

MAINE STATE LEGISLATURE

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March 29, 1968.

Roderic C. O'Connor

Industrial Building Authority

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Attorney General

Industrial Building Authority Mortgage Insurance Fund.

SYLLABUS:

Where Industrial Building Authority insured a loan to a development corporation, secured essentially by real property which was subsequently leased; a subsequent loan to a second development corporation secured exclusively by agricultural machinery which was also to be leased to the same lessee, would be a separate project under 10 M.R.S.A. § 803, subsection 2.

FACTS:

It appears that the Maine Industrial Building Authority has insured, as an eligible project under the provisions of 10 M.R.S.A. § 703, subsection 3, paragraph A, a mortgage loan made by the First National Bank of Boston in the amount of \$6,000,000 on a beet sugar refinery which is owned by Aroostook Development Corporation and leased to Maine Sugar Industries, Inc. It further appears that such insurance coverage shall probably be increased to \$8,000,000.

The Building Authority has received application from Beet Farm Machinery Corporation for the insurance of a loan in the amount of \$2,250,000 that is proposed to be made by Chase Manhattan Bank. The purpose of the loan being to finance the purchase of farm machinery which will be leased to Maine Sugar Industries, Inc., which corporation shall then sublet such machinery to individual farmers.

Title 10 M.R.S.A. § 803 provides in part as follows:

" . . . To be eligible for insurance under this chapter a mortgage shall: . . .

"2. Principal obligation; limit. Involve a principal obligation not to exceed \$8,000,000 for any one project and not to exceed 90% of the cost of project related to real estate, except 80% of the cost of project in the case of real estate in the form of documented fishing vessels, and 75% of the cost of project related to machinery and equipment, except agricultural machinery and equipment for

which the principal obligation shall not exceed \$8,000,000 for any one project and not to exceed 90% of the cost of said project. . . ." (Note: Effective date of subsection 2 is April 26, 1968.)

QUESTION:

Is the above mortgage loan to Aroostook Development Corporation, in the proposed amount of \$8,000,000, a separate project from the proposed mortgage loan to Beet Farm Machinery, in the proposed amount of \$2,500,000, as the term "project" is used in 10 M.R.S.A. § 803, subsection 2?

ANSWER:

Yes.

REASON:

The term "project" has been defined as "a planned undertaking" in Webster's Seventh New Collegiate Dictionary. Using this definition, it would appear that the above described insured loan, that has been made by the First National Bank of Boston to Aroostook Development Corporation, would constitute a project under the provisions of 10 M.R.S.A. § 803.

It would also appear that the second undertaking, in which it is proposed that the Chase Manhattan Bank finance the purchase of agricultural machinery by Beet Farm Machinery Corporation which is to be leased to Maine Sugar Industries, Inc. for further subletting to individual farmers, would be a different project.

Accordingly, it is the opinion of this office that the two mortgage loans described above constitute separate projects and the \$8,000,000 amount limitation contained in Title 10 M.R.S.A. § 803, subsection 2, should be applied independently to each such project.

Harry N. Starbranch
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HNS/eh