March 20, 2008

The Honorable Isaac V. Figir
Speaker
15th FSM Congress
Palikir, Pohnpei, FM 96941

Re: Congressional Act No. 15-35

Dear Speaker Figir:

I have designated the following Congressional Act as Public Law No. 15-29.

Congressional Act No. 15-35, "AN ACT TO FURTHER AMEND TITLE 30 OF THE CODE OF THE FEDERATED STATES OF MICRONESIA, AS AMENDED, BY ADDING A NEW CHAPTER 4 TO ESTABLISH FEDERATED STATES OF MICRONESIA VENTURE FUNDS, AND FOR OTHER PURPOSES."

Sincerely,

Manny Mori
President

Enclosures:

XC: Chief Justice, FSM Supreme Court
   Secretary, Department of Justice
   Legislative Counsel, CFISM
   Library, CFISM
   Director, SBOC
   PIO, FSM
February 26, 2008

His Excellency Manny Mori
President
Federated States of Micronesia
Palikir, Pohnpei FM 96941

Dear Mr. President:

I have the honor to transmit herewith Congressional Act No. 15-35, "AN ACT TO FURTHER AMEND TITLE 30 OF THE CODE OF THE FEDERATED STATES OF MICRONESIA, AS AMENDED, BY ADDING A NEW CHAPTER 4 TO ESTABLISH FEDERATED STATES OF MICRONESIA VENTURE FUNDS, AND FOR OTHER PURPOSES.", which was passed by the Fifteenth Congress of the Federated States of Micronesia, Third Regular Session, 2008, by a two-thirds vote of all the State delegations as required and as duly certified.

Sincerely yours,

Liwiana K. Ramon
Chief Clerk, Congress of the
Federated States of Micronesia

Enclosures
An Act

TO FURTHER AMEND TITLE 30 OF THE CODE OF THE FEDERATED STATES OF MICRONESIA, AS AMENDED, BY ADDING A NEW CHAPTER 4 TO ESTABLISH FEDERATED STATES OF MICRONESIA VENTURE FUNDS, AND FOR OTHER PURPOSES.

INTRODUCED BY SENATOR: JOE N. SUKA (BY REQUEST)
DATE: SEPTEMBER 03, 2007

REFERRED TO: WAYS AND MEANS COMMITTEE
WITHDRAWN – FEBRUARY 19, 2008
FIRST READING: FEBRUARY 19, 2008
SECOND READING: FEBRUARY 20, 2008

Liwiana K. Ramon
Chief Clerk, FSM Congress
PRESIDENTIAL COMM. NO. 15-35

ACT NO. 15-35

(CONGRESSIONAL BILL NO. 15-55)

We hereby certify that on February 20 the foregoing act passed Second and Final Reading of the Fifteenth Congress of the Federated States of Micronesia, Third Regular Session, 2008, by a two-thirds vote of all the State delegations as required under article IX, section 20, of the Constitution of the Federated States of Micronesia.

Isaac V. Figir
Speaker
Congress of the Federated States of Micronesia

Liwiana K. Ramon
Chief Clerk
Congress of the Federated States of Micronesia
AN ACT

To further amend title 30 of the Code of the Federated States of Micronesia, as amended, by adding a new chapter 4 to establish Federated States of Micronesia Venture Funds, and for other purposes.

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

Section 1. The Code of the Federated States of Micronesia, as amended, is hereby further amended by enacting a new chapter 4 to title 30 entitled “Federated States of Micronesia Venture Funds”.

Section 2. The Code of the Federated States of Micronesia, as amended, is hereby further amended by enacting a new section 401 of title 30 to read as follows:

“Section 401. Short title. This chapter may be cited as the ‘Federated States of Micronesia Venture Funds Act of 2007’.”

Section 3. The Code of the Federated States of Micronesia, as amended, is hereby further amended by enacting a new section 402 of title 30 to read as follows:

“Section 402. Purpose. The purpose of this act is to encourage the establishment of Venture Funds in the Federated States of Micronesia, hereinafter referred to as ‘FSM’, and to provide an incentive for large foreign companies to register Major Corporations in the FSM. The Congress finds it desirable and necessary to promote
the continued expansion of the tax base of the nation.
The Congress believes that agreeing to invest a portion
of large corporate income tax payments by Major
Corporations in Venture Funds, to be managed by parents
or affiliates of such Major Corporations, would attract
large foreign-owned enterprises to more seriously
consider registering Major Corporations in the FSM and
directing larger amounts of profitable business through
such Major Corporations. By requiring that a portion of
such Venture Funds be invested in new companies and
industries registered in the FSM, the Congress is
encouraging the development of 'knowledge industries'
that tap into humankind's creative genius in developing
new forms of communications, materials, energy, and
healthcare. Such new FSM corporations with intellectual
property could continue to generate income over the
coming years and decades. The government will be able
to then tax these incomes, thus expanding the tax base
that is needed by the government to provide the services
that the citizens and residents of the FSM demand. It
is recognized that the nation currently does not have
the resources to make investments in these new
industries and that a private-public partnership is
needed to finance and grow these industries. Therefore,
it is in the best interests of the FSM and its people
that incentives are provided for Major Corporations to
establish professionally managed funds that will
consider new business opportunities and make wise
investments."

Section 4. The Code of the Federated States of Micronesia,
as amended, is hereby further amended by enacting a new section
403 of title 30 to read as follows:

"Section 403. Creation.

(1) Any Major Corporation that pays corporate income
tax to the FSM exceeding $50,000,000 in any one calendar
year may require that an amount equivalent to up to 30%
of the amount of income taxes it paid will be invested
by the FSM into a FSM Venture Fund, and the Major
Corporation may also select the Fund Manager for this
Fund.

(2) Any Major Corporation that pays corporate income
tax to the FSM exceeding $80,000,000 in any one calendar
year may require that an amount equivalent to up to 48%
of the amount of income taxes it paid will be invested
by the FSM into a FSM Venture Fund, and that the Major
Corporation may also select the Fund Manager for this
Fund.

(3) Any Major Corporation that pays corporate income
tax to the FSM exceeding $100,000,000 in any one
calendar year may require that an amount equivalent to
up to 57% of the amount of income taxes it paid will be
invested by the FSM into a FSM Venture Fund, and that
the Major Corporation may also select the Fund Manager
for this Fund.

(4) These FSM Venture Funds, hereinafter each
referred to as a 'Fund', will invest in new industries
that may include software development, development of
new drugs, medicines, and medical devices and
procedures, entertainment, Internet content and
distribution, telecommunication devices and access, high
growth technology businesses benefiting from the rapid
adoption and deployment of broadband and mobile
technologies, development of new and improved materials,
new forms of energy and other types of investments that
that Fund Manager may deem worthy."

Section 5. The Code of the Federated States of Micronesia,
as amended, is hereby further amended by enacting a new section
404 of title 30 to read as follows:

"Section 404. Letter of intent. Each Major Corporation
that intends to establish a Fund must deliver a letter
to the President of the Federated States of Micronesia
Development Bank, between 60 days and 90 days after the
delivery of its payment of corporate income tax to the
FSM, signed by a director of the Major Corporation,

stating that it intends to establish a Fund and
will be established by the Secretary of Finance and Administration no later than 60 days after the date of publication of the notice described in Section 405, and all investors must have deposited their monies into the Fund no later than the end of the 60th day after publication. The President of the Federated States of Micronesia Development Bank will ensure that the government and all other investors have their funds deposited into the Fund by this date. The Secretary of Finance and Administration is authorized and required to deposit into the Fund such tax revenue as may be required pursuant to Sections 403 and 404 of this Chapter."

Section 8. The Code of the Federated States of Micronesia as amended, is hereby further amended by enacting a new section 407 of title 30 to read as follows:

"Section 407. Duration of funds. Each Fund will have a life of 10 years, at which time the original capital amount of the funds will be returned to the investors, along with 3% of the value of the Fund which is then in excess of the original capital amount, after all interest payments are made to investors. Furthermore, interest at the rate of 3% per annum will also be paid to the investors within 30 days of the end of each fiscal year."
Section 9. The Code of the Federated States of Micronesia, as amended, is hereby further amended by enacting a new section 408 of title 30 to read as follows:

"Section 408. Investment in Venture Funds by Federated States of Micronesia citizens and corporations.

Citizens and corporations of the Federated States of Micronesia may invest in a Fund. The minimum investment shall be $100,000."

Section 10. The Code of the Federated States of Micronesia as amended, is hereby further amended by enacting a new section 409 of title 30 to read as follows:

"Section 409. Guarantee of repayment of original capital amounts. The fund manager, or its parent organization, or an unrelated party (the "Guarantor"), must at the outset guarantee the repayment of the original capital amounts invested in a Fund, at the end of the life of the Fund. The Guarantor must be rated at least investment grade rated by Moody's or Standard and Poors or Fitch or a national rating organization acceptable to the President of the Federated States of Micronesia Development Bank, or it must have a net worth of least ten times the original capital of the Fund. The President of the Federated States of Micronesia Development Bank will ensure that the Guarantor meets the criteria set out in this section."
Section 11. The Code of the Federated States of Micronesia, as amended, is hereby further amended by enacting a new section 420 of title 30 to read as follows:

"Section 420. Guarantee of payment of interest. The Guarantor must also guarantee the payment of interest to investors at the end of each fiscal year during the life of the Fund, at the rate of 3% per annum."

Section 12. The Code of the Federated States of Micronesia, as amended, is hereby further amended by enacting a new section 421 of title 30 to read as follows:

"Section 421. Required investment in corporations registered in the Federated States of Micronesia. By the end of the fifth year and at the end of the tenth year of the Fund, at least 15% of the Fund must be invested in corporations registered in the FSM."

Section 13. The Code of the Federated States of Micronesia, as amended, is hereby further amended by enacting a new section 422 of title 30 to read as follows:

"Section 422. Reports to investors. At the end of each year, the Fund Manager will issue a report to each investor stating new investments, sales or other dispositions of investments, the rationale for new investments and dispositions of investments, and the rationale for each current holding, and its estimate of the value of each investment and the resulting gain or
loss during the current year and since the inception of
the Fund."

Section 14. The Code of the Federated States of Micronesia,
as amended, is hereby further amended by enacting a new section
423 of title 30 to read as follows:

"Section 423. Appraiser's annual report. Ninety days
before the end of the tenth year of the Fund, an
independent appraiser qualified in the valuation of
companies will value each of the holdings in the Fund,
and the overall Fund. The appraiser will issue a report
detailing the current value of each investment, and the
methodology for determining each investment's valuation.
The report will be signed by the appraiser and sent
directly to each investor 30 days before the end of the
tenth year of the Fund. The cost of the appraiser will
be an appropriate expense of the Fund. Six months before
the end of the tenth year of the Fund, the Fund Manager
will recommend an appraiser to the President of the
Federated States of Micronesia Development Bank. If the
Board of Directors of the Federated States of Micronesia
Development Bank approves the recommendation, the
appraiser will be hired. If it does not, the matter
will be decided by the arbitration panel described in
the contract between the Investors and the Fund
Manager."
Section 15. The Code of the Federated States of Micronesia, as amended, is hereby further amended by adding a new section 424 of title 30 to read as follows:

"Section 424. Advisory board. Each Fund shall have an Advisory Board that shall give advice to the Fund Manager. The Board shall consist of at least 5 people that are selected by the President of the Federated States of Micronesia, with the advice and consent of the Congress. The Board shall meet at least once a year and shall give advice to the Fund Manager. The costs of the Advisory Board shall be an appropriate expense of the Fund."

Section 16. The Code of the Federated States of Micronesia, as amended, is hereby further amended by enacting a new section 425 of chapter 4 to read as follows:

"Section 425. Expiration date. The provisions in this act, specifically Section 401, will expire on April 1, 2014, unless extended by law."
Section 17. This act shall become law upon approval by the President of the Federated States of Micronesia or upon its becoming law without such approval.

03.20, 2008

Manny Mori
President
Federated States of Micronesia