
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:

1 Section 1. Section 403 of title 30 of the Code of the
2 Federated States of Micronesia, as enacted by Public Law No.
3 15-29, is hereby amended to read as follows:

4 "Section 403. Creation.

5 ~~[(1)Any Major Corporation that pays corporate income tax~~
6 ~~to the FSM exceeding \$50,000,000 in any one calendar~~
7 ~~year may require that an amount equivalent to up to 30%~~
8 ~~of the amount of income taxes it paid will be invested~~
9 ~~by the FSM into a FSM Venture Fund, and the Major~~
10 ~~Corporation may also select the Fund Manager for this~~
11 ~~Fund.~~

12 ~~(2) Any Major Corporation that pays corporate income~~
13 ~~tax to the FSM exceeding \$80,000,000 in any one calendar~~
14 ~~year may require that an amount equivalent to up to 48%~~
15 ~~of the amount of income taxes it paid will be invested~~
16 ~~by the FSM into a FSM Venture Fund, and that the Major~~
17 ~~Corporation may also select the Fund Manager for this~~

1 Fund.]

2 [3] (1) Any Major Corporation that pays corporate income
3 tax to the FSM exceeding \$100,000,000 but not exceeding
4 \$500,000,000 in any one calendar year may require that
5 an amount equivalent to up to [57] 50% of the amount of
6 income taxes it paid will be invested by the FSM into a
7 FSM Venture Fund, and that the Major Corporation may
8 also select the Fund Manager for this Fund.

9 (2) Any Major Corporation that pays corporate income
10 tax to the FSM exceeding \$500,000,000 in any one
11 calendar year may require that an amount equivalent to
12 up to 50% of \$500,000,000 and up to 75% of the amount in
13 excess of \$500,000,000 of income taxes it paid will be
14 invested by the FSM into a FSM Venture Fund, and that
15 the Major Corporation may also select the Fund Manager
16 for this Fund.

17 [4] (3) These FSM Venture Funds, hereinafter each referred
18 to as a 'Fund', will invest in new industries that may
19 include software development, development of new drugs,
20 medicines, and medical devices and procedures,
21 entertainment, Internet content and distribution,
22 telecommunication devices and access, high growth
23 technology businesses benefiting from the rapid adoption
24 and deployment of broadband and mobile technologies,
25 development of new and improved materials, new forms of

1 energy and other types of investments that that Fund
2 Manager may deem worthy."

3 Section 2. Section 407 of title 30 of the Code of the
4 Federated States of Micronesia, as enacted by Public Law No. 15-
5 29, is hereby amended to read as follows:

6 "Section 407. Duration of funds. Each Fund will [~~have~~
7 ~~a life of~~] end on the date that is the earlier of 10
8 years from the date the Fund was created, or December
9 31, 2032. [~~at which time~~] At the end of the life of a
10 Fund, the following amounts must be paid to investors:
11 (1) the original capital amount [of] invested in the
12 funds by that investor [will be returned to the
13 investors, along with 3]; and (2) 20% of [the value of
14 the Fund which is then in excess of] any amount
15 remaining in the Fund after repayment of the original
16 capital amount [after] and all interest payments are
17 made to investors. Each investor's share of the 20% of
18 any amount remaining in the Fund after repayment of the
19 original capital amount and all interest payments are
20 made to investors will be in proportion to each
21 investor's original investment in the Fund.
22 Notwithstanding the preceding sentence, beginning in
23 2023, all Funds must begin returning the original
24 capital amount to the investors, by making equal
25 payments each year so that the entire payment of the

1 original capital amount to the investors is made by the
2 earlier of 10 years from the creation of the Fund, or
3 December 31, 2023. Any installment payment so the
4 original capital amount will be paid to the investors
5 within 0 days of the end of each fiscal year, except for
6 payments for the final year of the Fund. Furthermore,
7 interest at the rate of 3% per annum of any Capital
8 amount in the Fund at the beginning of the fiscal year
9 will also be paid to the investors within 30 days of the
10 end of each fiscal year, except for the final year of
11 the Fund. Any payments due to the investors for the
12 final year of the Fund will be due on the earlier of the
13 last day for the fiscal year of the Fund, or December
14 31, 2032."

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

18 Section 4. Section 423 of title 30 of the Code of the
19 Federated States of Micronesia, as enacted by Public Law No.
20 15-29, is hereby amended to read as follows:

21 "Section 423. Appraiser's annual report. Ninety days
22 before the end of the [~~tenth~~] final year of the Fund, an
23 independent appraiser qualified in the valuation of
24 companies will value each of the holdings in the Fund,
25 and the overall Fund. The appraiser will issue a report

1 detailing the current value of each investment, and the
2 methodology for determining each investment's valuation.
3 The report will be signed by the appraiser and sent
4 directly to each investor 30 days before the end of the
5 [~~tenth~~] final year of the Fund. The cost of the
6 appraiser will be an appropriate expense of the Fund.
7 Six months before the end of the [~~tenth~~] final year of
8 the Fund, the Fund Manager will recommend an appraiser
9 to the President of the Federated States of Micronesia
10 Development Bank. If the Board of Directors of the
11 Federated States of Micronesia Development Bank approves
12 the recommendation, the appraiser will be hired. If it
13 does not, the matter will be decided by the arbitration
14 panel described in the contract between the Investors
15 and the Fund Manager."

16 Section 5. Section 425 of title 30 of the Code of the
17 Federated States of Micronesia, as enacted by Public Law No.
18 15-29, is hereby amended to read as follows:

19 "Section 425. Expiration date. No new investments may
20 be made and no Funds created pursuant to section 403 of
21 this act, specifically section 401, on or after April 1,
22 2025, unless extended by law. The provisions in this
23 act, specifically Section 401, will expire on [~~April 1,~~
24 ~~2014~~] January 1, 2033, unless extended by law."

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

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5 Date: 1/15/14

Introduced by: /s/ Florencio S. Harper
Florencio S. Harper
(by request)

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