

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. Purpose. 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 \$9,740,000. BOG requires FSMPC to secure from the
9 President a "full faith and credit guaranty," the essence of which
10 is that the National Government will agree to become jointly and
11 severally liable for FSMPC's payment obligations under the loan
12 and consent to waive its sovereign immunity for the transaction.
13 A limited waiver of sovereign immunity is codified at 6 F.S.M.C. §
14 702. However, pursuant to 27 F.S.M.C § 251 (as enacted by Public
15 Law No. 15-08), the National Government will not assume the debts
16 of FSMPC in the absence of a law expressly authorizing such
17 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 and waives the sovereign immunity of the National Government
3 with regard to any legal action arising from the guaranty.

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

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December 20, 2007

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/s/ Alik L. Alik

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Manny Mori
President

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Federated States of Micronesia

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