

AN ACT

To amend Sections 1, 3 (1) (2), 4 (1), 5, and 6 of Chapter 1 and Sections 51, 52, and 54 of Chapter 3 of Title 37 of the Trust Territory Code relating to Corporations, Partnerships and Associations, and for other purposes.

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

1 Section 1. Section 1 of Title 37 of the Trust Territory Code is
2 hereby amended to read as follows:

3 "Section 1. Authority of President to grant corporate charters,
4 establish public corporations. The President of the Federated
5 States of Micronesia or his designee may grant charters of
6 incorporation for the establishment and functioning of business
7 organizations, associations of persons for any lawful purpose
8 other than pecuniary profit, cooperatives and credit unions.
9 The President of the Federated States of Micronesia may create
10 and establish public corporations subject to approval and consent
11 of the Congress of the Federated States of Micronesia."

12 Section 2. Subsections (1) and (2) of Section 3 of Title 37 of the
13 Trust Territory Code are hereby amended to read as follows:

14 "Section 3. Application for Charter-Contents of documents.

15 (1) An association of persons seeking a charter as a
16 corporation shall submit for the approval of the President of
17 the Federated States of Micronesia or his designee articles of
18 incorporation which shall provide at least the following
19 information:

- 20 (a) Proposed name of the corporation.
21 (b) Principal office or place of business.
22 (c) Proposed duration.

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- 1 (d) Purposes.
2 (e) Powers.
3 (f) Capitalization.
4 (g) Names of incorporators.
5 (h) Number of directors, which shall be not less
6 than three, and proposed officers.
7 (i) Names of directors and officers to serve until
8 first election.
9 (j) Provisions for management, if any.
10 (k) Provision for voting by members.
11 (l) Provisions for shareholding, if any.
12 (m) Disposition of financial surplus.
13 (n) Provisions for liquidation.
14 (o) Provisions for amendment of articles of
15 incorporation.

16 (2) In addition to articles of incorporation, persons
17 seeking a charter as a corporation shall submit for the approval
18 of the President of the Federated States of Micronesia or his
19 designee proposed by-laws governing the operation of the
20 corporation."

21 Section 3. Subsection (1) of Section 4 of Title 37 of the Trust
22 Territory Code is hereby amended to read as follows:

23 "Section 4. Audits and inspections authorized-Application
24 to non-profit corporations.

25 (1) The President of the Federated States of Micronesia

1 or his designee may appoint officers to audit and report on the
2 accounts of corporations authorized to do business within the
3 Federated States of Micronesia and such officers shall have the
4 right at any and all times to inspect, examine and audit the
5 books and accounts of such corporations.

6 (2) Any members of a nonprofit corporation shall have the
7 right to inspect and examine the books and accounts of the
8 corporation of which he is a member, provided that such
9 inspection and examination shall be held at the place where
10 such books and accounts are normally kept, and shall take place
11 on week-days during normal business hours in such a manner as
12 not to interfere with usual conduct of business or corporate
13 affairs."

14 Section 4. Section 5 of Title 37 of the Trust Territory Code is
15 hereby amended to read as follows:

16 "Section 5. Use of the terms 'cooperative' and 'credit union'
17 restricted. No person, firm, corporation or association here-
18 after organized or doing business in the Federated States of
19 Micronesia shall be entitled to use the terms 'cooperative' or
20 'credit union' as part of its corporate name or other business
21 name or title, or otherwise represent itself to the public to
22 be a nonprofit cooperative association or a credit union or
23 cooperative savings and loan association unless it has complied
24 with the provisions of this Chapter, except as provided in
25 Section 2 above."

1 Section 5. Section 6 of Title 37 of the Trust Territory Code is
2 hereby amended to read as follows:

3 "Section 6. Enjoinder of violations. Violations of the
4 provisions of this Chapter or regulations promulgated hereunder
5 are hereby declared to be enjoinable, and the Attorney General
6 of the Federated States of Micronesia, or a State Attorney in
7 the name of said Attorney General, shall have the power to seek
8 appropriate relief from such violations or from other corporate
9 practices in violation of the law of the Federated States of
10 Micronesia or contrary to the public interest."

11 Section 6. Section 51 of Title 37 of the Trust Territory Code is
12 hereby amended to read as follows:

13 "Section 51. Registrar of Corporations-Office created-Duties.
14 There shall be in the Department of Resources and Development
15 a Registrar of Corporations appointed by the President of the
16 Federated States of Micronesia, who shall issue, receive, and
17 hold as custodian all certificates, papers, statements, or other
18 records of documents required by the provisions of this Title,
19 or rules or regulations promulgated hereunder, to be distributed
20 by or filed with the Government of the Federated States of
21 Micronesia, and shall perform such other duties as may from time
22 to time be assigned to him by the President of the Federated
23 States of Micronesia or the Secretary of Resources and Develop-
24 ment."

25 Section 7. Section 52 of Title 37 of the Trust Territory Code is

1 hereby amended to read as follows:

2 "Section 52. Authority to promulgate rules and regulations.

3 The Registrar of Corporations, with the approval of the
4 Secretary of the Department of Resources and Development and the
5 President of the Federated States of Micronesia, shall have the
6 power to prescribe such rules and regulations as are deemed
7 advisable to administer and carry into effect the provisions of
8 this Title."

9 Section 8. Section 54 of Title 37 of the Trust Territory Code is
10 hereby amended to read as follows:

11 "Section 54. Power to order production of records - Penalty
12 for failure to comply. In connection with the duties prescribed
13 in this Chapter the Registrar of Corporations is authorized and
14 empowered to order the production of books of account, papers
15 and documents of any corporation or company authorized to do
16 business within the Federated States of Micronesia. Refusal
17 without a showing of good cause, to produce books of account,
18 papers, and documents within thirty days after an order for the
19 production thereof shall be a misdemeanor punishable by a
20 maximum fine of fifty dollars or, when the order is directed to
21 an individual, imprisonment of such individual for a period not
22 to exceed ninety days or both."

23 Section 9. Authority of the states. Nothing in this act may be
24 construed as preventing a state from establishing its own process of
25 incorporation; and upon application by a state, the President shall

1 transfer the function of incorporation to the state for any corporate
2 matter not within the exclusive authority of the National Government.

3 Section 10. This act shall become law upon approval by the President
4 of the Federated States of Micronesia, or upon its becoming law without
5 such approval.

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January 7, 1980

Tosiwo Nakayama
Tosiwo Nakayama
President
Federated States of Micronesia