AN ACT

To authorize the President of the Federated States of Micronesia to execute a full faith and credit guaranty as security for a loan agreement between the FSM Petroleum Corporation and the Bank of Guam.

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

Section 1. Purpose. The newly created FSM Petroleum Corporation (FSMPC) is in the process of consummating a transaction with Mobil Oil Micronesia, Inc. (MOMI) to purchase MOMI’s fuel facilities located within the FSM and to enter into a new fuel supply agreement with MOMI and is in need of a commercial loan in order to complete these deals and begin its operations. FSMPC has negotiated a loan with the Bank of Guam (BOG) in the amount of $9,740,000. BOG requires FSMPC to secure from the President a “full faith and credit guaranty,” the essence of which is that the National Government will agree to become jointly and severally liable for FSMPC’s payment obligations under the loan and consent to waive its sovereign immunity for the transaction. A limited waiver of sovereign immunity is codified at 6 F.S.M.C. § 702. However, pursuant to 27 F.S.M.C § 251 (as enacted by Public Law No. 15-08), the National Government will not assume the debts of FSMPC in the absence of a law expressly authorizing such assumption.

Section 2. Authorization. Pursuant to the borrowing authority bestowed by article IX of the FSM Constitution, 27 F.S.M.C. § 251, and 6 F.S.M.C § 702, the Congress hereby
authorizes the President to execute the guaranty with the Bank of Guam and waives the sovereign immunity of the National Government with regard to any legal action arising from the guaranty.

Section 3. This act shall become law upon approval by the President of the Federated States of Micronesia or upon its becoming law without such approval.

December 20, 2007

/s/ Alik L. Alik
Manny Mori
President
Federated States of Micronesia