A BILL FOR AN ACT

To further amend sections 403, 407, 421, 423 and 425 of title 30 of the Code of the Federated States of Micronesia, as enacted by Public Law No. 15-29, by increasing and setting a ceiling for corporate income tax to be invested in a FSM venture funds, decrease percentages of income tax invested into a FSM venture fund, change the duration and the expiration date of both new investments and new venture funds, and for other purposes.

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

Section 1. Section 403 of title 30 of the Code of the Federated States of Micronesia, as enacted by Public Law No. 15-29, is hereby amended 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."
(1) Any Major Corporation that pays corporate income tax to the FSM exceeding $100,000,000 but not exceeding $500,000,000 in any one calendar year may require that an amount equivalent to up to 50% 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.

(2) Any Major Corporation that pays corporate income tax to the FSM exceeding $500,000,000 in any one calendar year may require that an amount equivalent to up to 50% of $500,000,000 and up to 75% of the amount in excess of $500,000,000 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) 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 2. Section 407 of title 30 of the Code of the Federated States of Micronesia, as enacted by Public Law No. 15-29, is hereby amended to read as follows:

“Section 407. Duration of funds. Each Fund will [have a life of] end on the date that is the earlier of 10 years from the date the Fund was created, or December 31, 2032. [at which time] At the end of the life of a Fund, the following amounts must be paid to investors: (1) the original capital amount [of] invested in the funds by that investor [will be returned to the investors, along with 3]; and (2) 20% of [the value of the Fund which is then in excess of] any amount remaining in the Fund after repayment of the original capital amount[,] after[ ]and all interest payments are made to investors. Each investor’s share of the 20% of any amount remaining in the Fund after repayment of the original capital amount and all interest payments are made to investors will be in proportion to each investor’s original investment in the Fund.

Notwithstanding the preceding sentence, beginning in 2023, all Funds must begin returning the original capital amount to the investors, by making equal payments each year so that the entire payment of the
original capital amount to the investors is made by the earlier of 10 years from the creation of the Fund, or December 31, 2023. Any installment payment so the original capital amount will be paid to the investors within 0 days of the end of each fiscal year, except for payments for the final year of the Fund. Furthermore, interest at the rate of 3% per annum of any Capital amount in the Fund at the beginning of the fiscal year will also be paid to the investors within 30 days of the end of each fiscal year, except for the final year of the Fund. Any payments due to the investors for the final year of the Fund will be due on the earlier of the last day for the fiscal year of the Fund, or December 31, 2032."

Section 3. Section 421 of title 30 of the Code of the Federated States of Micronesia, as enacted by Public Law No. 15-29, is hereby repealed in its entirety.

Section 4. Section 423 of title 30 of the Code of the Federated States of Micronesia, as enacted by Public Law No. 15-29, is hereby amended to read as follows:

"Section 423. Appraiser’s annual report. Ninety days before the end of the [tenth] final 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] final 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] final 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 5. Section 425 of title 30 of the Code of the Federated States of Micronesia, as enacted by Public Law No. 15-29, is hereby amended to read as follows:

“Section 425. Expiration date. No new investments may be made and no Funds created pursuant to section 403 of this act, specifically section 401, on or after April 1, 2025, unless extended by law. The provisions in this act, specifically Section 401, will expire on [April 1, 2014] January 1, 2033, unless extended by law.”
Section 6. This act shall become law upon approval by the President of the Federated States of Micronesia or upon its becoming law without such approval.

Date: 1/15/14

Introduced by: /s/ Florencio S. Harper

Florencio S. Harper
(by request)