

AN ACT

To establish Caroline Islands Air, a public corporation, under the laws of the Federated States of Micronesia, to operate, maintain and administer an inter-island air service within the nation, and for other purposes.

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

Section 1. Establishment of Corporation. Caroline Islands Air, Incorporated, hereinafter referred to as the "the Corporation", is hereby established as a public corporation under the laws of the Federated States of Micronesia. It is the intent of Congress that the Corporation shall be subject to annual financial review, as set forth in section 23 of this act, and that, at the earliest practical opportunity, and following a resolution of Congress calling for the same, the National Government shall dissolve the Corporation, and a new, non-governmental corporation, in which shares shall be offered for sale to the general public, shall thereupon be established, which corporation shall continue to provide the air transportation services previously provided by the Corporation.

Section 2. Powers and responsibilities of the Corporation. The Corporation has the following powers and responsibilities:

- (1) to provide air transportation services throughout the Nation;
- (2) to contract with domestic and foreign persons and corporations for the provisions of aircraft and services;
- (3) to operate domestic air transportation services;
- (4) to train citizens in professions related to aeronautics;
- (5) to act as a "Freely Associated State Air Carrier" within the meaning of the Federal Program and Services Agreement concluded pursuant to the Compact of Free Association;
- (6) to engage in support activities; including, but not limited to, freight terminal and delivery activities and passenger services; and

(7) to enter into joint ventures with other entities in order to effectuate its operations.

Section 3. Legal capacity of the Corporation. In performing the functions authorized by this chapter or other law of the Federated States of Micronesia, the Corporation shall have the capacity to exercise all powers normally exercised by a corporation, including, but not limited to, the following:

- (1) to adopt, alter, and use a corporate seal;
- (2) to adopt and amend bylaws governing the conduct of its business and the exercise of its powers;
- (3) to sue and be sued in its corporate name;
- (4) to acquire, in any lawful manner, real, personal, or mixed property, either tangible or intangible; to hold, maintain, use, and operate such property; and to sell, lease, or otherwise dispose of such property, PROVIDED, that the Corporation shall operate aircraft owned by the National Government only according to the terms of a valid and binding lease agreement;
- (5) to acquire and take over in any lawful manner the business, property, assets, and liabilities of any entity;
- (6) to borrow or raise any sum or sums of money and to issue corporate bonds on such security and upon such terms as may from time to time be deemed necessary for the expansion and improvement of air transportation services;

(7) to retain and terminate the services of employees, agents, attorneys, auditors, and independent contractors upon such terms and conditions as it may deem appropriate and;

(8) to do all such other things as may be deemed incidental to or conducive to the attainment of the responsibilities of the Corporation.

Section 4. Debts and obligations of the Corporation.

Unless otherwise provided by law, the debts and obligations of the Corporation shall not be debts or obligations of the Government of the Federated States of Micronesia, nor shall the Government of the Federated States of Micronesia be responsible for any debts or obligations.

Section 5. Board of Directors - Establishment. The affairs of the Corporation shall initially be managed, and its corporate powers exercised by a Board of Directors for its Pohnpei operations, hereinafter referred as the "Board".

Section 6. Board of Directors - Composition.

(1) The Board shall initially be composed of five members specified in this act, as follows:

(a) The Secretary of the National Government Department of Transportation and Communication, or his designee;

(b) The General Manager for the Pohnpei Port Authority, or his designee;

(c) The Chief Magistrate Representative,
Mwoakilloa;

(d) The Chief Magistrate Representative, Pingelap;

(e) An employee representative selected from the regular, full-time employees of Caroline Islands Air.

(2) The Board shall add the following two additional members, for a total of seven, upon the airstrips in their respective districts becoming operational:

(a) The Chief Magistrate Representative, Sapwuahfik;

(b) The Chief Magistrate Representative, Kapingamarangi;

(3) Subsequent members of the Board shall be appointed by the President upon the expiration of the term of an incumbent member, or upon the removal of a member of the Board under the provisions of section 10 of this act.

Section 7. Board of Directors - Organizational meeting.

(1) Within thirty days of the date this act becomes law, and annually thereafter on such dates as are set by the Board, the Board shall meet to select its officers and to conduct such other business as it shall deem advisable.

(2) At the first such meeting, the appointed members of the Board shall determine by random selection the length of their initial terms, with three members serving initial terms of one year, and two serving initial terms of two years.

Section 8. Board of Directors - Terms of office. Terms of office shall be for a period of three years, except that the

initial terms of office and the filling of vacancies shall be as provided by this act. The terms of office shall commence on the date of the organizational meeting of the Pohnpei Board.

Section 9. Board of Directors - Vacancies.

(1) Each vacancy on the Pohnpei Board shall be filled for the unexpired portion of the term in the manner set forth in subsection (2) of section 6 of this act. Upon determination that a vacancy exists, the chairman or, in his absence, the presiding officer of the Board shall issue a notice of vacancy to all members of the Board and the parties responsible for filling the vacancy.

(2) Any vacancy occasioned by failure to make an appointment prior to the expiration of the previous term, or by failure to make an appointment within sixty days of receipt of notice that a vacancy exists, shall be filled by appointment by the Speaker of the Congress, subject to the advice and consent of Congress, or an authorized committee thereof. An appointee of the President or the Governor shall be entitled to consideration if such appointment is made prior to that of the Speaker.

Section 10. Board of Directors - Removal.

(1) Members of the Board may be removed from the Board for failure to attend three consecutive meetings of the Board.

(2) A member may be removed by a majority vote of all other members of the Board for neglect of duty or malfeasance in office. Notification of intent to call for removal pursuant to

this subsection shall be made at least thirty days in advance, by means which shall be described in the bylaws of the Corporation, and shall include a summary of the basis of the charges against the member and identification of the witness to be called and evidence to be used.

(3) The Supreme Court of the Federated States of Micronesia shall have jurisdiction to hear claims of wrongful removal.

Section 11. Board of Directors - Officers. The Board shall elect from among its members a chairman, vice chairman, and secretary-treasurer. The chairman shall ordinarily preside at Board meetings. In his absence the vice chairman shall preside. The bylaws shall provide for determination of the presiding officer in the absence of these officers.

Section 12. Board of Directors - Regular meetings. Regular meetings shall be held not less than once per calendar quarter, at such times and place or places as shall be determined in the bylaws.

Section 13. Board of Directors - Special meetings. Special meetings shall be called by the chairman on his own initiative, or by petition of two of the members, pursuant to notice as shall be provided by the bylaws.

Section 14. Board of Directors - Quorum. A quorum of all regular business of the Board shall be four voting members.

Section 15. Board of Directors - Executive committee - Establishment; Meetings. There shall be an executive committee of the Board composed of the chairman, vice chairman, and secretary-treasurer, or their individually designated substitutes chosen from among the membership of the Board. The executive committee shall meet with the chief executive officer at least once per calendar quarter at such times and places as shall be determined by the bylaws.

Section 16. Board of Directors - Executive committee - Powers. The executive committee shall be empowered to conduct all business of the Board, except that the executive committee shall not have the authority to terminate the services of the chief executive officer, to retain the services of a new chief executive officer, to alter the senior levels of the administrative structure of the Corporation, to approve the budget of the Corporation, or to increase the indebtedness of the Corporation beyond such limits as are provided in the bylaws, without the concurrence of the Board.

Section 17. Board of Directors - Record of meetings. The secretary-treasurer, or in his absence another member designated by the bylaws, shall keep full and accurate minutes of all meetings.

Section 18. Board of Directors - Compensation of directors. Directors who are employees or officials of the National Government, a State government, a municipal government, or of a

public or quasi-public agency or corporation shall receive no additional compensation for their service as members of the Board. The compensation of members who are not such employees or officials shall be determined by the Board. All members of the Board shall be entitled to compensation for travel and per diem at established Federated States of Micronesia Government rates when serving the Corporation.

Section 19. Management. There shall be a chief executive officer of the Corporation, whose compensation, title, and term of office shall be determined by the Board. The chief executive officer shall be responsible for the management of the operations of the Corporation, and shall, in accordance with the policies established by the Board, retain, direct, and terminate the services of employees. Subject to the Board's approval, in the event that the chief executive officer is not a citizen of the Federated States of Micronesia, the chief executive officer shall select and train a citizen of the Federated States of Micronesia to take over the responsibilities of the chief executive officer as soon as feasible.

Section 20. Budget and finance officer. The chief executive officer shall appoint, with the concurrence of the Board, a budget and finance officer, for such term as shall be provided in the bylaws of the Corporation. The budget and finance officer shall serve at all times under the direct

supervision of the chief executive officer, and shall have the following duties:

(1) To establish and maintain an account to be used strictly for expenses arising directly from the use, operation and maintenance of aircraft owned by the corporation, such as insurance, fuel, parts, landing and handling fees, rental for hangar space, pilots', mechanics' and ground crews' salaries and benefits, and into which shall be deposited

(a) all revenues derived from fares, freight, mail carriage, and other charges received by the corporation in connection with providing air transportation services; and

(b) any and all appropriations from the General Fund of the Federated States of Micronesia;

(2) To receive and disburse all funds of the Corporation;
and

(3) As the Board may require, execute, at the expense of the Corporation, a good and sufficient bond with sureties authorized to do business in the Federated States of Micronesia.

Section 21. Budget preparation. The budget and finance officer shall prepare in advance of each fiscal year, under the supervision of the chief executive officer, an annual budget for the Corporation, taking into consideration anticipated capital and operational expenditures and anticipated revenues. The Corporation shall use the same fiscal calendar as that of the Government of the Federated States of Micronesia. The budget

shall indicate the operational, capital, and maintenance requirements of the Corporation that will be met with the anticipated revenues of the Corporation, and such essential requirements as cannot be met without increase in the rate of revenues or outside financial assistance.

Section 22. Supplemental budget requests. To the extent that the Corporation deems it necessary and advisable, the Corporation is authorized to seek appropriations from the Congress of the Federated States of Micronesia, and, to the extent approved by the President of the Federated States of Micronesia, grants from sources outside of the Federated States of Micronesia, of such funds as are necessary to supplement revenues to provide for the operations, maintenance, and expansion of the air transportation system of the Corporation.

Section 23. Accounts and records.

(1) The Board and the chief executive officer shall be jointly responsible to ensure that the budget and finance officer establishes and maintains a complete set of accounting records consistent with generally accepted accounting principles pertinent to the nature of the Corporation and its operations.

(2) The Board, not later than ninety days after the close of each governmental fiscal year, shall submit to the President and the Congress a complete report, including financial statements, prepared in accordance with generally accepted accounting principles and standards, showing the activities of

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the Corporation during the fiscal year, the present condition of the Corporation, and such other matters as the Board shall deem appropriate. Financial statements shall include at least a balance sheet, income statement, statement of changes in financial position, and statement of changes in capital.

(3) The financial statements of the Corporation shall be audited no less frequently than annually by either the Public Auditor or a certified public accountant selected by the Board of Directors.

Section 24. This act shall become law upon approval by the President of the Federated States of Micronesia or upon its becoming law without such approval.

_____, 1997

LAW W/OUT SIGNATURE
12/27/97

Jacob Nena
President
Federated States of Micronesia