETF. The statute requires submission of this quarterly report to certain legislative committees. Established to leverage private investment and to recruit and retain technology-based and advanced manufacturing companies in the Commonwealth, the approximately \$50 million Fund provides loans and guarantees for the purchase, expansion, or improvement of real estate; purchase of equipment; and working capital needs. The Fund was initially capitalized with \$24.75 million, recapitalized in September 2006 with \$10 million as a result of an economic stimulus bill passed by the Legislature, and then recapitalized again in November 2007 with an additional \$15 million. In November 2010, \$15 million was transferred from the Fund to capitalize the Massachusetts Growth Capital Corporation in accordance with signed legislation. As of September 30, 2021, the Fund had \$22.4 million available to make loan commitments and a pipeline of \$15 million of projects that are considering applying or are in the underwriting process. The Fund is governed by an Advisory Committee that has adopted the following mission statement:

***The mission of the Emerging Technology Fund is to create jobs in Massachusetts by providing financing for facilities, equipment and working capital that leverages private financing to growing companies employing or commercializing emerging technologies.***



## Emerging Technology Fund Advisory Committee

**Dan Rivera**

President and CEO, MassDevelopment

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**Mark Leuchtenberger, Chairman**

Executive Chairman, Aleta Biotherapeutics

**Robert Anderson**

Chairman, Massachusetts Biomedical Initiative

**Chris Covington**

Managing Director, Covington Associates

**Joseph Downing**

Designee of Patrick Larkin

Senior Advisor, Ex-officio member, John Adams Innovations Institute  
Massachusetts Technology Collaborative

**Charlie Hipwood**

President, MassVentures

**Peter Milano**

Senior Director, Business Development  
Massachusetts Office of Business Development

**Juan Carlos Morales**

Founder & Managing Director, Surfside Capital Advisors LLC

To learn more about the Emerging Technology Fund contact  
**Jim Kenney** at 617-405-5250 x1704 or visit [www.massdevelopment.com/etf](http://www.massdevelopment.com/etf)