

# Emerging Technology Fund

## Quarterly Report to the Legislature

January 1, 2020 to March 31, 2020

### Summary

The Emerging Technology Fund (ETF) helps grow technology and advanced manufacturing companies in Massachusetts. 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. Sixty loans and guarantees totaling \$88.8 million have closed through March 31, 2020. Thirty-one companies have repaid their ETF loans and most of these companies are thriving in Massachusetts.

Through these financings, 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. The new capability has been well received, and 10 term working capital financings have closed as of March 31, 2020.

The ETF was last 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.

### ETF Company of the Quarter



MentorWorks Education Capital is a developer of a platform that provides an alternative to traditional student loans. The platform’s signature component, an Income Share Agreement (“ISA”), is a legal contract students can enter into to fund higher education such as undergraduate, graduate, and certificate programs by providing a certain percentage of his or her earnings over a set period. The Income Share Agreement features a floor and a ceiling: if a student’s earnings post-graduation are below the floor, he or she is not responsible for paying back a percentage of their earnings; if the student’s earnings are above the ceiling, he or she will only pay the percentage up to the ceiling.

MentorWorks is not simply providing dollars to help students pay for higher education. The company’s alternative model of education finance incorporates career mentorship and professional networking. The platform’s aim is to help low- and middle-income students complete their higher education and build strong careers. Each MentorWorks student is given a mentor, an established professional who has the experience and network to enable a greater breadth of opportunities than a student may otherwise receive. The student is also onboarded to MentorWorks’ proprietary networking tool that connects students with one another, all of the mentors in the program, and the company’s corporate partners. The corporate partners receive a first look at MentorWorks’ students that could fill open positions at their companies. MassDevelopment provided MentorWorks with a \$1 million term working capital loan to support new full-time hires at the company.

## 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 \$46 million Fund provides loans and guarantees for the purchase, expansion, or improvement of real estate; equipment purchases; 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 March 31, 2020, the Fund had \$19.1 million available to make loan commitments and a pipeline of \$19.6 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.*

## ETF Activity Summary

As of March 31, 2020, the ETF has made loans and guarantees to 52 companies totaling \$88,847,115. Potential loans of another \$19.6 million were in the ETF pipeline as of March 31, 2020. Additional loans totaling \$3.5 million were previously approved by the MassDevelopment Board of Directors and were in the closing process as of March 31, 2020. While the Agency has closed 60 loans and guarantees over the lifetime of the ETF, 34 of those have been paid off in full and are no longer in the portfolio. 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.

## Closed Loan Activity

### Loans Closed

Company	Loan Amount	Date Closed	Municipality	Industry
Algorex Health Technologies LLC	\$1,250,000	7/30/19	Boston	Software
Amastan Technologies LLC	\$2,000,000	6/30/17	North Andover	Advanced Material Manufacturer
DynamiCare Health, Inc.	\$1,250,000	12/5/19	Cambridge	Digital Health
First Light Diagnostics, Inc.	\$2,500,000	5/31/19	Chelmsford	Medical Device
Massachusetts Materials Technologies, LLC	\$1,000,000	8/30/19	Waltham	Advanced Manufacturing
MedMinder Systems Inc.	\$1,500,000	5/11/18	Needham	Medical Device
MentorWorks Education Capital	\$1,000,000	3/20/20	Boston	Financial Technology
Nano-C, Inc.	\$2,400,000	11/10/18	Westwood	Advanced Material Manufacturing
Vyasa Analytics, LLC	\$1,800,000	6/27/18	Newburyport	Software
Zylotech	\$500,000	8/15/18	Boston	Analytics Software
Sub-Total	\$15,200,000			

### Loans Closed and Repaid in Full

Company	Loan Amount	Date Closed	Municipality	Industry
Acacia Communications, Inc. (paid off 5/14/15)	\$3,000,000	2/25/11	Maynard	Information Technology
Aspen Aerogels, Inc. (paid off 12/2/11)	\$1,500,000	1/12/05	Northborough	Advanced Materials
Atentiv Holdings Inc. and Atentiv LLC (terminated by borrower 6/17/17)	\$3,000,000	3/4/16	Waltham	Medical Device
Biomedical Research Models, Inc. (paid off 10/30/19)	\$500,000 and \$200,000 (Guarantee)	11/17/10	Worcester	Contract Research (Biotechnology)
Biomedical Research Models, Inc. (Replacement Facilities) (paid off 10/30/19)	\$500,000 and \$200,000 (Guarantee)	10/29/14	Worcester	Contract Research (Biotechnology)

### Loan Closed and Repaid in Full (continued)

Company	Loan Amount	Date Closed	Municipality	Industry
Biomedical Research Models, Inc. (Replacement Facilities) (paid off 10/30/19)	\$500,000 and \$500,000 (Guarantee)	12/29/15	Worcester	Contract Research (Biotechnology)
BioVex Group, Inc. (paid off 3/1/11)	\$2,500,000	6/29/06	Woburn	Biotechnology
Blue Sky BioTech, Inc. (paid off 7/9/07)	\$150,000	9/24/05	Worcester	Contract Research (Biotechnology)
Celldex Therapeutics, Inc. (formerly Avant) (paid off 3/30/11)	\$903,657	12/12/03	Fall River	Biopharmaceutical
ConforMIS, Inc. (paid off 12/23/16)	\$1,445,000	6/28/11	Burlington	Medical Device
Court Square Group, Inc. (paid off 9/30/16)	\$500,000	3/28/12	Springfield	Software & IT
CryoXtract Instruments LLC (paid off 4/21/17)	\$800,000	5/15/12	Woburn	Medical Device
Cytonome, LLC (paid off 2/27/09)	\$600,000	6/30/05	Boston	Medical Devices
Dynamo Micropower (paid off 5/12/16)	\$175,000	1/30/15	Somerville	Fuel Flexible Turbine Power Systems
E-Ink Corporation (paid off 8/31/09)	\$1,000,000	5/15/07	Cambridge	Electronic Display
Fusion Optix, Inc. (paid off 11/5/18)	\$1,500,000	8/30/12	Woburn	CleanTech
Gingko Bioworks (paid off 10/5/16)	\$1,000,000	12/15/14	Boston	Biotech Engineering
Hyaluron, Inc. (paid off 6/14/10)	\$1,000,000	12/19/05	Burlington	Contract Manufacturer (Biopharma)
InVivo Therapeutics Corp. (paid off 3/1/19)	\$2,000,000	10/5/12	Cambridge	Medical Device
Lexington Medical, Inc. (paid off 6/12/19)	\$2,500,000	2/22/17	Billerica	Medical Device
Lionano Inc. (paid off 11/25/19)	\$2,500,000	2/1/19	Woburn	Battery Material Manufacturer
Luminus Devices, Inc. (paid off 8/22/13)	\$2,500,000	12/26/07	Billerica	Solid State Lighting
MicroTest Laboratories Inc. (paid off 7/31/12)	\$799,340 (Loan) \$367,500 (Mortgage Guarantee)	7/6/05	Agawam	Contract Manufacturer (Biopharma)
Middleton Aerospace Corporation (paid off 8/31/16)	\$2,000,000	8/11/06	Haverhill	Military and Commercial Aircraft Component Manufacturer
Nuvera Fuel Cells, LLC (paid off 12/22/10)	\$2,500,000	1/31/07	Billerica	Hydrogen Fuel Cell Developer and Manufacturer
Persimmon Technologies (paid off 12/18/15)	\$1,500,000	10/1/13	Wakefield	Vacuum Robots
PoroGen Corporation (paid off 10/2/15)	\$1,000,000	4/1/13	Woburn	Industrial Filtration Systems
PowerHouse Dynamics (paid off 3/1/18)	\$1,000,000	3/30/12	Newton	CleanTech
Premium Power Corporation (paid off 4/13/12)	\$2,500,000	5/28/09	North Reading	POS Battery Manufacturer
Qteros, Inc. (terminated by borrower 11/22/10)	\$2,000,000	10/29/09	Chicopee	Biofuel Developer
Quiet Logistics, Inc. (paid off 12/28/18)	\$2,500,000	1/16/12	Devens	eCommerce and Fulfillment Systems
RenaMed Biologics Inc. (paid off 12/29/06)	\$2,300,000	6/14/06	Westborough	Bioreplacement Therapies
Scencio Systems, Inc. (paid off 8/1/19)	\$650,000	8/18/14	Boxborough	Telemedicine
T2 Biosystems, Inc. (paid off 12/30/16)	\$1,687,500	5/9/11	Lexington	Medical Device
TeraDiode, Inc. (paid off 3/7/17)	\$2,000,000	12/6/12	Wilmington	Industrial Lasers
Valeritas, Inc. (paid off 5/19/14)	\$2,500,000	1/12/07	Shrewsbury	Medical Device
Sub-Total	\$56,277,997			

### Loans Closed and Principal Partially Charged Off

Company	Loan Amount	Date Closed	Municipality	Industry
Acusphere, Inc.	\$2,000,000 (\$1,522,133 charged off 5/19/09)	8/16/04	Tewksbury	Specialty Pharmaceutical
Advanced MicroSensors	\$2,000,000 (\$1,462,387 charged off 3/31/14)	10/13/11	Shrewsbury	Electronics
Beacon Power, LLC	\$2,500,000 (\$898,333 charged off 3/7/12)	6/30/08	Tyngsboro	Renewable Energy
ECI BioTech	\$630,000 (\$530,004 charged off 1/31/16)	11/16/07	Worcester	Health Care Products
Konarka Technologies, Inc.	\$2,500,000 (\$344,417 charged off 11/25/13)	2/11/09	New Bedford	Solar Power Consumer Product Manufacturer
Lilliputian Systems, Inc.	\$2,500,000 (\$298,507 charged off 6/30/14)	11/13/09	Wilmington	Portable Fuel Cell Power Developer
N12 Technologies, Inc.	\$2,500,000 (\$743,644 charged off 10/29/19)	12/12/14	Cambridge	Composite Materials
Spherics, Inc.	\$2,500,000 (\$568,458 charged off 11/19/08)	7/12/05	Mansfield	Pharmaceutical
WorkshopLive LLC	\$239,118 (\$150,860 charged off 6/30/12)	5/26/05	Pittsfield	Music Software and Technology
Sub-Total	\$17,369,118			
<b>Total</b>	<b>\$88,847,115</b>			

## Uncommitted Fund Balance

Between January 1, 2020 and March 31, 2020, the ETF received \$246,724 in loan repayments, interest income, and fees. Operating expenses were \$152,427. The uncommitted balance of the Fund on March 31, 2020 is \$19,120,164.

<b>As of 3/31/20</b>	
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>
<b>Cash Activity (accumulated):</b>	
Net Loan Disbursements*	(14,745,177)
Operating Income	10,119,925
Operating Expenses	(6,519,160)
Transfer to MGCC	(15,000,000)
Investment Income	7,357,152
Non-operating Income	5,517,234
Accounts Receivable	0
Accrued Expenses	1,328
Accrued Interest Income	(164,288)
Prepaid Insurance	(5,867)
Unearned Insurance Premium	0
Deferred Income	0
Investment in Common Stock	(1,445,597)
Investment in Privately Held Companies	(641,339)
Equity Investment - Contributions	(3,915,673)
<b>Cash Balance</b>	<b>30,308,538</b>
<b>Less: Cash Commitments:</b>	
Reserved for Guarantees Closed	0
Undisbursed Loans and Guarantees	(6,554,047)
Approved Loans and Guarantees (not closed)	(3,550,000)
Available Committed Equity - MTDC	(1,084,328)
<b>Uncommitted Cash Balance:</b>	<b>19,120,164</b>
<b>Less:</b>	
Current Pipeline - potential new loans	(19,550,000)
<b>Pipeline Exceeding Available Cash</b>	<b>\$429,836</b>
* Total loan write-offs as of 3/31/20	\$6,517,005

## Financial and Technical Assistance

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

## Geographic Distribution

As of March 31, 2020, 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	\$ 5,903,657	3
Central	\$ 13,980,000	7
West	\$ 3,905,958	4
Greater Boston	\$ 44,757,500	30
<b>Total</b>	<b>\$ 88,847,115</b>	<b>53</b>

## Emerging Technology Fund Advisory Committee

### Mark Leuchtenberger, *Chairman*

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Managing Director, Covington Associates

### Joseph Downing

Designee of Patrick Larkin  
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