

AN ACT

To amend title 27 of the Code of the Federated States of Micronesia as enacted by Public Law No. 15-08 by amending Section 265 thereof to provide an alternative procedure for divestment of assets and operations of the Federated States of Micronesia Petroleum Corporation to the States in which they are located, and for other purposes.

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

1           Section 1. Title 27 of the Code of the Federated States of  
2 Micronesia, as enacted by Public Law No. 15-08, is hereby amended  
3 by adding a new subsection 3 to Section 265 thereof to read as  
4 follows:

5           "Section 265. Issuance of Shares; divestment.

6           (1) Upon the written instruction of the Executive  
7 Council, the Corporation shall, through the filing of  
8 such documents as may be required of privately-held  
9 corporations, including, without limitation, Articles of  
10 Incorporation, Bylaws and Share Affidavits, capitalize  
11 itself through the issuance of common shares and, in  
12 such event, the provisions of this Chapter shall be made  
13 subject to the terms of the Articles of Incorporation  
14 and Bylaws, and nothing in this Chapter shall be read as  
15 restricting the payment of dividends, the holding of  
16 annual shareholder's meetings, the conduct of audits for  
17 the benefit of shareholders, the election of Directors  
18 and such other corporate governance and shareholder's  
19 rights provisions as may be set out in the Articles of

1           Incorporation and Bylaws and approved by the Executive  
2           Council.

3           (2) Upon the written instruction of the Executive  
4           Council, the Corporation shall, subject to the  
5           conditions set forth in Section 243, take all necessary  
6           steps to divest its assets and operations, in whole or  
7           in part, to such entity or entities as shall be directed  
8           by the Executive Council. The Board and officers of the  
9           Corporation shall take all necessary actions to  
10          effectuate such divestment, including the execution of  
11          documents and instruments, and the turnover of books,  
12          records and personal property as shall be necessary to  
13          transfer operations and assets of the Corporation to the  
14          entity or entities designated by the Executive Council.  
15          Upon written instruction of the Executive Council  
16          following such divestment, the Corporation shall wind up  
17          its affairs and cease operation."

18          (3) Notwithstanding any other provisions of this  
19          Section, the assets and operations of the Corporation  
20          may be divested to the State in which the assets and  
21          operations are located if:

22                 (a) such State provides full payment or  
23                 reimbursement of all debts and expenses incurred by the  
24                 Government of the Federated States of Micronesia and the  
25                 Corporation in the acquisition of those assets, and any  
26                 product inventory remaining therein at the time of the

1           divestment;

2                   (b) such divestment is approved by the majority  
3           decision of the Executive Council; and

4                   (c) the manner of divestment does not breach any  
5           agreement to which the Corporation, the Government of  
6           the Federated States of Micronesia, or the State is  
7           bound in respect of the assets or the supply of  
8           products.

9           Section 2. Effectiveness. This act shall become law upon  
10   approval by the President of the Federated States of Micronesia or  
11   upon its becoming law without such approval.

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\_\_\_\_\_ December 7, 2007

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/s/ Manny Mori

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Manny Mori  
President  
Federated States of Micronesia

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