
AN ACT

To establish a Federated States of Micronesia Airline Corporation,
and for other purposes.

BE IT ENACTED BY THE CONGRESS OF THE FEDERATED STATES OF MICRONESIA:

1 Section 1. Short title. This act may be cited as the
2 "Federated States of Micronesia Airline Corporation Act of 1987."

3 Section 2. Establishment of Corporation. The Federated States
4 of Micronesia Airline Corporation is hereby established as a public
5 corporation under the laws of the Federated States of Micronesia.
6 It may be hereinafter referred to as "the Corporation."

7 Section 3. Powers and responsibilities of the Corporation. The
8 Corporation has the following powers and responsibilities:

9 (1) To be the flag carrier of the Federated States
10 of Micronesia, providing air transportation services

11 throughout the Nation;

12 (2) To contract with domestic and foreign persons and
13 corporations for the provision of aircraft and services;

14 (3) To operate international and domestic air trans-
15 portation services;

16 (4) To train citizens as pilots and for other
17 related professions;

18 (5) To act as a "Freely Associated State Air Carrier"
19 within the meaning of the Federal Program and Services Agreement
20 concluded pursuant to the Compact of Free Association;

21 (6) To engage in support activities, including, but not
22 limited to, freight terminal and delivery activities and passenger

1 services; and

2 (7) To enter into joint ventures with other entities in
3 order to effectuate its operations.

4 Section 4. Legal capacity of the Corporation. In performing the
5 functions authorized by this act or other law of the Federated
6 States of Micronesia, the Corporation shall have the capacity to
7 exercise all powers normally exercised by a corporation, including,
8 but not limited to, the following:

9 (1) To adopt, alter, and use a corporate seal;

10 (2) To adopt and amend bylaws governing the conduct
11 of its business and the exercise of its powers;

12 (3) To sue and be sued in its corporate name;

13 (4) To acquire, in any lawful manner, real, personal, or
14 mixed property, either tangible or intangible; to hold, maintain,
15 use, and operate such property; and to sell, lease, or otherwise
16 dispose of such property;

17 (5) To acquire and take over in any lawful manner the
18 business, property, assets, and liabilities of any entity;

19 (6) To borrow or raise any sum or sums of money and to
20 issue corporate bonds on such security and upon such terms as
21 may from time to time be deemed necessary for the expansion and
22 improvement of air transportation services;

23 (7) To retain and terminate the services of employees,
24 agents, attorneys, auditors, and independent contractors upon such
25 terms and conditions as it may deem appropriate; and

1 (8) To do all such other things as may be deemed inciden-
2 tal to or conducive to the attainment of the responsibilities of the
3 Corporation.

4 Section 5. Debts and obligations of the Corporation. Unless
5 otherwise provided by law, the debts and obligations of the Corporation
6 shall not be debts or obligations of the Government of the Federated
7 States of Micronesia, nor shall the Government of the Federated States
8 of Micronesia be responsible for any such debts or obligations.

9 Section 6. Tax liability. The Corporation shall exist and
10 operate solely for the benefit of the public and shall be exempt
11 from any taxes or assessments on any of its property, operations, or
12 activities. Nothing herein shall be deemed to exempt employees and
13 independent contractors of the Corporation from tax liability for
14 services rendered to the Corporation; and the Corporation shall be
15 liable for employers' contributions to the Social Security System
16 of the Federated States of Micronesia in the manner provided by law.

17 Section 7. Board of Directors - Establishment.

18 (1) The affairs of the Corporation shall be managed and
19 its corporate powers exercised by a Board of Directors, hereinafter
20 referred to as "the Board."

21 (2) Until the first Board of Directors is appointed
22 pursuant to sections 8 and 9 hereof, the working committee on air
23 transportation as established by Congressional Resolution No. 4-53
24 shall serve as the Board of Directors.

25 Section 8. Board of Directors - Composition. The Board

1 shall be composed of seven members. Two members shall be
2 appointed by the President of the Federated States of Micronesia
3 with the advice and consent of the Congress. The Governor of each
4 State of the Federated States of Micronesia shall appoint one member
5 of the Board with the advice and consent of the respective State
6 legislature. The chief executive officer of the Corporation
7 shall serve, ex officio, as a member of the Board with full rights
8 of membership.

9 Section 9. Board of Directors - Organizational meeting.

10 (1) Within 60 days of the confirmation of all
11 members of the Board, as set forth in section 8 of this act, and
12 annually thereafter on such dates as are set by the Board, the
13 Board shall meet to select its officers and to conduct such other
14 business as it shall deem advisable.

15 (2) At the first such meeting, the appointed members
16 of the Board shall determine by lot the length of their initial
17 terms, with two members serving initial terms of 1 year, two
18 serving initial terms of 2 years, and two serving initial terms
19 of 3 years.

20 Section 10. Board of Directors - Terms of office. Terms of
21 office shall be for a period of 3 years, except that the initial
22 terms of office and the filling of vacancies shall be as provided by
23 this act. The terms of office shall commence on the date of the
24 organizational meeting of the Board.

25 Section 11. Board of Directors - Vacancies.

1 (1) Each vacancy on the Board shall be filled for the
2 unexpired portion of the term in the same manner as originally
3 filled. Upon determination that a vacancy exists, the chairman
4 or, in his absence, the presiding officer of the Board shall issue
5 a notice of vacancy to all members of the Board and the parties
6 responsible for filling the vacancy.

7 (2) Any vacancy occasioned by failure to make a
8 nomination to the Congress or a State legislature prior to the
9 expiration of the previous term, or by failure to submit a
10 nomination within 60 days of receipt of notice that a vacancy
11 exists, or within 10 days of receipt of notice of rejection of a nomina-
12 tion, shall be filled by nomination of the Speaker of the Congress or the
13 Speaker of the State legislature, subject to advice and consent of
14 the Congress or the legislature or an authorized committee
15 thereof. The nomination of the President or Governor shall be entitled
16 to consideration if such nomination is made prior to that of the Speaker.

17 Section 12. Board of Directors - Removal.

18 (1) Members of the Board may be removed from the Board
19 for failure to attend three consecutive meetings of the Board.

20 (2) A member may be removed by a majority vote of all
21 other members of the Board for neglect of duty or malfeasance in
22 office. Notification of intent to call for removal
23 pursuant to this subsection shall be made at least 30 days in
24 advance, by means which shall be described in the bylaws of the
25 Corporation, and shall include a summary of the basis of the charges

1 against the member and identification of the witnesses to be called
2 and evidence to be used.

3 (3) The Supreme Court of the Federated States of Micro-
4 nesia shall have jurisdiction to hear claims of wrongful removal.

5 Section 13. Board of Directors - Officers. The Board shall
6 elect from among its members a chairman, vice chairman, and
7 secretary-treasurer. The chairman shall ordinarily preside at
8 Board meetings. In his absence the vice chairman shall preside.
9 The bylaws shall provide for determination of the presiding officer
10 in the absence of these officers.

11 Section 14. Board of Directors - Regular meetings. Regular
12 meetings shall be held not less than once per calendar quarter, at
13 such times and place or places as shall be determined by the bylaws.

14 Section 15. Board of Directors - Special meetings. Special
15 meetings shall be called by the chairman on his own initiative, or by
16 petition of two of the members, pursuant to notice as shall be
17 provided in the bylaws.

18 Section 16. Board of Directors - Quorum. A quorum of all
19 regular business of the Board shall be four members.

20 Section 17. Board of Directors - Executive committee -
21 Establishment; Meetings. There shall be an executive committee of
22 the Board composed of the chairman, vice chairman, and secretary-
23 treasurer, or their individually designated substitutes chosen from
24 among the membership of the Board. The executive committee shall
25 meet with the chief executive officer at least once per calendar

1 quarter at such times and places as shall be determined by the
2 bylaws.

3 Section 18. Board of Directors - Executive committee -
4 Powers. The executive committee shall be empowered to conduct
5 all business of the Board, except that the executive committee
6 shall not have the authority to terminate the services of the
7 chief executive officer, to retain the services of a new
8 chief executive officer, to alter the senior levels of the
9 administrative structure of the Corporation, to approve the
10 budget of the Corporation, or to increase the indebtedness of
11 the Corporation beyond such limits as are provided in the bylaws,
12 without the concurrence of the Board.

13 Section 19. Board of Directors - Record of meetings. The
14 secretary-treasurer, or in his absence another member designated by
15 the bylaws, shall keep full and accurate minutes of all meetings.

16 Section 20. Board of Directors - Compensation of directors.
17 Directors who are employees or officials of the National Government or
18 a State government of the Federated States of Micronesia shall receive
19 no additional compensation for their service as members of the Board.
20 The compensation of members who are not Government employees or
21 officials shall be determined by the Board. All members of the Board
22 shall be entitled to compensation for travel and per diem at
23 established Federated States of Micronesia Government rates when
24 serving the Corporation.

25 Section 21. Management. There shall be a chief executive

1 officer of the Corporation, whose compensation, title, and term
2 of office shall be determined by the Board. The chief executive
3 officer shall be responsible for the management of the operations
4 of the Corporation, and shall, in accordance with the policies
5 established by the Board, retain, direct, and terminate the services
6 of employees. Subject to the Board's approval, in the event that
7 the chief executive officer is not a citizen of the Federated States
8 of Micronesia, the chief executive officer shall select and train a
9 citizen of the Federated States of Micronesia to take over the
10 responsibilities of the chief executive officer as soon as feasible.

11 Section 22. Budget and finance officer. The chief
12 executive officer shall appoint, with the concurrence of the Board,
13 a budget and finance officer, for such term as shall be provided in
14 the bylaws of the Corporation. The budget and finance officer shall
15 receive and disburse all funds of the Corporation. The Board may
16 require that the budget and finance officer shall execute,
17 at the expense of the Corporation, a good and sufficient bond with
18 sureties authorized to do business in the Federated States of
19 Micronesia. The budget and finance officer shall serve at all
20 times under the direct supervision of the chief executive officer.

21 Section 23. Budget preparation. The budget and finance officer
22 shall prepare in advance of each fiscal year, under the supervision
23 of the chief executive officer, an annual budget for the
24 Corporation, taking into consideration anticipated capital and
25 operational expenditures and anticipated revenues. The Corporation

1 shall use the same fiscal calendar as that of the Government of the
2 Federated States of Micronesia. The budget shall indicate the
3 operational, capital, and maintenance requirements of the Corporation
4 that will be met with the anticipated revenues of the Corporation,
5 and such essential requirements as cannot be met without increase
6 in the rate of revenues or outside financial assistance.

7 Section 24. Supplemental budget requests. To the extent that
8 the Corporation deems it necessary and advisable, the Corporation
9 is authorized to seek appropriations from the Congress of the
10 Federated States of Micronesia, and, to the extent approved by the
11 President of the Federated States of Micronesia, grants from sources
12 outside of the Federated States of Micronesia, of such funds
13 as are necessary to supplement revenues to provide for the
14 operations, maintenance, and expansion of the air transportation
15 system of the Corporation.

16 Section 25. Accounts and records.

17 (1) The Board and the chief executive officer shall be
18 jointly responsible to ensure that the budget and finance officer
19 establishes and maintains a complete set of accounting records
20 consistent with generally accepted accounting principles pertinent
21 to the nature of the Corporation and its operations.

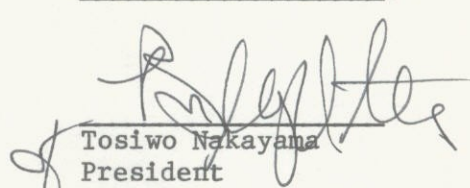
22 (2) The Board, not later than 90 days after the
23 close of each governmental fiscal year, shall submit to the President,
24 the Congress, and the Governor and legislature of each State a
25 complete report, including financial statements, prepared in

1 accordance with generally accepted accounting principles and
2 standards, showing the activities of the Corporation during the
3 fiscal year, the present condition of the Corporation, and such
4 other matters as the Board shall deem appropriate. Financial
5 statements shall include at least a balance sheet, income
6 statement, statement of changes in financial position, and
7 statement of changes in capital.

8 (3) The financial statements of the Corporation shall
9 be audited no less frequently than annually by either the Public
10 Auditor or a Certified Public Accountant selected by the Board
11 of Directors.

12 Section 26. Effective date. This act shall become law upon
13 approval by the President of the Federated States of Micronesia or
14 upon its becoming law without such approval.

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3-5, 1987

Tosiwo Nakayama
President
Federated States of Micronesia