

# MAINE STATE LEGISLATURE

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FIRST REGULAR SESSION

ONE HUNDRED AND THIRTEENTH LEGISLATURE

Legislative Document

NO. 249

H.P. 197 House of Representatives, February 5, 1987  
Reference to the Committee on Economic Development  
suggested and ordered printed.

EDWIN H. PERT, Clerk  
Presented by Representative CARTER of Winslow.  
Cosponsored by Representative CROWLEY of Stockton  
Springs, Senators ANDREWS of Cumberland and KANY of Kennebec.

STATE OF MAINE

IN THE YEAR OF OUR LORD  
NINETEEN HUNDRED AND EIGHTY-SEVEN

1 AN ACT to Encourage Industrial Product  
2 Development in the State.  
3

4 Be it enacted by the People of the State of Maine as  
5 follows:

6 Sec. 1. 10 MRSA c. 110, sub-c. VIII is enacted  
7 to read:

8 SUBCHAPTER VIII

9 MAINE PRODUCT DEVELOPMENT FUND

10 §1100-R. Authorization

11 The authority shall administer the Maine Product  
12 Development Fund to make investment capital available  
13 to eligible applicants for the production of new

1 products and the development of innovative procedures  
2 and techniques to be produced in this State. In ad-  
3 dition to all other powers and duties held by the au-  
4 thority, the authority under this subchapter may:

5 1. Enter into venture loan agreements. Enter  
6 into venture loan agreements with persons doing busi-  
7 ness in the State upon such terms and conditions as  
8 are consistent with the purpose of this subchapter;

9 2. Hold patents. Hold patents, copyrights,  
10 trademarks or any other evidence of protection or  
11 exclusivity issued under the laws of the United  
12 States, any state or any nation as to any products or  
13 processes that are financed to any degree under the  
14 provisions of this subchapter; and

15 3. Impose fees and accept or collect revenues.  
16 Impose fees and accept or collect revenues in return  
17 for providing investment capital to the recipient of  
18 a venture loan as provided under this subchapter.

19 §1100-S. Maine Product Development Fund

20 There is established the Maine Product Develop-  
21 ment Fund to finance new product and process develop-  
22 ment in the State.

23 1. Use of money. Money from this fund may be  
24 extended to existing businesses to:

25 A. Finance the production of new products in the  
26 State;

27 B. Finance innovations and inventions leading to  
28 the production of new products in the State; and

29 C. Finance the development of significantly new  
30 processes of production that will substantially  
31 reduce the costs of production and enable the ap-  
32 plicant to significantly increase the market  
33 share for the product.

34 2. Financial assistance not considered loan or  
35 equity investment. Financial assistance provided un-  
36 der this subchapter does not constitute a loan or an  
37 equity investment by the authority or the State.

1           3. Restriction on use of funds. Any funds pro-  
2 vided to an applicant may not exceed 60% of total  
3 product or process development costs. Program funds  
4 shall not be extended to any applicant which does not  
5 have commitments for facilities for production, dis-  
6 tribution and storage of its product or process.

7           4. Repayment. The authority shall collect a ne-  
8 gotiated royalty fee for the product or process for  
9 which the program funds were made available. The au-  
10 thority shall adopt rules in accordance with the  
11 Maine Administrative Procedure Act, Title 5, chapter  
12 375, to determine the royalty fees and the period  
13 over which the royalties shall be paid by various  
14 types of applicants with differing financial condi-  
15 tions. The authority shall extend program funds with  
16 the intent to obtain complete repayment of money ex-  
17 tended to the applicant, together with a reasonable  
18 return on the State's investment. Repayment may not  
19 extend beyond a 10-year period unless there is suffi-  
20 cient evidence to indicate that an extension of the  
21 repayment period beyond 10 years is required and will  
22 enable the authority to collect, in full, the program  
23 funds.

24           5. Rights and entitlements to product and pat-  
25 ents. The authority shall hold all rights,  
26 entitlements, patents, copyrights, trademarks or any  
27 other evidence of protection or exclusivity to any  
28 products, production, processing or inventions for  
29 which the Maine Product Development Fund has been  
30 used to finance those products, processes or inven-  
31 tions and until the authority receives repayment in  
32 full.

33           6. Separate account and investment of funds.  
34 The Maine Product Development Fund shall be kept sep-  
35 arate for accounting purposes. Money in this fund  
36 may be invested in obligations issued or guaranteed  
37 by the Federal Government or State Government and in  
38 other obligations which are legal investments for  
39 savings banks in this State.

40 §1100-T. Investigation of applicants

41           The authority shall investigate each applicant in  
42 order to evaluate the advisability of approving fi-

1 financial aid for the applicant and with regard to any  
2 other factors determined relevant by the authority.

3 1. Investigation and report. The investigation  
4 and report shall include, at a minimum, facts and in-  
5 formation about:

6 A. The business and financial history of the ap-  
7 plicant;

8 B. Wage standards of the applicant and projected  
9 wage standards;

10 C. Job opportunities reasonably expected from  
11 assistance provided under this subchapter;

12 D. Past and present financial condition and  
13 structure;

14 E. The extent of the applicant's dependence on a  
15 limited number of product or process lines;

16 F. Present and future market prospects;

17 G. Managerial ability and performance;

18 H. The feasibility of the proposed product and  
19 invention to be financed; and

20 I. The intention of the applicant to continue to  
21 conduct business within the State and retain ma-  
22 ajor production of the new product or process  
23 within the State.

24 §1100-U. Eligibility; priority of applicants

25 1. Approval and denial of applicants. Following  
26 evaluation of all the materials and information re-  
27 garding each applicant and proposed project, the au-  
28 thority shall approve or deny the application for  
29 program funds. The applicant shall be promptly noti-  
30 fied of the authority's decision.

31 2. Eligibility of applicants. No assistance  
32 from the Maine Product Development Fund may be made  
33 to any applicant which employs more than 250 full-  
34 time employees.



1 Product Development  
2 Fund and the state  
3 money shall be re-  
4 turned to the Gen-  
5 eral Fund.

6 STATEMENT OF FACT

7 The purpose of this bill is to maintain and pro-  
8 mote economic activity and development in areas of  
9 the State that are dependent upon a single business  
10 or a very limited number of businesses. In a number  
11 of cases, these businesses are subject to considera-  
12 ble economic fluctuation which can create substantial  
13 impact on these areas of the State.

14 This bill creates the Maine Product Development  
15 Fund to be administered by the Finance Authority of  
16 Maine. Money from the fund will be primarily used to  
17 finance the production of new products and technolo-  
18 gy.

19 The fund is established with a one-time  
20 \$1,000,000 appropriation from the General Fund. If  
21 federal money becomes available for the purposes es-  
22 tablished in the bill, federal money will replace the  
23 state money in the fund.

24 The fund will be replenished by a negotiated roy-  
25 alty on sales of the products and technology financed  
26 from the fund. It is anticipated that the fund will  
27 eventually be self-financing and, if successful, the  
28 fund may be able to repay the General Fund appropria-  
29 tion.

30 The Finance Authority of Maine will hold the pat-  
31 ents, copyrights, trademarks and any other evidence  
32 of exclusivity to the products and technology until  
33 the venture capital money has been repaid.

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The bill establishes a 60% maximum level of funding new products and technology costs of a firm. In addition, a 10-year payback period is established as a maximum repayment period.

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