

By: Representative Guice

To: Ways and Means

HOUSE BILL NO. 1189

1 AN ACT TO AMEND SECTIONS 57-103-1, MISSISSIPPI CODE OF 1972,
2 WHICH CREATES THE RESEARCH AND DEVELOPMENT PROGRAM, FOR THE
3 PURPOSE OF REFLECTING THE CHANGE OF THE NAME OF THE MISSISSIPPI
4 TECHNOLOGY ALLIANCE TO INNOVATE MISSISSIPPI; TO REVISE THE AMOUNT
5 OF ASSISTANCE THAT MAY BE PROVIDED TO A BUSINESS UNDER THE
6 RESEARCH AND DEVELOPMENT PROGRAM; TO AMEND SECTION 57-103-3,
7 MISSISSIPPI CODE OF 1972, WHICH CREATES THE MISSISSIPPI NEW
8 TECHNOLOGY BUSINESS PROGRAM-LEVEL 1, FOR THE PURPOSE OF REFLECTING
9 THE CHANGE OF THE NAME OF THE MISSISSIPPI TECHNOLOGY ALLIANCE TO
10 INNOVATE MISSISSIPPI; TO CHANGE THE NAME OF THE MISSISSIPPI NEW
11 TECHNOLOGY BUSINESS PROGRAM-LEVEL 1 TO THE PROOF OF CONCEPT LOAN
12 PROGRAM; TO REVISE THE AMOUNT OF ASSISTANCE THAT MAY BE PROVIDED
13 TO A BUSINESS UNDER THE PROGRAM; TO CHANGE THE NAME OF THE
14 MISSISSIPPI NEW TECHNOLOGY BUSINESS PROGRAM-LEVEL 1 FUND TO THE
15 PROOF OF CONCEPT LOAN FUND; TO AMEND SECTION 57-103-7, MISSISSIPPI
16 CODE OF 1972, WHICH CREATES THE RURAL INNOVATION PROGRAM-LEVEL 1,
17 FOR THE PURPOSE OF REFLECTING THE CHANGE OF THE NAME OF THE
18 MISSISSIPPI TECHNOLOGY ALLIANCE TO INNOVATE MISSISSIPPI; TO CHANGE
19 THE NAME OF THE RURAL INNOVATION PROGRAM-LEVEL 1 TO THE PROOF OF
20 CONCEPT GRANT PROGRAM; TO CHANGE THE PROGRAM FROM A LOAN PROGRAM
21 TO A GRANT PROGRAM; TO CHANGE THE NAME OF THE RURAL INNOVATION
22 PROGRAM-LEVEL 1 FUND TO THE PROOF OF CONCEPT GRANT FUND; AND FOR
23 RELATED PURPOSES.

24 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MISSISSIPPI:

25 **SECTION 1.** Section 57-103-1, Mississippi Code of 1972, is
26 amended as follows:

27 57-103-1. (1) There is established under the direction of
28 the * * * Innovate Mississippi ("IMS") a program to be known as



29 the "Research and Development Program" for the purpose of making
30 assistance available for seed and early stage capital to small and
31 medium sized Mississippi businesses with high growth potential
32 that are engaged in research and development activities with a
33 Mississippi university, college and/or community/junior college.

34 (2) (a) In order to be eligible for assistance under the
35 program, a business must: (i) have its principal place of
36 business based in Mississippi, (ii) produce or provide a product
37 and/or service that is science or technology related, (iii) have
38 completed its product and/or service development planning, and
39 (iv) develop technology-based business opportunity in partnership
40 with a Mississippi university, college and/or community/junior
41 college.

42 (b) Any business desiring to participate in the program
43 must submit an application to * * * IMS. The application must
44 contain a technical brief and project plan for the
45 commercialization of the technology developed or proposed for
46 development by the business and any other information requested
47 by * * * IMS. If * * * IMS staff reviewing the application
48 determines that an application should be reviewed by the Seed Fund
49 Investment Board appointed by the * * * IMS Board of Directors,
50 the application shall be forwarded to the Seed Fund Investment
51 Board. If the Seed Fund Investment Board approves the
52 application, * * * IMS shall negotiate a contract with the
53 business regarding any assistance provided to the business under



54 the program, the expenditure of assistance provided to the
55 business, repayment of assistance by the business, and any other
56 matters to which the parties may agree. Any such contract must
57 provide for at least the following: (i) that any assistance
58 provided to the business will be on a reimbursement basis in which
59 the business will expend funds according to the terms of the
60 contract and submit invoices, receipts and other applicable
61 documentation and information to * * * IMS for reimbursement; (ii)
62 that no funds may be expended or used for patent prosecution,
63 reorganization of the business, or payment of any existing debt of
64 the business outstanding or otherwise incurred at the time the
65 contract is entered into; (iii) that no funds may be expended to
66 reimburse expenses for work conducted or services provided by the
67 business, a university or a third-party consultant if those
68 expenses were incurred before the term of the contract; (iv) that
69 at least fifty-one percent (51%) of the funds received by the
70 business must be expended with a Mississippi university, college
71 and/or community/junior college with which the business has a
72 contract for research and development or technology development
73 work or services; (v) that * * * IMS will pay not more than ten
74 percent (10%) of overhead expenses for the business and/or the
75 university, college and/or community/junior college; (vi) that the
76 business will provide matching funding of One Dollar (\$1.00) for
77 every One Dollar (\$1.00) of assistance, with at least fifty
78 percent (50%) of the match being in cash and the remaining amount



79 being from in-kind services, all of which must be documented by
80 time sheets, payroll receipts, invoices and other documentation or
81 information required by * * * IMS; and (vii) that the business
82 receiving assistance will retain ownership of any technology
83 developed by the business before the start of the project for
84 which assistance is received, and that rights to new intellectual
85 property developed as a result of the project will be subject to
86 mutually agreed upon terms and conditions of the collaborative
87 research agreement executed by the business and the university,
88 college and/or community/junior college before the start of the
89 project. Assistance received by a business and not expended for
90 purposes required in the contract between the business and * * *
91 IMS may be expended for hiring third-party consultants to assist
92 the business, working capital, marketing, prototype development
93 and equipment. The amount of assistance that a business may
94 receive under the program shall not exceed * * * Two Hundred Fifty
95 Thousand Dollars (\$250,000.00) in the aggregate.

96 (c) Except as otherwise provided in this paragraph, a
97 business receiving assistance under the program shall be required
98 to repay the assistance in the manner provided in this paragraph.
99 Repayment shall be made through the use of a convertible note in
100 which the business will repay one hundred percent (100%) of the
101 amount of assistance received if such repayment is made within
102 thirty-six (36) months from the date the assistance is received,
103 with the amount to be repaid by the business increasing at a rate



104 determined by the parties in the contract up to an amount not to
105 exceed two hundred percent (200%) of the amount of assistance if
106 such repayment is made later than thirty-six (36) months from the
107 date the assistance is received but not later than sixty (60)
108 months from the date the assistance is received. * * * IMS shall
109 have the option of converting the amount of assistance awarded to
110 the business into common stock of the business or into a royalty
111 in the gross sales of the business. Amounts received as
112 repayments shall be deposited into the special fund created in
113 subsection (3) of this section. Notwithstanding the preceding
114 provisions of this paragraph, if the business receiving assistance
115 fails to meet certain financial performance levels established in
116 the contract between the business and * * * IMS and the contract
117 does not activate any repayment provisions, then * * * IMS will
118 deem the assistance provided to be a loss and the business
119 receiving assistance shall not be required to repay the assistance
120 received.

121 (3) There is created in the State Treasury a special fund,
122 to be designated as the "Research and Development Program Fund,"
123 which shall consist of funds appropriated or otherwise made
124 available by the Legislature. The fund shall be maintained by the
125 State Treasurer as a separate and special fund, separate and apart
126 from the General Fund of the state. Unexpended amounts remaining
127 in the fund at the end of a fiscal year shall not lapse into the
128 State General Fund, and any interest earned or investment earnings



129 on amounts in the fund shall be deposited into such fund. Monies
130 in the fund shall be disbursed, in the discretion of the
131 Mississippi Development Authority, to provide funds to * * * IMS
132 for the purposes described in this section, or for the purposes
133 described in Sections 57-103-3, 57-103-5 * * * and/or
134 57-103-7 * * * IMS determines that the funds are not needed for
135 the purposes described in this section.

136 **SECTION 2.** Section 57-103-3, Mississippi Code of 1972, is
137 amended as follows:

138 57-103-3. (1) There is established under the direction of
139 the * * * Innovate Mississippi ("IMS") a program to be known as
140 the "Mississippi New Technology Business Program-Level 1" for the
141 purpose of making assistance available to provide working capital
142 to support the initial capitalization of technology-based
143 businesses in Mississippi. From and after July 1, 2023, the
144 "Mississippi New Technology Business Program-Level 1" shall be
145 known as the "Proof of Concept Loan Program".

146 (2) (a) In order to be eligible for assistance under the
147 program, a business must: (i) have its principal place of
148 business based in Mississippi, and be a startup business, (ii)
149 have rights to the intellectual property supporting the venture
150 opportunity for which assistance is requested, (iii) demonstrate
151 compelling evidence for rapid growth and high performance
152 potential, (iv) be invited by * * * IMS to apply for assistance
153 based upon an agreeable scope of work.



154 (b) Any business desiring to participate in the program
155 must submit an application to * * * IMS. The application must
156 contain a description of the purposes for which the assistance is
157 requested, the amount of assistance requested and any other
158 information requested by * * * IMS. If * * * IMS staff reviewing
159 the application determines that an application should be reviewed
160 by the Seed Fund Investment Board appointed by the * * * IMS Board
161 of Directors, the application shall be forwarded to the Seed Fund
162 Investment Board. If the Seed Fund Investment Board approves the
163 application, * * * IMS shall negotiate a contract with the
164 business regarding any assistance provided to the business under
165 the program, the expenditure of the assistance provided to the
166 business, and any other matters to which the parties may agree.
167 Any such contract must provide for at least the following: (i)
168 that any assistance provided to the business will be on a
169 reimbursement basis in which the business will expend funds
170 according to the terms of the contract and submit invoices,
171 receipts and other applicable documentation and information
172 to * * * IMS for reimbursement; (ii) that no funds may be expended
173 or used for patent prosecution, reorganization of the business, or
174 payment of any existing debt of the business outstanding or
175 otherwise incurred at the time the contract is entered into; (iii)
176 that no funds may be expended to reimburse expenses for work
177 conducted or services provided by the business, a university or a
178 third-party consultant if those expenses were incurred before the



179 term of the contract; (iv) that the business receiving assistance
180 will retain ownership of any technology developed by the business
181 regardless of whether the technology is developed before or after
182 the receipt of assistance; and (v) that the business will provide
183 matching funding of One Dollar (\$1.00) for every One Dollar
184 (\$1.00) of assistance, with at least twenty-five percent (25%) of
185 the match being in cash and the remaining amount being from
186 in-kind services, all of which must be documented by time sheets,
187 payroll receipts, invoices and other documentation or information
188 required by * * * IMS. Assistance received by a business may be
189 expended for hiring third-party consultants to assist the business
190 and for equipment. The amount of assistance that a business may
191 receive under the program shall not exceed * * * Twenty-five
192 Thousand Dollars (\$25,000.00) and any award of assistance shall be
193 made on a onetime basis.

194 (c) Except as otherwise provided in this paragraph, a
195 business receiving assistance under the program shall be required
196 to repay the assistance in the manner provided in this paragraph.
197 Repayment shall be made through the use of a nonrecourse loan in
198 which the business will repay the loan upon the successful
199 commercialization of the product or service. The business will
200 repay one hundred percent (100%) of the amount of assistance
201 received if such repayment is made within thirty-six (36) months
202 from the date the assistance is received, with the amount to be
203 repaid by the business increasing at a rate determined by the



204 parties in the contract up to an amount not to exceed two hundred
205 percent (200%) of the amount of assistance if such repayment is
206 made later than thirty-six (36) months from the date the
207 assistance is received but not later than sixty (60) months from
208 the date the assistance is received. Amounts received as
209 repayments shall be deposited into the special fund created in
210 subsection (3) of this section. Notwithstanding the preceding
211 provisions of this paragraph, if the business receiving assistance
212 fails to meet certain financial performance levels established in
213 the contract between the business and * * * IMS and the contract
214 does not activate any repayment provisions, then * * * IMS will
215 deem the assistance provided to be a loss and the business
216 receiving assistance shall not be required to repay the assistance
217 received.

218 (3) There is created in the State Treasury a special fund,
219 to be designated as the "Mississippi New Technology Business
220 Program-Level 1 Fund," which shall consist of funds appropriated
221 or otherwise made available by the Legislature. From and after
222 July 1, 2023, the "Mississippi New Technology Business
223 Program-Level 1 Fund" shall be known as the "Proof of Concept Loan
224 Program Fund". The fund shall be maintained by the State
225 Treasurer as a separate and special fund, separate and apart from
226 the General Fund of the state. Unexpended amounts remaining in
227 the fund at the end of a fiscal year shall not lapse into the
228 State General Fund, and any interest earned or investment earnings



229 on amounts in the fund shall be deposited into such fund. Monies
230 in the fund shall be disbursed, in the discretion of the
231 Mississippi Development Authority, to provide funds to * * * IMS
232 for the purposes described in this section, or for the purposes
233 described in Sections 57-103-1, 57-103-5 * * * and/or
234 57-103-7 * * * if * * * IMS determines that the funds are not
235 needed for the purposes described in this section.

236 **SECTION 3.** Section 57-103-7, Mississippi Code of 1972, is
237 amended as follows:

238 57-103-7. (1) There is established under the direction of
239 the * * * Innovate Mississippi ("IMS") a program to be known as
240 the "Rural Innovation Program-Level 1" for the purpose of making
241 assistance available to provide working capital to support the
242 initial capitalization of technology-based businesses in rural
243 Mississippi. From and after July 1, 2023, the "Rural Innovation
244 Program-Level 1" shall be known as the "Proof of Concept Grant
245 Program".

246 (2) (a) In order to be eligible for assistance under the
247 program, a business must: (i) have its principal place of
248 business based in * * * Mississippi, (ii) produce or provide a
249 product and/or service that is science or technology related,
250 (iii) have fewer than one hundred fifty (150) employees, and (iv)
251 have completed its product and/or service development
252 planning. * * *



253 (b) Any business desiring to participate in the program
254 must submit an application to * * * IMS. The application must
255 contain a description of the purposes for which the assistance is
256 requested, the amount of assistance requested and any other
257 information requested by * * * IMS. If * * * IMS staff reviewing
258 the application determines that an application should be reviewed
259 by the Seed Fund Investment Board appointed by the * * * IMS Board
260 of Directors, the application shall be forwarded to the Seed Fund
261 Investment Board. If the Seed Fund Investment Board approves the
262 application, * * * IMS shall negotiate a contract with the
263 business regarding any assistance provided to the business under
264 the program, the expenditure of the assistance provided to the
265 business, and any other matters to which the parties may agree.
266 Any such contract must provide for at least the following: (i)
267 that any assistance provided to the business will be on a
268 reimbursement basis in which the business will expend funds
269 according to the terms of the contract and submit invoices,
270 receipts and other applicable documentation and information
271 to * * * IMS for reimbursement; (ii) that no funds may be expended
272 or used for patent prosecution, reorganization of the business, or
273 payment of any existing debt of the business outstanding or
274 otherwise incurred at the time the contract is entered into; (iii)
275 that no funds may be expended to reimburse expenses for work
276 conducted or services provided by the business, a university or a
277 third-party consultant if those expenses were incurred before the



278 term of the contract; (iv) that the business receiving assistance
279 will retain ownership of any technology developed by the business
280 regardless of whether the technology is developed before or after
281 the receipt of assistance; and (v) that the business will provide
282 matching funding of One Dollar (\$1.00) for every One Dollar
283 (\$1.00) of assistance, with at least twenty-five percent (25%) of
284 the match being in cash and the remaining amount being from
285 in-kind services, all of which must be documented by time sheets,
286 payroll receipts, invoices and other documentation or information
287 required by * * * IMS. Assistance received by a business may be
288 expended for hiring third-party consultants to assist the business
289 and for equipment. The amount of assistance that a business may
290 receive under the program shall not exceed Ten Thousand Dollars
291 (\$10,000.00) and any award of assistance shall be made on a
292 onetime basis.

293 (c) Except as otherwise provided in this paragraph, a
294 business receiving assistance under the program shall not be
295 required to repay the assistance * * * unless IMS determines that
296 the business has violated significant terms of their agreement,
297 presented false information, or misrepresented facts in their
298 application. If it is determined the business violated terms or
299 submitted false or knowingly incorrect information, the business
300 will be required to repay one hundred percent (100%) of the amount
301 of assistance received.



302 (3) There is created in the State Treasury a special fund,
303 to be designated as the "Rural Innovation Program-Level 1 Fund,"
304 which shall consist of funds appropriated or otherwise made
305 available by the Legislature. From and after July 1, 2023, the
306 "Rural Innovation Program-Level 1 Fund" shall be known as the
307 "Proof of Concept Grant Program Fund". The fund shall be
308 maintained by the State Treasurer as a separate and special fund,
309 separate and apart from the General Fund of the state. Unexpended
310 amounts remaining in the fund at the end of a fiscal year shall
311 not lapse into the State General Fund, and any interest earned or
312 investment earnings on amounts in the fund shall be deposited into
313 such fund. Monies in the fund shall be disbursed, in the
314 discretion of the Mississippi Development Authority, to provide
315 funds to * * * IMS for the purposes described in this section, or
316 for the purposes described in Sections 57-103-1, 57-103-3,
317 57-103-5 and/or 57-103-9 if * * * IMS determines that the funds
318 are not needed for the purposes described in this section.

319 **SECTION 4.** This act shall take effect and be in force from
320 and after July 1, 2023.

