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A BILL FOR 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:

1           Section 1. Propose. The newly created FSM Petroleum  
2 Corporation (FSMPC) is in the process of consummating a  
3 transaction with Mobil Oil Micronesia, Inc. (MOMI) to purchase  
4 MOMI's fuel facilities located within the FSM and to enter into a  
5 new fuel supply agreement with MOMI and is in need of a commercial  
6 loan in order to complete these deals and begin its operations.  
7 FSMPC has negotiated a loan with the Bank of Guam (BOG) in the  
8 amount of approximately \$10,000,000. BOG requires FSMPC to secure  
9 from the President a "full faith and credit guaranty," the essence  
10 of which is that the National Government will agree to become  
11 jointly and severally liable for FSMPC's payment obligations under  
12 the loan and consent to waive its sovereign immunity for the  
13 transaction. A limited waiver of sovereign immunity is codified  
14 at 6 F.S.M.C. § 702. However, pursuant to 27 F.S.M.C § 251 (as  
15 enacted by Public Law No. 15-08), the National Government will not  
16 assume the debts of FSMPC in the absence of a law expressly  
17 authorizing such assumption.

18           Section 2. Authorization. Pursuant to the borrowing  
19 authority bestowed by article IX of the FSM Constitution, 27  
20 F.S.M.C. § 251, and 6 F.S.M.C § 702, the Congress hereby

1 authorizes the President to execute the guaranty with the Bank of  
2 Guam.

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

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7 Date: 11/14/07 Introduced by: /s/ Joe N. Suka  
Joe N. Suka

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