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1 IN THE HOUSE

2 HOUSE BILL NO. 694

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 ELEVENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act establishing the prospectors' revolving loan  
7 fund."

8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

9 \* Section 1. AS 27 is amended by adding a new chapter to read:

10 CHAPTER 9. PROSPECTORS' REVOLVING LOAN FUND.

11 Sec. 27.09.010. PROSPECTORS' REVOLVING LOAN FUND. There is estab-  
12 lished in the Department of Commerce and Economic Development the pros-  
13 pectors' revolving loan fund. The department shall make loans from the  
14 fund to underwrite mineral exploration and development and mining ac-  
15 tivities in the state.

16 Sec. 27.09.020. ELIGIBILITY. The department may make loans under  
17 AS 27.09.010 to a person who demonstrates to the satisfaction of the  
18 department that he has

19 (1) at least five years of prospecting experience; and  
20 (2) a bona fide intent to use the money for the purposes  
21 described in AS 27.09.010.

22 Sec. 27.09.030. LOAN TERMS. (a) A loan granted under AS 27.09.010

23 (1) may not exceed \$1,000,000;  
24 (2) may not exceed a term of 15 years;  
25 (3) may not bear interest exceeding nine and one-half per-  
26 cent; and

27 (4) may not exceed 75 percent of the appraised value of the  
28 collateral used to secure the loan.

29 (b) A loan may not be made to a borrower under AS 27.09.010 if it

1 would result in an outstanding debt of the borrower to the fund in  
2 excess of \$5,000,000.

3 (c) A loan granted under AS 27.09.010 shall be secured by

4 (1) a first priority lien or mortgage; or

5 (2) a second priority lien or mortgage which is subordinate  
6 to a valid first priority lien or mortgage in favor of a private lending  
7 institution if the total financing does not exceed 100 percent of the  
8 appraised value of the collateral used to secure the loan.

9 (d) Unless the loan under AS 27.09.010 was to underwrite activi-  
10 ties relating to placer mining, repayment of the loan principal shall  
11 begin at the date of mineral production or five years from the date the  
12 loan is granted, whichever is sooner. For loans granted under AS 27.-  
13 09.010 to underwrite activities relating to placer mining, the depart-  
14 ment may not require repayment of principal to begin earlier than the  
15 end of the second placer mining season after the loan is granted. The  
16 accrual of interest on a loan granted under AS 27.09.010 begins when the  
17 loan is granted, and the accrued interest shall be repaid on a monthly  
18 basis. In this subsection "placer mining season" means the time during  
19 a consecutive 12-month period when placer mining activities may be  
20 conducted by virtue of the thawed and fluid condition of the streams and  
21 rivers in the area.

22 (e) If the department grants a loan under AS 27.09.010 which  
23 exceeds \$5,000, the department shall include in the loan agreement the  
24 following provisions:

25 (1) the department shall establish a separate account for the  
26 borrower and shall deposit the amount of the loan in the account;

27 (2) the borrower may withdraw from the account up to \$5,000  
28 for the purposes described in AS 27.09.010;

29 (3) if the borrower presents a signed and dated receipt for

1 materials, gear, or services purchased for the purposes described in  
2 AS 27.09.010, the department shall reimburse the borrower from the bor-  
3 rower's account in the amount shown on the receipt;

4 (4) if the borrower presents an executory contract of sale  
5 for materials, gear, or services for the purposes described in AS 27.-  
6 09.010, the department shall pay from the borrower's account the amount  
7 owed the party with whom the borrower has contracted in accordance with  
8 the terms of the contract.

9 (f) All principal and interest payments on loans made under AS 27.-  
10 09.010 shall be paid into the prospector's revolving loan fund.

11 Sec. 27.09.040. SALE OR TRANSFER OF MORTGAGES, BONDS, AND NOTES.

12 (a) The commissioner of commerce and economic development may sell or  
13 transfer at par value or at a premium or discount to any bank or other  
14 private purchaser for cash or other consideration the mortgages, bonds,  
15 and notes held by the Department of Commerce and Economic Development as  
16 security for loans made under AS 27.09.010.

17 (b) The commissioner of commerce and economic development may sell  
18 or transfer at par value to the Department of Revenue the mortgages,  
19 bonds, and notes held by the Department of Commerce and Economic De-  
20 velopment as security for loans made under AS 27.09.010. The Department  
21 of Revenue may purchase the mortgages, bonds and notes offered.

22 Sec. 27.09.050. REGULATIONS. The department shall adopt regula-  
23 tions in accordance with the Administrative Procedure Act (AS 44.62) to  
24 administer this chapter. Regulations relating to qualification of  
25 applicants shall be developed in coordination with the Department of  
26 Natural Resources, division of geological and geophysical surveys.

27 Sec. 27.09.060. DEFINITIONS. In AS 27.09.010 - 27.09.060,

28 (1) "department" means the Department of Commerce and Eco-  
29 nomic Development;

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(2) "fund" means the prospectors' revolving loan fund.