CIRCULAR NO. 17
(REVISED)
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, pursuant to the provisions of section 15 of the Act approved June 19, 1934, as amended (Public, No. 417, 73d Cong.), to persons, associations, or corporations 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.

The Corporation may also make loans to the fishing industry pursuant to the provisions of section 5d of the Reconstruction Finance Corporation Act, as amended. Detailed information regarding such loans is contained in Circular No. 13.

This circular relates to loans under section 15 of the Act approved June 19, 1934, as amended, mentioned above.

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.

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 or times as the Corporation may determine, but not later than January 31, 1945. 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 or to put back into service vessels which have been laid up, or 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) Loans to Pay Existing Indebtedness and Taxes.—The Corporation will
give consideration to applications for loans where a portion of the proceeds is
to be applied to the payment of taxes and existing indebtedness. Loans may
be considered where a substantial portion of the proceeds is to be used to satisfy
existing indebtedness on a compromise basis that would be satisfactory to the
Corporation, provided that it is shown that the loan is necessary to maintain
the employment of labor, and that the applicant, after the debt adjustment
(which may be made either by compromise settlement in full satisfaction of the
debt, or by partial payment in cash and the issuance of junior obligations or
equity securities), will have sufficient operating assets, and that there is reason-
able assurance of continuous operation.

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 or 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 term “fish” means any animal habitually living in water. Lobster,
shrimp, clam, oyster, seal, sponge, etc., therefore, are included within the pur-
view of section 15 of the Act approved June 19, 1934; but seaweed, kelp, and
other aquatic vegetation are not so included.

4. SECURITY REQUIREMENTS

Section 15 of the Act approved June 19, 1934, as amended, requires that
all loans thereunder shall be made upon the same terms and conditions, and
subject to the same limitations, as are applicable in case of loans made under
section 5 of the Reconstruction Finance Corporation Act, as amended. Among
other things, such section 5 requires that all loans made thereunder be “fully
and adequately secured.”

The security may consist of 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 accordance with the Ship Mortgage Act or amendments
thereto), an assignment of warehouse receipts for marketable merchandise
stored in satisfactory warehouses, a first mortgage on chattels or an assignment
of current receivables (accounts, notes, or trade acceptances); but such loans
generally will not be made on the sole security of unsecured receivables, or of
receivables representing non-industrial installment purchases, or of equipment
or other chattels not represented by warehouse receipts. The applicant may
offer, as additional collateral, a first lien on any other assets of sound value.

The Corporation will not consider as satisfactory primary security the
following: Second mortgages, shares of stock of corporate applicants, or shares
of stock without readily ascertainable market value, franchises, patents, goodwill, or foreign securities. An assignment of orders will not constitute satisfactory primary security; however, such orders may be important to establish the ability of the applicant to repay the loan. A pledge or mortgage of inventories generally will not be regarded as satisfactory collateral, unless stored in a bonded or otherwise acceptable warehouse or unless the applicable State law provides for creating and maintaining a satisfactory lien upon inventory not so warehoused.

5. COMPLIANCE WITH NATIONAL RECOVERY ADMINISTRATION CODES

Each applicant must execute a certificate that he is complying with and will continue to comply with each code of fair competition to which he is subject, and if engaged in any trade or industry for which there is no approved code of fair competition then, as to such trade or industry, that he has become a party to and is complying with and will continue to comply with an agreement with the President under section 4 (a) of the National Industrial Recovery Act.

In order to comply with Executive Order No. 6646 of March 14, 1934, each applicant must agree that all contracts and purchase orders by the applicant or by his general contractor, if any, for articles, materials, supplies, or services to be acquired in whole or in part with any of the proceeds of the loan, shall require, before performance or delivery, or entrance into any subcontracts or contracts, a certificate as hereinafter described, signed by the party awarded such contract, purchase order, or subcontract, and by all concerns supplying, directly or indirectly, the aforesaid articles, materials, supplies, or services. Such certificate shall state that the party signing the certificate is complying with and will continue to comply with each approved code of fair competition to which he is subject, and if engaged in any trade or industry for which there is no approved code of fair competition, then stating that as to such trade or industry, he has become a party to and is complying with and will continue to comply with an 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 articles, materials, supplies, or services to be acquired in whole or in part with any of the proceeds of the loan, such invitations shall contain a provision requiring 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 aforementioned articles, materials, supplies, or services.

In addition to the foregoing, certificates of compliance executed by the applicant and aforementioned parties must contain a provision that all other conditions and requirements of Executive Order No. 6646 are being and will be complied with. Each applicant must give the Corporation such proof of his 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 or 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, may be required. Independent audits will not generally be required, however, in the case of loans of $25,000 or less when the applicant furnishes 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 and map showing Loan Agency Districts, on pages 5 and 7, respectively.)

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 Loan Agency of the Corporation will, when requested, assist prospective borrowers in the preparation of their applications and in determining their eligibility for loans; but any such assistance, advice, or suggestions by such Loan Agencies shall in no sense be considered as a commitment or agreement by the Corporation to make a loan.
10. LOCATIONS OF LOCAL LOAN AGENCIES OF RECONSTRUCTION FINANCE CORPORATION

(The territory served by each Loan Agency is indicated on the map on page 7 of this Circular.)

Atlanta, Ga.  
Birmingham, Ala.  
Boston, Mass.  
Charlotte, N. C.  
Chicago, Ill.  
Cleveland, Ohio.  
Dallas, Tex.  
Denver, Colo.  
Detroit, Mich.  
El Paso, Tex.  
Helena, Mont.  
Houston, Tex.  
Jacksonville, Fla.  
Kansas City, Mo.  
Little Rock, Ark.  
Los Angeles, Calif.  
Louisville, Ky.  
Minneapolis, Minn.  
Nashville, Tenn.  
New Orleans, La.  
New York, N. Y.  
Oklahoma City, Okla.  
Omaha, Nebr.  
Portland, Oreg.  
Richmond, Va.  
Salt Lake City, Utah.  
San Antonio, Tex.  
San Francisco, Calif.  
Seattle, Wash.  
Spokane, Wash.  
St. Louis, Mo.

11. ACTS OF CONGRESS APPLICABLE TO LOANS OF THE CHARACTER HEREIN DESCRIBED

Section 15 of the Act approved June 19, 1934 (Public, No. 417, 73d Cong.), relative to loans of the character referred to in this Circular, follows:

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.

There are given below the pertinent portions of section 5 of the Reconstruction Finance Corporation Act, as amended, referred to in section 15 of the Act approved June 19, 1934, above quoted; as well as (1) section 4 of the Act approved June 10, 1933 (Public, No. 35, 73d Cong.); (2) an excerpt from section 3 of the Act approved January 31, 1935 (Public, No. 1, 74th Cong.); and (3) excerpts from section 16 of the Reconstruction Finance Corporation Act, as amended, which are applicable to loans under section 15 of the Act approved June 19, 1934:

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: * * *
SECTION 4 OF THE ACT APPROVED JUNE 10, 1933

The Reconstruction Finance Corporation shall not make, renew, or extend any loan under the Reconstruction Finance Corporation Act, as amended, or under the Emergency Relief and Construction Act of 1932, (1) if at the time of making, renewing, or extending such loan any officer, director, or employee of the applicant is receiving compensation at a rate in excess of what appears reasonable to the Reconstruction Finance Corporation, and (2) unless at such time the applicant agrees to the satisfaction of the corporation not to increase the compensation of any of its officers, directors, or employees to any amount in excess of what appears reasonable to the Reconstruction Finance Corporation while such loan is outstanding and unpaid. For the purposes of this section the term “compensation” includes any salary, fee, bonus, commission, or other payment, direct or indirect, in money or otherwise for personal services.

EXCERPT FROM SECTION 3, ACT APPROVED JANUARY 31, 1935

Notwithstanding any other provision of law limiting the maturity of obligations taken by it to shorter periods, the Reconstruction Finance Corporation may make loans or advances or renewals or extensions thereof to authorized borrowers or by other suitable agreement permit them to run so as to mature at such time or times as the corporation may determine, not later than January 31, 1945:

EXCERPTS FROM SECTION 16, RECONSTRUCTION FINANCE CORPORATION ACT, AS AMENDED

(a) Whoever makes any statement knowing it to be false, or whoever willfully overvalues any security, for the purpose of obtaining for himself or for any applicant any loan, or extension thereof by renewal, deferment of action, or otherwise, or the acceptance, release, or substitution of security therefor, or for the purpose of influencing in any way the action of the corporation, or for the purpose of obtaining money, property, or anything of value, under this Act, shall be punished by a fine of not more than $5,000 or by imprisonment for not more than two years, or both.

(b) Whoever (1) falsely makes, forges, or counterfeits any note, debenture, bond, or other obligation, or coupon, in imitation of or purporting to be a note, debenture, bond, or other obligation, or coupon, issued by the corporation, or (2) passes, utters or publishes, or attempts to pass, utter or publish, any false, forged or counterfeited note, debenture, bond, or other obligation, or coupon, purporting to have been issued by the corporation, knowing the same to be false, forged or counterfeited, or (3) falsely alters any note, debenture, bond, or other obligation, or coupon, issued or purporting to have been issued by the corporation, or (4) passes, utters or publishes, or attempts to pass, utter or publish, as true any falsely altered or spurious note, debenture, bond, or other obligation, or coupon, issued or purporting to have been issued by the corporation, knowing the same to be falsely altered or spurious, or any person who willfully violates any other provision of this Act, shall be punished by a fine of not more than $10,000 or by imprisonment for not more than five years, or both.

(c) The provisions of sections 112, 113, 114, 115, 116, and 117 of the Criminal Code of the United States (U. S. C., title 18, ch. 5, secs. 202 to 207, inclusive) in so far as applicable, are extended to apply to contracts or agreements with the corporation under this Act, which for the purposes hereof shall be held to include loans, advances, discounts, and rediscouts; extensions and renewals thereof; and acceptances, releases, and substitutions of security therefor.