CIRCULAR No. 14
(REVISED)
OF THE
RECONSTRUCTION
FINANCE CORPORATION

INFORMATION REGARDING
MINING LOANS

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INFORMATION REGARDING MINING LOANS

The Reconstruction Finance Corporation is authorized to make mining loans under the provisions of section 14, Public, No. 417, Seventy-third Congress, approved June 19, 1934, as amended, which section is as follows:

SEC. 14. The Reconstruction Finance Corporation is authorized and empowered to make loans upon sufficient security to recognized and established corporations, individuals, and partnerships engaged in the business of mining, milling, or smelting ores. The Reconstruction Finance Corporation is authorized and empowered also to make loans to corporations, individuals, and partnerships engaged in the development of a quartz ledge, or vein, or other ore body, or placer deposit, containing gold, silver, or tin, or gold and silver, when, in the opinion of the Reconstruction Finance Corporation, there is sufficient reason to believe that, through the use of such loan in the development of a lode, ledge, or vein, or mineral deposit, or placer gravel deposit, there will be developed a sufficient quantity of ore, or placer deposits of a sufficient value to pay a profit upon mining operations: Provided, That not to exceed $20,000 shall be loaned to any corporation, individual, or partnership, for such development purposes: Provided further, That there shall not be allocated or made available for such development loans a sum in excess of $10,000,000.

APPLICANTS

This act provides for two types of loans as follows:

A. Loans upon “sufficient security” to recognized and established corporations, individuals, and partnerships engaged in the business of mining, milling, or smelting ores. These loans are hereinafter designated as “loans for general mining, milling, and smelting purposes.”

B. Limited loans “to corporations, individuals, and partnerships engaged in the development of quartz ledge, or vein, or other ore body, or placer deposit, containing gold, silver, or tin, or gold and silver.” These loans are hereinafter designated as “loans for development.”

A. Loans for General Mining, Milling, and Smelting Purposes

1. ELIGIBILITY

Applications for loans will be considered when presented by “recognized and established corporations, individuals, and partnerships engaged in the business of mining, milling, or smelting ores.” The Corporation will determine from the facts and circumstances in each particular case what constitutes “recognized and established” and “engaged in the business of mining, milling, or smelting ores.” As the word “ore” is construed to mean any native compound from which a metal or metals can be commercially extracted at a profit, thus coal or other nonmetallic minerals, salts, or other similar substances do not come within the purview of this section.
2. PURPOSES

(a) Fixed Capital.—Loans may be made for construction, improvement, repair, purchase, or equipment and other fixed-capital purposes.

(b) Working Capital.—Loans may be made to provide working capital needed in connection with mining, milling, or smelting ores.

(c) Loans for Tax Payment.—An incidental portion of the loan authorized may, under certain circumstances, be permitted to be applied to the payment of taxes on properties which are necessary to the operation of applicant’s mining, milling, or smelting business.

3. AMOUNT

Loans will be limited to an amount reasonably required to accomplish the purposes for which they may be authorized.

4. SECURITY

The act requires “sufficient security” for these loans. Such security may consist of a mortgage on the mining, milling, or smelting property, or it may consist of a lien on property, real or personal, entirely independent of the mining project, provided it constitutes “sufficient security” in the opinion of this Corporation. If mining property is offered, there should be blocked out ore, sufficient in quality and quantity to establish the value claimed. An assignment of a favorable milling, smelting, sales, or transportation contract may also be required.

5. DEPOSIT TO COVER COST OF EXAMINATION

The applicant may be requested to make a deposit, in an amount to be determined in each case by the Corporation, to cover the cost of any field work which may be necessary in connection with the examination of the property of the applicant, and when such request is made an examination will not be undertaken until the required deposit is made.

B. Loans for Development

1. ELIGIBILITY

Loans may be made “to corporations, individuals, and partnerships engaged in the development of a quartz ledge, or vein, or other ore body, or placer deposit, containing gold, silver, or tin, or gold and silver.”

2. PURPOSES

A loan may be made, when, in the opinion of this Corporation, there is sufficient reason to believe that there will be developed a lode, ledge, or vein, or mineral deposit, or gravel deposit containing a quantity of ore or placer deposits of sufficient value to pay a profit if mined. The proceeds of such loans will be expended subject to the approval of this Corporation.
3. AMOUNT

"Not to exceed $20,000 shall be loaned to any corporation, individual, or partnership, for such development purposes." However, such loans will be limited to an amount reasonably required to pay for the cost of the contemplated development, including purchase of material and supplies.

4. SECURITY

The security offered must be satisfactory to the Corporation.

5. COST OF EXAMINATION

This Corporation may deduct a reasonable amount from the loan to cover the cost of any field work which may be necessary in connection with the examination of the property of the applicant.

C. General Provisions Applicable to Both Classes of Loans

1. RATE OF INTEREST

Interest will be determined in each case by the Corporation.

2. MATURITIES

Loans may be made for such a period of time as the Corporation shall in each instance determine.

3. UNACCEPTABLE PURPOSES

Loans will not be granted for the purpose of purchasing mineral acreage, nor where the loan is promotional or for prospecting purposes.

4. EXISTING INDEBTEDNESS

In cases where the applicant has substantial outstanding indebtedness and its properties, which are to be the security for the loan, are encumbered, it will be necessary for such applicant to work out an arrangement with existing creditors whereby, in consideration of new capital coming into the business, payments of existing indebtedness and encumbrances may be arranged or deferred or subordinated on terms satisfactory to the Corporation.

5. DISBURSEMENTS

No money will be disbursed on a loan until a mortgage has been duly executed and recorded, or other security assigned or pledged to the satisfaction of this Corporation, and other requirements complied with. Such loans will be disbursed in installments as required to defray the cost of the work as it progresses or to purchase supplies and equipment.
6. COMPLIANCE WITH N. R. A. CODE

Each applicant must execute a certificate that it is complying with and will continue to comply with the approved code of fair competition for the type of operation being conducted by the applicant, or, if there be no approved code of fair competition for the business in which the applicant is engaged, that it has signed, and is complying with or will continue to comply with, the President’s Reemployment Agreement promulgated under authority of section 4(a) of the National Industrial Recovery Act and/or any other agreement promulgated by the President under the National Industrial Recovery Act.

In order to comply with Executive Order No. 6646, issued by the President of the United States on March 14, 1934, each applicant must agree that all contracts and orders by the applicant, or by its general contractor, if any, for machinery, articles, materials, or services to be acquired, in whole or in part, with any of the proceeds of the loan, shall require, before performance of delivery, a certificate as hereinafter described signed by the party awarded such contract or order and by all concerns supplying, directly or indirectly, the aforesaid machinery, articles, materials, or services. Such certificate shall state that the party signing it is complying with and shall continue to comply with each approved code of fair competition to which it is subject; or, if engaged in any trade or industry for which there is no approved code of fair competition, the certificate shall state that the party signing it has become a party to, is complying with, and shall continue to comply with the agreement with the President under section 4(a) of the National Industrial Recovery Act and/or any other agreement promulgated by the President under the National Industrial Recovery Act. In the event that invitations for bids are issued by the applicant, or by its general contractor, if any, for machinery, articles, materials, or services, to be acquired in whole or in part with any of the proceeds of the loan, they shall require the bid to contain such a certificate by the bidder, and an agreement by the bidder to obtain such a certificate from all concerns supplying, directly or indirectly, the aforesaid machinery, articles, materials, or services. Each applicant must give the Corporation such proof of fulfillment of its agreement as the Corporation may require.

7. COMPLIANCE WITH OTHER FEDERAL REGULATIONS

Each applicant must agree to comply with the regulations relating to pay for labor promulgated by the Secretary of the Interior and the Secretary of the Treasury, under date of January 8, 1935 (which is set forth in full in exhibit I of the application) as well as with all other regulations which may be promulgated by the President of the United States or any other duly authorized officer.

8. CHARGES, COMMISSIONS, BONUSES, FEES, ETC.

Payment of bonuses, fees, or commissions for the purpose of, or in connection with, obtaining loans is prohibited. The borrower, however, subject to the prior approval of the Corporation, may be allowed to pay the actual reasonable costs
incurred in connection with the loan. Such charges may include reasonable compensation for services rendered by attorneys, appraisers, accountants, etc., but not in any event for alleged services in connection with the presentation of the application to the Corporation. Such charges must be fully disclosed. A fee based upon a percentage of the loans will be objected to, as also will fees or charges made contingent upon the obtaining of the loan. Applicants will be required to furnish satisfactory proof in the application that no bonus, fee, or commission has been or will be paid, and that no compensation, other than reasonable compensation for services required in making the loan, fully disclosed and itemized, has been or will be paid.

9. SALARIES

The applicant must agree that, so long as any portion of the loan remains unpaid, applicant will not pay any salaries which are not deemed by the Corporation to be reasonable.

10. DIVIDENDS

So long as any portion of the loan remains outstanding, no dividends may be paid by any corporate applicant nor any distribution (except compensation for services regarded by the Corporation as reasonable) made by a partnership or individual applicants, without the consent of the Corporation.

11. LEGAL OPINIONS

Before any loan will be disbursed, applicant, at his or its expense, may be required to furnish this Corporation with a policy of title insurance issued by a title insurance company approved by this Corporation or a legal opinion, rendered by an attorney of reputable standing, approved by this Corporation, in form satisfactory to its Counsel.

12. REPORTS

Applicant shall furnish with the application reports only as are in its possession or are available to such applicant, pertaining to the properties involved, made by engineers or accountants.

13. METHOD OF FILING APPLICATION

Applications should be filed direct with the Reconstruction Finance Corporation at its office at 1825 H Street NW., Washington, D. C. Forms for applications may be secured by writing to the Washington Office of the Corporation. No application will be considered unless submitted on the proper forms. Care should be taken to submit a complete statement setting forth all information which is requested.