A RESOLUTION

Requesting the President of the Federated States of Micronesia to direct the Departments of Economic Affairs and Justice to investigate and report on the ownership, management and operations of Micronesia Longline Fishing Corporation ("MLFC") and requesting the National Public Auditor’s Office to perform an audit of the financial affairs of MLFC.

WHEREAS, under a series of agreements concluded in December, 1993, the National Government of the Federated States of Micronesia borrowed $5 million from the Asian Development Bank ("ADB"), of which $4.5 million were, in turn, loaned by the National Government to Micronesia Longline Fishing Corporation ("MLFC"); and

WHEREAS, under the pertinent loan agreements, MLFC was to service the ADB loan, but the National Government was to make the loan payments in the event that MLFC defaulted on its obligations; and

WHEREAS, in addition to assuming said obligations with respect to the ADB loan, the National Government contributed $1 million to MLFC in return for a 50% interest in MLFC, in the form of non-voting shares; and

WHEREAS, it was intended that an additional $1 million in capital for MLFC would be raised by the sale to private individuals of voting shares, representing, in the aggregate, 50% of the ownership of the corporation; and

WHEREAS, only approximately $39,000 in private capital was raised by the sale of such voting shares and some portion of that
WHEREAS, the National Government assumed virtually all of the financial risk associated with the operations of MLFC, but, because it held only non-voting shares, had little or no control over said operations; and

WHEREAS, MLFC has suffered significant operating losses, has defaulted on its obligation to repay the ADB loan and has filed in bankruptcy; and

WHEREAS, due to the defaults and failures of MLFC, the National Government is now obligated to make all payments on the ADB loan; and

WHEREAS, the management and board of directors of MLFC, at some point in time, ceased to perform their respective duties and may have thereby breached their fiduciary obligations to the shareholders and creditors of MLFC; now, therefore,

BE IT RESOLVED by the Fourteenth Congress of the Federated States of Micronesia, Second Regular Session, 2005, that the Congress hereby requests the President of the Federated States of Micronesia to direct the Secretary of Economic Affairs and the Secretary of Justice to investigate and report to Congress with respect to the circumstances and events surrounding the formation, financing, capital structure, management, operations and failure of MLFC; and

BE IT FURTHER RESOLVED that the Congress hereby requests
the Office of the National Public Auditor to perform an audit
of the financial affairs of MLFC from its inception to the date
of its filing in bankruptcy, including but not limited to any
related party transactions, the sources and uses of MLFC's
cash, all compensation received by MLFC's officers and
directors, and the use and disposition of any assets of the
corporation; and

BE IT FURTHER RESOLVED that certified copies of this
resolution be transmitted to the President of the Federated
States of Micronesia, the National Public Auditor and the
Governor of each state.

ADOPTED: September 30, 2005

Peter M. Christian
Speaker
FSM Congress

ATTEST:

Liwiana K. Ramon
Chief Clerk
FSM Congress