

STANDING COMMITTEE REPORT NO. 15-132

RE: C.R. NO. 15-139/R&D

SUBJECT: CONFIRMING THE NOMINATION OF MR. WILLIAM HAWLEY TO THE FSM  
PETROLEUM CORPORATION BOARD OF DIRECTORS

SEPTEMBER 13, 2008

The Honorable Isaac V. Figir  
Speaker, Fifteenth Congress  
Federated States of Micronesia  
Fifth Special Session, 2008

Dear Mr. Speaker:

Your Committee on Resources and Development, to which was referred  
C.R. No. 15-139, entitled:

"A RESOLUTION CONFIRMING THE NOMINATION OF MR. WILLIAM  
HAWLEY TO BE A MEMBER ON THE BOARD OF DIRECTORS OF THE  
FEDERATED STATES OF MICRONESIA PETROLEUM CORPORATION.",

begs leave to report as follows:

The intent and purpose of the resolution are expressed in its title.

The nomination of Mr. William Hawley was transmitted to on May 23,  
2008 Congress by Presidential Communication No. 15-194. Biographical  
information concerning Mr. Hawley's qualifications was attached. A  
public hearing was held on July 22, 2008.

Presidential Communication 15-194 urges Congress to favorably consider  
this nomination as a member of the FSM Petroleum Corporation. Draft  
Resolution No. C.R. 15-139 recites that the President has nominated  
Mr. Hawley "to serve on the Board as National Government  
Representative." The resume provided outlines Mr. Hawley's  
qualifications.

It is noted that Section 214(a)(2) requires that all of the members of the  
Petroleum Corporation Board must have some experience in public  
administration, environmental matters, finance, or oil and gas  
distribution. Section 214(a)(3) disqualifies from service on the Board any  
person who either personally or has an immediate family members with "any  
pecuniary interest in any business or entity which derives any part of its  
revenue from the distribution of oil or gas in the Federated States of  
Micronesia."

Mr. Hawley's educational background includes attendance at Portland  
Community College and Eastern Oregon State between 1977 and 1980. His  
history of public service includes his role as draftsman for the Pohnpei  
State Constitutional Convention in 1980, Administrative Office to the Chief

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Justice of the Pohnpei State Supreme Court from 1981-1983, Administrative Officer for the FSM Supreme Court from 1983-1985 and as Deputy Director of Administration for the FSM Supreme Court from 1985 to 1990. In 1990 Mr. Hawley became manager of the Pohnpei Pepper processing plant. From 1992 until the present time he has been the general manager of the Pohnpei LP Gas Distributing Co. and Pohnpei Metal Works, Inc.

Mr. Hawley's record of community service and personal accomplishments is to be commended. He has served as Chairman of the FSM Mental Health Council, Chairman of the Board of the Micronesia Bound Program, Chairman of the Kolonia Town Sports Commission, President of the FSM Softball Federation, Chairman of the Sports Commission of Pohnpei State, Chairman of the Pohnpei Port Authority, Vice-President of the Oceania Softball Confederation for the Northern Territories, Chairman of the Board of the FSM Banking and Insurance Commission and Secretary of the Pohnpei Business Association.

It is abundantly clear that William Hawley possesses the experience necessary to qualify him to be a member of the Board of the Petroleum Corporation. Of special concern, however, is whether his present business interests disqualify him to be a member. As stated above, Mr. Hawley is currently the general manager of a liquefied petroleum gas (propane) business in Pohnpei. A person with a pecuniary interest in a business engaged in the distribution of "oil or gas" in the FSM is disqualified as a nominee to the Board.

"Gas" is not defined in the statute. "Product" or "Products", however, means petroleum products including automotive and industrial diesel fuels, gasoline, unleaded petrol, kerosene, Jet A1, lubricants and any other petroleum or alternative fuel products that may now be available or that may become available in the future.

Because the word "gas" is so broad and is not defined, it obviously requires some interpretation in the context in which it is used. Clearly Section 214(a)(3) is intended to prohibit Board members from serving who have a conflict of interest with the business of the Corporation. At the present time, it appears that the FSM Petroleum Corporation operations to be acquired from Mobil Oil Micronesia are limited to non-pressurized liquid forms of petroleum products including gasoline, jet fuel and oil products and that it currently has no existing or intended business activity related to LP gas. In its context, the word "gas" is believed to be synonymous with "gasoline" and other forms of non-pressurized fuels.

Your Committee believes that William Hawley is qualified to serve on the Board of Directors of the FSM Petroleum Corporation as the

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National representative at the present time. However, should the Corporation venture into the supply and distribution of LP gas products, the context of the word would change and his current business would become a conflict. Pursuant to Section 219 of the Petroleum Corporation Act, a director of the Board who has a direct or indirect personal interest in the outcome of any matter before the Board must disclose the interest to the Board and is prohibited either participating in discussions or voting on the matter.

Based upon the information and comments received and discussions with the nominee, your committee believes that Mr. Hawley is well suited to manage the complexities of the Office.

Your Committee on Resources and Development is, therefore, in accord with the intent and purpose of C.R. No. 15-139, and recommends its adoption.

Respectfully submitted,

/s/ Dion G. Neth  
Dion G. Neth, chairman

/s/ Setiro Paul  
Setiro Paul, vice chairman

Resio S. Moses, member

/s/ Peter Sitan  
Peter Sitan, member

Joe N. Suka, member

Joseph J. Urusemal, member

/s/ Paliknoa K. Welly  
Paliknoa K. Welly, member