CIRCULAR NO. 17
OF THE
RECONSTRUCTION
FINANCE CORPORATION

INFORMATION REGARDING
LOANS TO THE FISHING INDUSTRY

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INFORMATION REGARDING LOANS TO THE FISHING INDUSTRY

The Reconstruction Finance Corporation will make loans, under Section 15 of Public, No. 417, 73d Congress, to corporations, individuals, and associations engaged in the production, storage, handling, packing, processing, carrying, and/or orderly marketing of fish of American fisheries and/or products thereof. (The Corporation's Circular No. 13 describes the loans which the Corporation is authorized to make under Sec. 5(d) of the R. F. C. act, as amended, primarily to supply funds for labor and material, to any industrial or commercial business, including the fishing industry, established prior to January 1, 1934.)

1. LIMITATIONS IMPOSED BY LAW

(a) All loans must be fully and adequately secured.
(b) No loans shall be made upon foreign securities or foreign acceptances as collateral or for the purpose of assisting in the carrying or liquidation of such foreign securities and foreign acceptances.
(c) The maturity of any loan shall not exceed 5 years from February 1, 1935.

2. TERMS AND CONDITIONS

Loans will be made by the Corporation to the fishing industry upon the following terms and conditions, and for the following purposes:

A. MATURITIES

Loans shall mature at such time within 5 years from February 1, 1935, as the Corporation may in each case determine. A program of payments will be required with a view to the borrower liquidating its debt within the period of time agreed upon.

B. INTEREST RATES

Interest rates shall be determined in each case by the Corporation, but generally will not exceed 6%.

C. PURPOSES

The Corporation will make loans to the fishing industry for the following purposes:

(a) Promotion of Orderly Marketing.—Loans will be made primarily to promote the orderly marketing of fish or fish products. This may be done by supplying working capital to eligible applicants or, under special circumstances by financing the repair, improvement, or reequipment of existing facilities or the construction of new facilities designed to permit fish to be offered to the market and distributed as conditions warrant, e. g., modern refrigeration, storage, and freezing plants, canneries, etc.

(b) Increase of Market Supply.—The Corporation will not consider loans to finance the construction of new vessels nor to put back into service vessels which have been laid up, nor to finance the construction or improvement of processing or storage facilities, where the effect of such loan will be merely to increase the market supply of fish and not to promote orderly marketing. The Corporation will make loans, however, under special circumstances, where, in
the opinion of the Corporation, financing is not available through the cus-
tomary channels, for the repairing and reequipping of fishing vessels in actual
operation at the time of the application.

(c) Payment of Existing Indebtedness.—In general, loans will not be made
when the proceeds are to be used to pay existing indebtedness. In cases where
the applicant has substantial outstanding indebtedness, or its properties are
already encumbered, it will be necessary for such applicant to work out some
arrangement with existing creditors whereby, in consideration of new capital
coming into the business, or perhaps by reason of a relatively small payment on
account, existing indebtedness and encumbrances will be deferred and subordi-
nated during the period of the proposed loans in order to provide adequate
security. In the event that such a plan can be effected, an incidental portion
of the loan may be used to make such payment on account.

(d) Loans for Tax Payments.—An incidental portion of loans may, under
certain circumstances, be applied to the payment of taxes on properties which
are necessary to the operation of the business.

The Corporation will not make loans to the fishing industry where the
operations of the borrower are not in accord with existing policies of conservation
of the U. S. Bureau of Fisheries nor of the various State conservation agencies.

3. ELIGIBILITY

Applications will be received from corporations, individuals, associations,
partnerships, and cooperatives engaged in the production, storage, handling,
packing, processing, carrying, and/or orderly marketing of fish of American
fisheries and/or products thereof.

The word, “fish”, means any animal habitually living in the water. Thus
lobster, shrimp, clam, oyster, seal, sponge, etc., are included within the purview
of this section, but seaweed, kelp, and other aquatic vegetation are not so
included.

4. SECURITY REQUIREMENTS

Section 15 of Public Act No. 417 requires that all loans thereunder shall
be made subject to the terms and conditions of Section 5 of the Reconstruction
Finance Corporation Act, as amended. Section 5 requires that all loans made
thereunder shall be “fully and adequately secured.” The security may consist
of any one or more of the following: a first mortgage on real estate, plant and
equipment, a first mortgage on vessels (must be a preferred mortgage in accord-
ance with the Ship Mortgage Act in the case of vessels of over 200 tons), a
first mortgage on chattels, assignment of current accounts or notes receivable,
trade acceptances, warehouse receipts on merchandise stored in bonded ware-
houses, or a first lien on other assets of sound value acceptable to the Corporation.
Full insurance must ordinarily be carried on any property mortgaged to the
Corporation and a portion of the loan may be used for such purpose. An
assignment of orders will not constitute adequate primary security, although
such orders are important to establish the ability of the applicant to repay the
loan. The Corporation will not usually consider as satisfactory primary security
the following: second mortgages, parts of a bond issue (even though such issue
is a first lien) unless the bonds have a readily ascertainable market value, shares
of stock of corporate applicants or shares of stock without readily ascertainable market value, franchises, patents, goodwill, or foreign securities. Any due or delinquent taxes constituting a lien on the properties or earnings of the business must usually be fully paid or provided for before any loan will be made.

5. COMPLIANCE WITH NATIONAL RECOVERY ADMINISTRATION CODES

Each applicant must execute a certificate that it is complying and will continue to comply with the approved code of fair competition for the applicant’s trade or industry, or subdivision thereof concerned, or, if there be no approved code of fair competition for the trade or industry in which the applicant is engaged, has signed, and is complying and will continue to comply with, the President’s Reemployment Agreement promulgated under authority of section 4 (a) of 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 his 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 or 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 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 and shall continue to comply with the agreement with the President under section 4 (a) of the National Industrial Recovery Act. In the event that invitations for bids are issued by the applicant, or by his 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 his agreement as it may require.

6. 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, subject to the prior approval of the Corporation, however, may be allowed to pay the actual reasonable costs incurred in the making of 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 Reconstruction Finance Corporation. Such charges must be fully disclosed. A fee based upon a percentage of the loan 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.

7. SALARIES AND DIVIDENDS

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

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

8. AUDITS AND APPRAISALS

An independent audit of the applicant and an appraisal of plant and equipment, both satisfactory to Reconstruction Finance Corporation and made as of a date not more than 6 months preceding the date of filing of the application, will be required. Independent audits will not generally be required, however, in the case of loans of $10,000 or less when the applicant furnishes satisfactory sworn financial statements.

9. INFORMATION TO BE FILED AND METHOD OF FILING

The proper application forms may be obtained from the Loan Agency of the Reconstruction Finance Corporation serving the district in which the applicant is located. (See list of such Loan Agencies below and map showing Loan Agency Districts on page 5.) Applications should be filed with the Loan Agency serving applicant’s district. No application will be received directly at the Washington office of the Corporation.

All requests for further information should be directed to the local Loan Agency of the Corporation serving applicant’s district and not to the Washington office.

Each agency will maintain facilities for assisting applicants in determining the eligibility of their prospective loans, and for instructions in the preparation of applications.

10. LOCATIONS OF LOCAL LOAN AGENCIES OF RECONSTRUCTION FINANCE CORPORATION

(The territory served by each Loan Agency is indicated on the map on page 5 of this Circular.)

RECONSTRUCTION FINANCE CORPORATION LOAN AGENCY DISTRICTS

Map of the United States showing the districts of the Reconstruction Finance Corporation Loan Agency.
11. ACTS OF CONGRESS APPLICABLE TO LOANS OF THE CHARACTER HERIN DESCRIBED

The following section of Public, No. 417, Seventy-third Congress, applicable to loans of the character referred to in this Circular, is quoted for the information of applicants:

Sec. 15. The Corporation is authorized and empowered to make loans under section 5 of the Reconstruction Finance Corporation Act, as amended, to any person, association, or corporation organized under the laws of any State, the District of Columbia, Alaska, Hawaii, or Puerto Rico, for the purpose of financing the production, storage, handling, packing, processing, carrying, and/or orderly marketing of fish of American fisheries and/or products thereof upon the same terms and conditions, and subject to the same limitations, as are applicable in case of loans made under said section 5, as amended.

The following sections of the Reconstruction Finance Corporation Act, as amended, are applicable to loans under Section 15 of Public Act No. 417, 73d Congress:

Sec. 5. * * * All loans made under the foregoing provisions shall be fully and adequately secured. The Corporation, under such conditions as it shall prescribe, may take over or provide for the administration and liquidation of any collateral accepted by it as security for such loans. Such loans may be made directly upon promissory notes or by way of discount or rediscount of obligations tendered for the purpose, or otherwise in such form and in such amount and at such interest or discount rates as the corporation may approve: Provided, That no loans or advances shall be made upon foreign securities or foreign acceptances as collateral or for the purpose of assisting in the carrying or liquidation of such foreign securities and foreign acceptances. In no case shall the aggregate amount of advances made under this section to any one corporation and its subsidiary or affiliated organizations exceed at any one time 2% per centum of (1) the authorized capital stock of the Reconstruction Finance Corporation plus (2) the aggregate amount of bonds of the corporation authorized to be outstanding when the capital stock is fully subscribed.

Sec. 5b. Notwithstanding any other provision of law—

(1) * * * the period for which the Corporation may make loans or advances * * * under section 5 of this Act, may be five years, or any shorter period, from February 1, 1935 * * *.

(2) The Corporation may at any time, or from time to time, extend, or consent to the extension of, the time of payment of any loan or advance made by it, through renewal, substitution of new obligations, or otherwise, but the time for such payment shall not be extended beyond five years from February 1, 1935 * * *.