

MAINE STATE LEGISLATURE

The following document is provided by the
LAW AND LEGISLATIVE DIGITAL LIBRARY
at the Maine State Law and Legislative Reference Library
<http://legislature.maine.gov/lawlib>



Reproduced from scanned originals with text recognition applied
(searchable text may contain some errors and/or omissions)

1 SECOND REGULAR SESSION
2

3 ONE HUNDRED AND ELEVENTH LEGISLATURE
4

5 Legislative Document

No. 2123

6
7 H.P. 1607

House of Representatives, February 27, 1984

8 Reported by Representative Higgins from the Committee on Taxation
9 and ordered printed under Joint Rule 18.

EDWIN H. PERT, Clerk

10 Submitted by the Joint Standing Committee on Taxation pursuant to PL
1981, c. 686 §2.

11
12 STATE OF MAINE
13

14 IN THE YEAR OF OUR LORD
15 NINETEEN HUNDRED AND EIGHTY-FOUR
16

17 AN ACT to Increase the Capitalization of
18 the Maine Capital Corporation and Reserve
19 Capital for Investment in Maine.
20

21 Be it enacted by the People of the State of Maine as
22 follows:

23 Sec. 1. 10 MRSA §950, as amended by PL 1979, c.
24 587, §§1 and 2, is further amended by adding at the
25 end a new paragraph to read:

26 The Legislature further finds that it is prudent
27 to permit the corporation to invest outside the
28 State, except that the initial \$1,000,000 capitaliza-
29 tion and 1/3 of any additional capitalization shall
30 be reserved for investment in state businesses.

31 Sec. 2. 10 MRSA §951, as repealed and replaced
32 by PL 1979, c. 587, §3, is amended to read:

33 §951. Formation; name; purposes

1 There is hereby authorized the formation, under
2 Title 13-A, of a private investment corporation to be
3 named "The Maine Capital Corporation" for the purpose
4 of providing investment capital to new Maine business
5 firms or in existing Maine business firms for pur-
6 poses of expansion, and for the purpose of investing
7 outside the State in accordance with section 952.

8 Sec. 3. 10 MRSA §952, as amended by PL 1981, c.
9 364, §1, is further amended to read:

10 §952. Limitations on purposes and powers

11 The Maine Capital Corporation shall have all of
12 the general powers of business corporations enumer-
13 ated in Title 13-A, section 202, except that:

14 1. Investments and related business dealings.
15 ~~Its~~ The investment of the initial \$1,000,000 capital-
16 ization and 1/3 of any additional capitalization,
17 shall be restricted to financings of Maine business
18 firms which, for the purposes of this chapter, shall
19 be defined as Maine business entities, including,
20 without limitation, corporations and limited partner-
21 ships, whether or not the same are subsidiaries of
22 foreign corporations, which are doing business pri-
23 marily in Maine or do substantially all of their pro-
24 duction in Maine. Any funds so invested in Maine
25 business firms by purchase of stock or otherwise
26 shall be used by the firms solely for the purpose of
27 enhancing their productive capacities or ability to
28 do business within the State, or to facilitate their
29 ability to generate value added within the State to
30 goods or services for export to out-of-state markets.
31 The Maine Capital Corporation's financings may in-
32 clude, in any combination and without limitation, eq-
33 uity investments, loans, guarantees and commitments
34 for such financings;

35 2. Investment limited. Its investment in any one
36 ~~Maine~~ business firm shall be limited to a maximum of
37 ~~\$200,000~~ 20% of its capital.

38 The Maine Capital Corporation shall not invest in any
39 firm in which a person, or his or her spouse or de-
40 pendent children, owning common stock of the Maine
41 Capital Corporation holds over a ~~25%~~ 10% interest;

1 The Maine Capital Corporation shall not invest in any
2 firm in which a director appointed by the Governor or
3 that director's spouse or dependant children owns any
4 common stock or holds an interest;

5 3. Maximum Initial capitalization. Its ~~maximum~~
6 initial capitalization shall not exceed \$1,000,000
7 and shall consist of 10,000 shares of common capital
8 stock having a par value of \$100 per share. All
9 shares offered for sale by the corporation shall be
10 for cash at their par value~~7~~.

11 Any capitalization in excess of the initial
12 \$1,000,000, except as provided in subsection 1, may
13 be invested without the geographical limitation;

14 4. Commencement of business. Before it commences
15 doing business, the corporation shall have and there-
16 after maintain a board of 9 directors, 7 of whom
17 shall be elected by the shareholders and 2 of whom
18 shall be appointed by the Governor and shall repre-
19 sent the public interests of the State;

20 5. Amount of common stock held. No person, firm
21 or corporation shall subscribe for, own or hold di-
22 rectly or indirectly more than ~~1,000~~ shares 20%
23 of the common stock of the corporation at any time. For
24 the purposes of determining ownership hereunder, the
25 attribution rules of ~~section 318 of the United States~~
26 Internal Revenue Code in effect as of ~~the effective~~
27 date of this Act October 24, 1977 shall apply;

28 6. Payment of dividends. It shall not declare or
29 pay any dividends to its shareholders during its
30 first 5 years of operation and thereafter any divi-
31 dends shall be paid only on common stock whose hold-
32 ers are not using the credit for investment in the
33 Maine Capital Corporation allowed under Title 36,
34 section 5216. Dividends paid shall be limited to a
35 maximum of 50% of retained earnings, with the balance
36 being reinvested according to subsections 1 and 2;
37 and

38 7. Financial statement. It shall cause to be
39 prepared an audited financial statement, certified by
40 an independent certified public accountant, within 60
41 days after the close of each fiscal year of its oper-

1 ations, which report shall be distributed to the Gov-
2 ernor and ~~Legislative Council~~ the joint standing com-
3 mittee of the Legislature having jurisdiction over
4 taxation and made available to the public, detailing
5 its investment and financial activities.

6 Sec. 4. 10 MRSA §955 is enacted to read:

7 §955. Repeal

8 On December 31, 1988, section 952, subsections 6
9 and 7; sections 953 and 954 shall be repealed.

10 Sec. 5. 10 MRSA §955-A is enacted to read:

11 §955-A. Management and administrative services

12 The Maine Capital Corporation shall not accept
13 any management contracts from or provide management
14 or other administrative services to any other venture
15 capital investment firm, whether or not associated in
16 any way with the Maine Capital Corporation.

17 Sec. 6. 36 MRSA §5216, sub-§5 is enacted to
18 read:

19 5. Repeal. On December 31, 1988, this section
20 shall be repealed.

21 STATEMENT OF FACT

22 The purpose of this bill is to enable the Maine
23 Capital Corporation to attract more venture capital
24 and to provide for more future venture capital in-
25 vestment in state businesses. This bill:

26 1. Authorizes the Maine Capital Corporation to
27 invest in enterprise outside the State, except that
28 the initial \$1,000,000 capitalization and 1/3 of any
29 additional capital are required to be reserved for
30 investment in state businesses in perpetuity;

31 2. Limits the ownership of any single investor
32 in Maine Capital Corporation to 20% of the common
33 stock;

