AN ACT

To amend Sections 1, 3 (1) (2), 4 (1), 5, and 6 of Chapter 1 and Sections 51, 52, and 54 of Chapter 3 of Title 37 of the Trust Territory Code relating to Corporations, Partnerships and Associations, and for other purposes.

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

1. Section 1 of Title 37 of the Trust Territory Code is hereby amended to read as follows:

"Section 1. Authority of President to grant corporate charters, establish public corporations. The President of the Federated States of Micronesia or his designee may grant charters of incorporation for the establishment and functioning of business organizations, associations of persons for any lawful purpose other than pecuniary profit, cooperatives and credit unions. The President of the Federated States of Micronesia may create and establish public corporations subject to approval and consent of the Congress of the Federated States of Micronesia."

2. Section 2. Subsections (1) and (2) of Section 3 of Title 37 of the Trust Territory Code are hereby amended to read as follows:

"Section 3. Application for Charter-Contents of documents.

(1) An association of persons seeking a charter as a corporation shall submit for the approval of the President of the Federated States of Micronesia or his designee articles of incorporation which shall provide at least the following information:

(a) Proposed name of the corporation.

(b) Principal office or place of business.

(c) Proposed duration."
(d) Purposes.

(e) Powers.

(f) Capitalization.

(g) Names of incorporators.

(h) Number of directors, which shall be not less than three, and proposed officers.

(i) Names of directors and officers to serve until first election.

(j) Provisions for management, if any.

(k) Provision for voting by members.

(l) Provisions for shareholding, if any.

(m) Disposition of financial surplus.

(n) Provisions for liquidation.

(o) Provisions for amendment of articles of incorporation.

(2) In addition to articles of incorporation, persons seeking a charter as a corporation shall submit for the approval of the President of the Federated States of Micronesia or his designee proposed by-laws governing the operation of the corporation."

Section 3. Subsection (1) of Section 4 of Title 37 of the Trust Territory Code is hereby amended to read as follows:

"Section 4. Audits and inspections authorized-Application to non-profit corporations.

(1) The President of the Federated States of Micronesia
or his designee may appoint officers to audit and report on the accounts of corporations authorized to do business within the Federated States of Micronesia and such officers shall have the right at any and all times to inspect, examine and audit the books and accounts of such corporations.

(2) Any members of a nonprofit corporation shall have the right to inspect and examine the books and accounts of the corporation of which he is a member, provided that such inspection and examination shall be held at the place where such books and accounts are normally kept, and shall take place on week-days during normal business hours in such a manner as not to interfere with usual conduct of business or corporate affairs."

Section 4. Section 5 of Title 37 of the Trust Territory Code is hereby amended to read as follows:

"Section 5. Use of the terms 'cooperative' and 'credit union' restricted. No person, firm, corporation or association hereafter organized or doing business in the Federated States of Micronesia shall be entitled to use the terms 'cooperative' or 'credit union' as part of its corporate name or other business name or title, or otherwise represent itself to the public to be a nonprofit cooperative association or a credit union or cooperative savings and loan association unless it has complied with the provisions of this Chapter, except as provided in Section 2 above."
Section 5. Section 6 of Title 37 of the Trust Territory Code is hereby amended to read as follows:

"Section 6. Enjoinder of violations. Violations of the provisions of this Chapter or regulations promulgated hereunder are hereby declared to be enjoinable, and the Attorney General of the Federated States of Micronesia, or a State Attorney in the name of said Attorney General, shall have the power to seek appropriate relief from such violations or from other corporate practices in violation of the law of the Federated States of Micronesia or contrary to the public interest."

Section 6. Section 51 of Title 37 of the Trust Territory Code is hereby amended to read as follows:

"Section 51. Registrar of Corporations-Office created-Duties. There shall be in the Department of Resources and Development a Registrar of Corporations appointed by the President of the Federated States of Micronesia, who shall issue, receive, and hold as custodian all certificates, papers, statements, or other records of documents required by the provisions of this Title, or rules or regulations promulgated hereunder, to be distributed by or filed with the Government of the Federated States of Micronesia, and shall perform such other duties as may from time to time be assigned to him by the President of the Federated States of Micronesia or the Secretary of Resources and Development."

Section 7. Section 52 of Title 37 of the Trust Territory Code is
hereby amended to read as follows:

"Section 52. Authority to promulgate rules and regulations. The Registrar of Corporations, with the approval of the Secretary of the Department of Resources and Development and the President of the Federated States of Micronesia, shall have the power to prescribe such rules and regulations as are deemed advisable to administer and carry into effect the provisions of this Title."

Section 8. Section 54 of Title 37 of the Trust Territory Code is hereby amended to read as follows:

"Section 54. Power to order production of records - Penalty for failure to comply. In connection with the duties prescribed in this Chapter the Registrar of Corporations is authorized and empowered to order the production of books of account, papers and documents of any corporation or company authorized to do business within the Federated States of Micronesia. Refusal without a showing of good cause, to produce books of account, papers, and documents within thirty days after an order for the production thereof shall be a misdemeanor punishable by a maximum fine of fifty dollars or, when the order is directed to an individual, imprisonment of such individual for a period not to exceed ninety days or both."

Section 9. Authority of the states. Nothing in this act may be construed as preventing a state from establishing its own process of incorporation; and upon application by a state, the President shall
transfer the function of incorporation to the state for any corporate
matter not within the exclusive authority of the National Government.
Section 10. This act shall become law upon approval by the President
of the Federated States of Micronesia, or upon its becoming law without
such approval.

January 7, 1985

[Signature]

Tosito Nakayama
President
Federated States of Micronesia