



*The President*  
*Palikir, Pohnpei*  
*Federated States of Micronesia*

March 20, 2008

**PRESIDENTIAL COMM. NO. 15-161**  
**FSM CONGRESS**

The Honorable Isaac V. Figir  
Speaker  
15<sup>th</sup> FSM Congress  
Palikir, Pohnpei, FM 96941

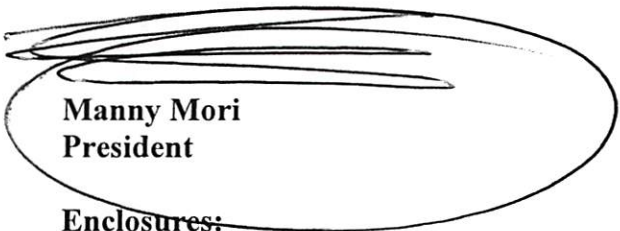
Re: Congressional Act No. 15-35

Dear Speaker Figir:

I have designated the following Congressional Act as Public Law No. 15-29.

Congressional Act No. 15-35, "AN ACT TO FURTHER AMEND TITLE 30 OF THE CODE OF THE FEDERATED STATES OF MICRONESIA, AS AMENDED, BY ADDING A NEW CHAPTER 4 TO ESTABLISH FEDERATED STATES OF MICRONESIA VENTURE FUNDS, AND FOR OTHER PURPOSES."

Sincerely,



Manny Mori  
President

Enclosures:

XC: Chief Justice, FSM Supreme Court  
Secretary, Department of Justice  
**Legislative Counsel, CFSM**  
Library, CFSM  
Director, SBOC  
PIO, FSM





Office of the Chief Clerk

CONGRESS OF THE FEDERATED STATES OF MICRONESIA

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PRESIDENTIAL COMM. NO. 15-161  
FSM CONGRESS

February 26, 2008

His Excellency Manny Mori  
President  
Federated States of Micronesia  
Palikir, Pohnpei FM 96941



Dear Mr. President:

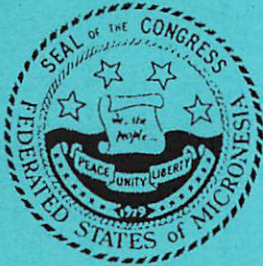
I have the honor to transmit herewith Congressional Act No. 15-35, "AN ACT TO FURTHER AMEND TITLE 30 OF THE CODE OF THE FEDERATED STATES OF MICRONESIA, AS AMENDED, BY ADDING A NEW CHAPTER 4 TO ESTABLISH FEDERATED STATES OF MICRONESIA VENTURE FUNDS, AND FOR OTHER PURPOSES.", which was passed by the Fifteenth Congress of the Federated States of Micronesia, Third Regular Session, 2008, by a two-thirds vote of all the State delegations as required and as duly certified.

Sincerely yours,

Liwiana K. Ramon  
Chief Clerk, Congress of the  
Federated States of Micronesia

Enclosures

**PUBLIC LAW No. 15 - 29**



FIFTEENTH CONGRESS OF THE  
FEDERATED STATES OF MICRONESIA  
THIRD REGULAR SESSION  
FEBRUARY 4 - 23, 2008

**PRESIDENTIAL COMM. NO. 15-161**  
**FSM CONGRESS**

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## An Act

TO FURTHER AMEND TITLE 30 OF THE CODE OF THE FEDERATED STATES OF MICRONESIA, AS AMENDED, BY ADDING A NEW CHAPTER 4 TO ESTABLISH FEDERATED STATES OF MICRONESIA VENTURE FUNDS, AND FOR OTHER PURPOSES.

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INTRODUCED BY SENATOR: JOE N. SUKA (BY REQUEST)

DATE: SEPTEMBER 03, 2007

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REFERRED TO: WAYS AND MEANS COMMITTEE

WITHDRAWN - FEBRUARY 19, 2008

FIRST READING: FEBRUARY 19, 2008

SECOND READING: FEBRUARY 20, 2008

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Liwiana K. Ramon  
Chief Clerk, FSM Congress



Office of the Speaker

CONGRESS OF THE FEDERATED STATES OF MICRONESIA

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**PRESIDENTIAL COMM. NO. 15-161**  
**FSM CONGRESS**

ACT NO. 15-35

(CONGRESSIONAL BILL NO. 15-55)

We hereby certify that on February 20 the foregoing act passed Second and Final Reading of the Fifteenth Congress of the Federated States of Micronesia, Third Regular Session, 2008, by a two-thirds vote of all the State delegations as required under article IX, section 20, of the Constitution of the Federated States of Micronesia.

A handwritten signature in black ink, appearing to read "Isaac V. Figir".

Isaac V. Figir  
Speaker  
Congress of the  
Federated States of Micronesia

A handwritten signature in blue ink, appearing to read "Liwiana K. Ramon".

Liwiana K. Ramon  
Chief Clerk  
Congress of the  
Federated States of Micronesia

FIFTEENTH CONGRESS OF THE FEDERATED STATES OF MICRONESIA

SECOND SPECIAL SESSION, 2007

CONGRESSIONAL BILL NO. 15-55

**PUBLIC LAW No. 15 - 29**

AN ACT

To further amend title 30 of the Code of the Federated States of Micronesia, as amended, by adding a new chapter 4 to establish Federated States of Micronesia Venture Funds, and for other purposes.

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

1           Section 1. The Code of the Federated States of Micronesia,  
2 as amended, is hereby further amended by enacting a new chapter 4  
3 to title 30 entitled "Federated States of Micronesia Venture  
4 Funds".

5           Section 2. The Code of the Federated States of Micronesia,  
6 as amended, is hereby further amended by enacting a new section  
7 401 of title 30 to read as follows:

8           "Section 401. Short title. This chapter may be cited  
9 as the 'Federated States of Micronesia Venture Funds Act  
10 of 2007'."

11          Section 3. The Code of the Federated States of Micronesia,  
12 as amended, is hereby further amended by enacting a new section  
13 402 of title 30 to read as follows:

14          "Section 402. Purpose. The purpose of this act is to  
15 encourage the establishment of Venture Funds in the  
16 Federated States of Micronesia, hereinafter referred to  
17 as 'FSM', and to provide an incentive for large foreign  
18 companies to register Major Corporations in the FSM.  
19 The Congress finds it desirable and necessary to promote

1           the continued expansion of the tax base of the nation.  
2           The Congress believes that agreeing to invest a portion  
3           of large corporate income tax payments by Major  
4           Corporations in Venture Funds, to be managed by parents  
5           or affiliates of such Major Corporations, would attract  
6           large foreign-owned enterprises to more seriously  
7           consider registering Major Corporations in the FSM and  
8           directing larger amounts of profitable business through  
9           such Major Corporations. By requiring that a portion of  
10          such Venture Funds be invested in new companies and  
11          industries registered in the FSM, the Congress is  
12          encouraging the development of 'knowledge industries'  
13          that tap into humankind's creative genius in developing  
14          new forms of communications, materials, energy, and  
15          healthcare. Such new FSM corporations with intellectual  
16          property could continue to generate income over the  
17          coming years and decades. The government will be able  
18          to then tax these incomes, thus expanding the tax base  
19          that is needed by the government to provide the services  
20          that the citizens and residents of the FSM demand. It  
21          is recognized that the nation currently does not have  
22          the resources to make investments in these new  
23          industries and that a private-public partnership is  
24          needed to finance and grow these industries. Therefore,  
25          it is in the best interests of the FSM and its people

1           that incentives are provided for Major Corporations to  
2           establish professionally managed funds that will  
3           consider new business opportunities and make wise  
4           investments."

5           Section 4. The Code of the Federated States of Micronesia,  
6 as amended, is hereby further amended by enacting a new section  
7 403 of title 30 to read as follows:

8           "Section 403. Creation.

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

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

23          (3) Any Major Corporation that pays corporate income  
24          tax to the FSM exceeding \$100,000,000 in any one  
25          calendar year may require that an amount equivalent to

1 up to 57% of the amount of income taxes it paid will be  
2 invested by the FSM into a FSM Venture Fund, and that  
3 the Major Corporation may also select the Fund Manager  
4 for this Fund.

5 (4) These FSM Venture Funds, hereinafter each  
6 referred to as a 'Fund', will invest in new industries  
7 that may include software development, development of  
8 new drugs, medicines, and medical devices and  
9 procedures, entertainment, Internet content and  
10 distribution, telecommunication devices and access, high  
11 growth technology businesses benefiting from the rapid  
12 adoption and deployment of broadband and mobile  
13 technologies, development of new and improved materials,  
14 new forms of energy and other types of investments that  
15 that Fund Manager may deem worthy."

16 Section 5. The Code of the Federated States of Micronesia,  
17 as amended, is hereby further amended by enacting a new section  
18 404 of title 30 to read as follows:

19 "Section 404. Letter of intent. Each Major Corporation  
20 that intends to establish a Fund must deliver a letter  
21 to the President of the Federated States of Micronesia  
22 Development Bank, between 60 days and 90 days after the  
23 delivery of its payment of corporate income tax to the  
24 FSM, signed by a director of the Major Corporation,  
25 stating that it intends to establish a Fund and

1 will be established by the Secretary of Finance and  
2 Administration no later than 60 days after the date of  
3 publication of the notice described in Section 405, and  
4 all investors must have deposited their monies into the  
5 Fund no later than the end of the 60th day after  
6 publication. The President of the Federated States of  
7 Micronesia Development Bank will ensure that the  
8 government and all other investors have their funds  
9 deposited into the Fund by this date. The Secretary of  
10 Finance and Administration is authorized and required to  
11 deposit into the Fund such tax revenue as may be  
12 required pursuant to Sections 403 and 404 of this  
13 Chapter."

14 Section 8. The Code of the Federated States of Micronesia as  
15 amended, is hereby further amended by enacting a new section 407  
16 of title 30 to read as follows:

17 "Section 407. Duration of funds. Each Fund will have a  
18 life of 10 years, at which time the original capital  
19 amount of the funds will be returned to the investors,  
20 along with 3% of the value of the Fund which is then in  
21 excess of the original capital amount, after all  
22 interest payments are made to investors. Furthermore,  
23 interest at the rate of 3% per annum will also be paid  
24 to the investors within 30 days of the end of each  
25 fiscal year."

1       Section 9. The Code of the Federated States of Micronesia,  
2 as amended, is hereby further amended by enacting a new section  
3 408 of title 30 to read as follows:

4           "Section 408. Investment in Venture Funds by Federated  
5           States of Micronesia citizens and corporations.

6           Citizens and corporations of the Federated States of  
7           Micronesia may invest in a Fund. The minimum investment  
8           shall be \$100,000."

9       Section 10. The Code of the Federated States of Micronesia  
10 as amended, is hereby further amended by enacting a new section  
11 409 of title 30 to read as follows:

12           "Section 409. Guarantee of repayment of original  
13           capital amounts. The fund manager, or its parent  
14           organization, or an unrelated party (the "Guarantor"),  
15           must at the outset guarantee the repayment of the  
16           original capital amounts invested in a Fund, at the end  
17           of the life of the Fund. The Guarantor must be rated at  
18           least investment grade rated by Moody's or Standard and  
19           Poors or Fitch or a national rating organization  
20           acceptable to the President of the Federated States of  
21           Micronesia Development Bank, or it must have a net worth  
22           of least ten times the original capital of the Fund.  
23           The President of the Federated States of Micronesia  
24           Development Bank will ensure that the Guarantor meets  
25           the criteria set out in this section."

1       Section 11. The Code of the Federated States of Micronesia,  
2 as amended, is hereby further amended by enacting a new section  
3 420 of title 30 to read as follows:

4           "Section 420. Guarantee of payment of interest. The  
5 Guarantor must also guarantee the payment of interest to  
6 investors at the end of each fiscal year during the life  
7 of the Fund, at the rate of 3% per annum."

8       Section 12. The Code of the Federated States of  
9 Micronesia, as amended, is hereby further amended by enacting a  
10 new section 421 of title 30 to read as follows:

11          "Section 421. Required investment in corporations  
12 registered in the Federated States of Micronesia. By the  
13 end of the fifth year and at the end of the tenth year  
14 of the Fund, at least 15% of the Fund must be invested  
15 in corporations registered in the FSM."

16       Section 13. The Code of the Federated States of Micronesia,  
17 as amended, is hereby further amended by enacting a new section  
18 422 of title 30 to read as follows:

19          "Section 422. Reports to investors. At the end of each  
20 year, the Fund Manager will issue a report to each  
21 investor stating new investments, sales or other  
22 dispositions of investments, the rationale for new  
23 investments and dispositions of investments, and the  
24 rationale for each current holding, and its estimate of  
25 the value of each investment and the resulting gain or

1           loss during the current year and since the inception of  
2           the Fund."

3           Section 14. The Code of the Federated States of Micronesia,  
4 as amended, is hereby further amended by enacting a new section  
5 423 of title 30 to read as follows:

6           "Section 423. Appraiser's annual report. Ninety days  
7           before the end of the tenth year of the Fund, an  
8           independent appraiser qualified in the valuation of  
9           companies will value each of the holdings in the Fund,  
10          and the overall Fund. The appraiser will issue a report  
11          detailing the current value of each investment, and the  
12          methodology for determining each investment's valuation.  
13          The report will be signed by the appraiser and sent  
14          directly to each investor 30 days before the end of the  
15          tenth year of the Fund. The cost of the appraiser will  
16          be an appropriate expense of the Fund. Six months before  
17          the end of the tenth year of the Fund, the Fund Manager  
18          will recommend an appraiser to the President of the  
19          Federated States of Micronesia Development Bank. If the  
20          Board of Directors of the Federated States of Micronesia  
21          Development Bank approves the recommendation, the  
22          appraiser will be hired. If it does not, the matter  
23          will be decided by the arbitration panel described in  
24          the contract between the Investors and the Fund  
25          Manager."

1       Section 15. The Code of the Federated States of Micronesia,  
2 as amended, is hereby further amended by adding a new section 424  
3 of title 30 to read as follows:

4           "Section 424. Advisory board. Each Fund shall have an  
5 Advisory Board that shall give advice to the Fund  
6 Manager. The Board shall consist of at least 5 people  
7 that are selected by the President of the Federated  
8 States of Micronesia, with the advice and consent of the  
9 Congress. The Board shall meet at least once a year and  
10 shall give advice to the Fund Manager. The costs of the  
11 Advisory Board shall be an appropriate expense of the  
12 Fund."

13       Section 16. The Code of the Federated States of Micronesia,  
14 as amended, is hereby further amended by enacting a new section  
15 425 of chapter 4 to read as follows:

16           "Section 425. Expiration date. The provisions in this  
17 act, specifically Section 401, will expire on April 1,  
18 2014, unless extended by law."

03, 20, 2008

Manny Mori  
President  
Federated States of Micronesia