

FACT SHEET

Massachusetts Technology Development Corporation

What does the Massachusetts Technology Development Corporation do?

MTDC makes investments in small companies attempting to develop and commercialize products, processes or services involving a significant amount of technology. Both before and after investment, MTDC provides technology-based enterprises with management assistance. In order to permit earlier investment with less risk, MTDC also examines barriers to the business formation process in certain specific industries.

What is the MTDC investment program?

MTDC has received a \$2 million grant from the U.S. Department of Commerce, Economic Development Administration under Title IX of the Public Works and Economic Development Act of 1965 as amended. All of this grant will be used as a Revolving Loan Fund; none of it may cover MTDC operating expenses.

What are the requirements for the MTDC investment program?

MTDC investments will be made only in companies:

- whose principal place of business is in Massachusetts
- whose products, processes and/or services involve a significant amount of technology
- who have reasonable chances for commercial success, but who have been unable to find financing through the traditional capital markets
- who have the potential to grow and to create new jobs and expanding tax revenues.

What is the procedure for applying for an MTDC loan?

An enterprise seeking assistance should prepare an application which includes a business plan containing:

- a description of the enterprise and its management, product and market
- a statement of the amount, timing and projected use of the capital required
- a statement of the potential economic impact of the enterprise, including the number, location and types of jobs to be created.

An application for an MTDC loan is attached.

How much may a single company borrow?

MTDC loans may range from about \$50K to \$250K under the EDA grant. The idea here is, however, to use the MTDC fund as a magnet, drawing in capital from other sources. In 80% of all cases, MTDC will seek to co-venture with other investors.

What will be the interest rates on the loans?

Interest rates on MTDC loans will vary from deal to deal depending on the enterprise and a host of complex details of the investment package. Still the grant permits rates as low as 4% below the EDA prime lending rate which as of this writing is at 9-1/2%.

What constitutes a small business according to the MTDC program?

For the purposes of this program, MTDC will define "small business" as does the U.S. Small Business Administration. It should be noted, however, that most enterprises with which MTDC will be involved will be just starting up and will have considerably fewer employees, in fact as few as two or three.

What does MTDC mean by "a significant amount of technology"?

MTDC's legislation speaks of businesses whose products, processes or services involve significant amounts of technology. Given the Commonwealth's need for new jobs and the new tax revenues that new businesses bring, MTDC interprets "technology" inclusively, rather than exclusively. For example, a new kind of safety pin would represent new technology that could have tremendous commercial potential.

What is the difference between an MTDC investment and a grant?

Grants are traditionally made for basic and applied research, or to develop concepts and to show technical feasibility. MTDC investments are made in small businesses to develop and commercialize technology-based products, processes or services. See chart in attached Boston Globe article.

Grants are made without consideration of whether the initial financial commitment can be recouped. Investments are made with some consideration of return. The MTDC statute requires that its investments be made in enterprises with reasonable chances of success.