

Emerging Technology Fund

Quarterly Report to the Legislature

April 1, 2011 to June 30, 2011

Overview

Chapter 141 of the Acts of 2003 created the Emerging Technology Fund (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 manufacturing companies in the Commonwealth, the approximately \$50 million Fund provides loans and guarantees for the purchase, expansion, or improvement of real estate and for equipment purchases as well as other statutory purposes. 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 of 2010, \$15 million was transferred from the Fund to capitalize the new Massachusetts Growth Capital Corporation in accordance with signed legislation.

ETF Activity Summary

As of June 30, 2011, the ETF has made loans and guaranties to 26 companies totaling \$44,822,115. In addition, a loan in the amount of \$1.2 million, previously approved the Board of Directors, has yet to close. Subsequent to June 30th, a loan in the amount of \$2 million was approved by the Board of Directors. Potential loans of another \$10.3 million were in the ETF pipeline as of June 30, 2011. While the Agency has closed 26 loans, nine of those loans have been paid off in full and are no longer in the portfolio. The Fund received partial proceeds after liquidation of certain assets on loans provided to two companies in the portfolio and charged-off \$2,090,591 as noted in the ETF summary above. One of the companies involved has ceased to exist.

	As of 6/30/11
Closed Loans	\$44,822,115
Loan Payoffs	\$4,101,584
Committed Loans	\$1,200,000
Committed and Closed Projects	27
Companies in Pipeline	6
Dollar Amount of Loans in Pipeline	\$10,291,000
Charge-offs	\$2,090,591

Closed Loan Activity

Loans Closed				
Company	Loan Amount	Date Closed	Municipality	Industry
Acacia Communications, Inc.	\$3,000,000	2/25/11	Maynard	Information Technology
Aspen Aerogels, Inc.	\$1,500,000	1/12/05	Northborough	Advanced Materials
Beacon Power Corp.	\$2,500,000	6/30/08	Tyngsboro	Electricity Storage
Biomedical Research Models, Inc.	\$700,000 (Guaranty)	11/17/10	Worcester	Contract Research (Biotechnology)
ConforMIS, Inc.	\$400,000	6/28/11	Burlington	Medical Device
ECI BioTech	\$400,000	11/16/07	Worcester	Health Care Products
Hyaluron, Inc.	\$1,000,000	12/19/05	Burlington	Contract Manufacturer (Biopharma)
Konarka Technologies	\$2,500,000	2/11/09	New Bedford	Solar Power Consumer Product Manufacturer
Lilliputian Systems, Inc.	\$2,500,000	11/13/09	Wilmington	Portable Fuel Cell Power Developer
Luminus Devices	\$2,500,000	12/26/07	Billerica	Lighting
MicroTest, Inc.	\$799,340 (Loan) \$367,500 (Mortgage Guaranty)	7/6/05	Agawam	Contract Manufacturer (Biopharma)
Middleton Aerospace Corp.	\$2,000,000	8/11/06	Haverhill	Military and commercial aircraft component mfr.
Premium Power Corp.	\$2,500,000	5/29/09	North Reading	POS Battery Manufacturer
T2 Biosystems, Inc.	\$1,687,500	5/9/11	Lexington	Medical Device
Valeritas, Inc.	\$2,500,000	1/12/07	Shrewsbury	Medical Device
WorkshopLive, LLC	\$239,118	5/26/05	Pittsfield	Music Software and Technology

Loans Closed and Repaid				
Company	Loan Amount	Date Closed	Municipality	Industry
BioVex, Inc.	\$2,500,000	6/29/06	Woburn	Biotechnology
Blue Sky BioTech, Inc.	\$150,000	9/24/05	Worcester	Contract Research (Biotechnology)
Celldex Therapeutics, Inc. (formerly Avant)	\$903,657	12/12/03	Fall River	Biopharmaceutical
Cytonome, Inc.	\$600,000	6/30/05	Boston	Medical Device
E Ink Corporation	\$1,000,000	5/15/07	Cambridge	Electronic Display
Hyaluron, Inc.	\$1,000,000	12/19/05	Burlington	Contract Manufacturer (Biopharma)
Nuvera Fuel Cells, Inc.	\$2,500,000	1/31/07	Billerica	Hydrogen Fuel Cell Developer/Mfr.
Qteros, Inc.	\$2,000,000	10/29/09	Chicopee	Biofuel Developer
RenaMed Biologics, Inc.	\$2,300,000	6/14/06	Westborough	Bioreplacement therapies

Loans Closed and Principal Partially or Fully Charged-Off				
Company	Loan Amount	Date Closed	Municipality	Industry
Acusphere, Inc.	\$2,000,000	8/16/04	Tewksbury	Specialty Pharmaceutical
Spherics, Inc.	\$2,500,000	7/12/05	Mansfield	Pharmaceutical

Financial and Technical Assistance

MassDevelopment assisted Acusphere, Inc., Celldex Therapeutics, Inc. (formerly Avant Immunotherapeutics, Inc.), and Cytonome, Inc. in locating 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 June 30, 2011, loans have been closed with companies in each of the Commonwealth's five geographic regions as follows:

Region	Closed Loans	# of Companies
North	\$ 11,500,000	5
South	\$ 5,903,657	3
Central	\$ 7,780,000	6
West	\$ 3,405,958	3
Greater Boston	\$ 16,232,500	9
Total	\$ 44,822,115	26

Uncommitted Fund Balance

Between April 1, 2011 and June 30, 2011, the Fund received \$1,085,201 in loan repayments, interest income and fees. Investment income for the period totaled \$8,069 and operating expenses were \$75,369, exclusive of loan loss provision. The uncommitted balance of the Fund on June 30, 2011 is \$17,020,551. Net loans in the amount of \$10,062,945 reported under Fund Activity below represents total loan disbursements of \$30,259,884 less accumulated principal repayments in the amount of \$18,106,346 and loan write-offs totaling \$2,090,591.

	As of 6/30/2011
Beginning Fund Balance	\$24,750,000
Fund Recapitalization	10,000,000
Fund Recapitalization	15,000,000
Total Funding	\$49,750,000
Fund Activity (Accumulated)	
Net Loans	(10,062,945)
Loan Write-offs	(2,090,591)
Operating Income	2,610,452
Operating Expenses	(2,733,783)
Transfer to MGCC	(15,000,000)
Investment Income	4,611,143
Accrued Expenses	2,210
Accrued Interest Income	(2,827)
Prepaid Insurance	(791)
Unearned Insurance Premium	7,300
Sub-total	27,092,994
Reserved for Guarantees Closed	(641,667)
Undisbursed Loans	(8,230,776)
Approved Loans	(1,200,000)
Available Cash	17,020,551

Summary

Since 2004, the ETF has supported emerging technologies in Massachusetts. Through June 30, 2011, 26 loans have closed. By targeting funds to the physical infrastructure and working capital needs of these sectors, the ETF has helped cutting-edge companies locate or expand in Massachusetts, providing employment opportunities and stimulating economic activity.

The pipeline continues to remain fairly consistent, however certain companies in the pipeline are waiting to raise additional equity before proceeding with debt financing and expansion plans in the current economic environment. As for equity investment activity, venture capitalists invested \$7.5 billion in 966 deals in the second quarter of 2011 according to the MoneyTree Report from PriceWaterhouseCoopers LLP and the National Venture Capital Association (NVCA). Q2 investment activity increased 27% in terms of dollars nationally and with number of deals increasing by 31% from Q1. VC investments were primarily focused in Life Science and Internet sectors. The increase was attributable to improved exit activity in Life Science companies and stronger valuations for internet companies. Despite the increase in funding, there is concern over limited exits and subsequently fundraising in the future.

We continue to review potential financing requests from the emerging technology sector and are seeing quality companies and products coming to market.

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