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A BILL FOR AN ACT

To enact a new chapter 1 of Title 36 of the Code of the Federated States of Micronesia (Annotated), and to repeal the existing chapter 1 in its entirety, to renumber chapter 2 of Title 36 of the Code of the Federated States of Micronesia as chapter 3, for the purpose of creating a new FSM national corporations law, and for other purposes.

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

1           Section 1. Title 36 of the Code of the Federated  
2 States of Micronesia (Annotated), is hereby amended by  
3 repealing chapter 1 in its entirety.

4           Section 2. Title 36, of the Federated States of  
5 Micronesia (Annotated), is hereby amended by creating a new  
6 chapter 1 of title 36, entitled: "Business Organization Act  
7 of 2016".

8           Section 3. Title 36 of the Code of the Federated  
9 States of Micronesia (Annotated), is hereby amended by  
10 inserting a new section 101 of chapter 1, to read as  
11 follows:

12                   "Section 101. Short Title. This chapter shall be  
13                   known and may be cited as the "Business  
14                   Organization Act of 2016"."

15           Section 4. Section 102 of Title 36 of the Code of the  
16 Federated States of Micronesia (Annotated), is hereby  
17 amended by inserting a new section 102 of chapter 1, to read

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1 as follows:

2 "Section 102. Application. This chapter applies  
3 to Major Corporations as defined by 54 FSMC  
4 (312)(2) and to corporations permitted or required  
5 to be formed under the national laws of the  
6 Federated States of Micronesia. This chapter does  
7 not apply to any corporation formed under the laws  
8 of any State of the Federated States of  
9 Micronesia. Corporations formed under the  
10 national laws of the Federated States of  
11 Micronesia in existence on the effective date of  
12 this Act remain in existence and henceforth are to  
13 be governed by the provisions of this Act."

14 Section 5. Title 36 of the Code of the Federated  
15 States of Micronesia (Annotated), is hereby amended by  
16 inserting a new section 103 of chapter 1, to read as  
17 follows:

18 "Section 103. Definitions. As used in this  
19 chapter:

20 (1) "Articles of Incorporation" means  
21 articles of incorporation including amended and  
22 restated articles of incorporation and articles of  
23 merger;

24 (2) "Authorized Shares" means the shares of  
25 all classes a domestic corporation is authorized

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1           to issue;

2                   (3) "Certificate of Incorporation" means the  
3                   certificate issued by the Registrar at the time of  
4                   filing the articles of incorporation signifying  
5                   the corporation's existence;

6                   (4) "Conspicuous" means so written that a  
7                   reasonable person against whom the writing is to  
8                   operate should have noticed it. For example,  
9                   printing in italics or boldface or contrasting  
10                   color, or typing in capitals or underlined, is  
11                   conspicuous;

12                   (5) "Corporation" or "domestic corporation"  
13                   means a corporation for profit, which is not a  
14                   foreign corporation, incorporated under or subject  
15                   to this chapter;

16                   (6) "Deliver" includes mail;

17                   (7) "Distribution" means a direct or  
18                   indirect transfer of money or other property  
19                   except its own shares or incurrence of  
20                   indebtedness by a corporation to or for the  
21                   benefit of its shareholders in respect of any of  
22                   its shares. A distribution may be in the form of  
23                   a declaration or payment of a dividend; a  
24                   purchase, redemption, or other acquisition of  
25                   shares; a distribution of indebtedness; or

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1           otherwise;

2                   (8) "Effective date of notice" is defined in  
3           section 104.

4                   (9) "Electronic transmission" means any form  
5           of communication, not directly involving the  
6           physical transmission of paper, that creates a  
7           record that may be retained, retrieved, and  
8           reviewed by a recipient thereof, and that may be  
9           directly reproduced in paper form by such a  
10           recipient through an automated process;

11                   (10) "Employee" includes an officer, but not  
12           a director. A director may accept duties that  
13           make the director also an employee;

14                   (11) "Entity" includes domestic and foreign  
15           corporations, domestic professional corporations,  
16           domestic and foreign limited liability companies,  
17           domestic and foreign nonprofit corporations,  
18           domestic and foreign business trusts, estates,  
19           domestic and foreign partnerships, domestic and  
20           foreign limited partnerships, domestic and foreign  
21           limited liability partnerships, trusts, two or  
22           more persons having a joint or common economic  
23           interest, associations and cooperative  
24           associations, and state, national, and foreign  
25           governments;

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1                   (12) "Foreign corporation" means a  
2                   corporation for profit incorporated under a law  
3                   other than the laws of the Federated States of  
4                   Micronesia or any State thereof;

5                   (13) "Governmental subdivision" includes any  
6                   State or municipality;

7                   (14) "Includes" denotes a partial definition;

8                   (15) "Individual" means a natural person;

9                   (16) "Means" denotes an exhaustive  
10                  definition;

11                  (17) "Notice" is defined in section 104;

12                  (18) "Person" includes individual and entity;

13                  (19) "Principal Office" means the office  
14                  designated in the annual report where the  
15                  principal executive officers of a domestic or  
16                  foreign corporation are located.

17                  (20) "Proceeding" includes civil suit and  
18                  criminal, administrative and investigatory action;

19                  (21) "Record date" means the date established  
20                  under this chapter on which a corporation  
21                  determines the identity of its shareholders and  
22                  their shareholdings for purposes of this chapter.  
23                  The determinations shall be made as of the close  
24                  of business on the record date unless another time  
25                  for doing so is specified when the record date is

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1           fixed;

2                   (22) "Registrar" means the Registrar of  
3           Corporations of the Government of the Federated  
4           States of Micronesia and includes Assistant  
5           Registrars;

6                   (23) "Secretary" means the corporate officer  
7           to whom the board of directors has delegated  
8           responsibility for preparation and custody of the  
9           minutes of the meetings of the board of directors  
10          and of the shareholders and for authenticating  
11          records of the corporation;

12                  (24) "Shareholder" means the person whose  
13          name shares are registered in the records of a  
14          corporation or the beneficial owner of shares to  
15          the extent of the rights granted by a nominee  
16          certificate on file with a corporation;

17                  (25) "Shares" means the units into which the  
18          proprietary interests in a corporation are  
19          divided;

20                  (26) "Subscriber" means a person who  
21          subscribes for shares in a corporation, whether  
22          before or after incorporation;

23                  (27) "Voting group" means all shares of one  
24          or more classes or series that under the articles  
25          of incorporation or this chapter are entitled to

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1           vote and be counted together collectively on a  
2           matter at a meeting of shareholders. All shares  
3           entitled by the articles of incorporation or this  
4           chapter to vote generally on the matter are for  
5           that purpose a single voting group."

6           Section 6. Title 36 of the Code of the Federated  
7 States of Micronesia (Annotated), is hereby amended by  
8 inserting a new section 104 of chapter 1, to read as  
9 follows:

10           "Section 104. Notice.

11                   (1) Notice under this chapter shall be in  
12                   writing unless oral notice is reasonable under the  
13                   circumstances.

14                   (2) Notice is effective if communicated in  
15                   person; by telephone, telegraph, teletype,  
16                   electronic transmission or other form of wire or  
17                   wireless communication; or by mail or private  
18                   carrier. If these forms of personal notice are  
19                   impracticable, notice may be communicated by a  
20                   newspaper of general circulation in the area where  
21                   published; or by radio, television, or other form  
22                   of public broadcast communication.

23                   (3) Written notice by a domestic or foreign  
24                   corporation to its shareholders, if in a  
25                   comprehensible form, is effective five days after

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1           it is mailed, if mailed postpaid and correctly  
2           addressed to the shareholder's address shown in  
3           the corporation's current record of shareholders.

4           (4) Written notice to a domestic or foreign  
5           corporation authorized to transact business in the  
6           Federated States of Micronesia may be addressed to  
7           its registered agent at its registered office or  
8           to the corporation or its secretary at its  
9           principal office shown in its most recent annual  
10          report or, in the case of a foreign corporation  
11          that has not yet delivered an annual report, in  
12          its application for a certificate of authority.

13          (5) Except as provided in subsection (3)  
14          above and (5)(c) below, written notice, if in a  
15          comprehensible form, is effective at the earliest  
16          of the following:

17                 (a) When received;

18                 (b) Five days after its deposit in the  
19                 Federated States of Micronesia mail, as  
20                 evidenced by a postmark, if mailed postpaid  
21                 and correctly addressed; or

22                 (c) On the date shown on the return  
23                 receipt, if sent by registered or certified  
24                 mail, return receipt requested, and the  
25                 receipt is signed by or on behalf of the



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1                    addressee.

2                    (6) Oral notice is effective when  
3                    communicated if communicated in a comprehensible  
4                    manner.

5                    (7) If this chapter prescribes notice  
6                    requirements for particular circumstances, those  
7                    requirements govern. If articles of incorporation  
8                    or bylaws prescribe notice requirements not  
9                    inconsistent with this section or other provisions  
10                   of this chapter, those requirements govern.

11                   (8) Without limiting the manner by which  
12                   notice otherwise may be given to shareholders,  
13                   notice to shareholders given by the corporation  
14                   under this chapter, the articles of incorporation,  
15                   or the bylaws shall be effective if provided by  
16                   electronic transmission consented to by the  
17                   shareholder by written notice to the corporation.  
18                   Any consent shall be deemed revoked if:

19                         (a) The corporation is unable to  
20                         deliver by electronic transmission two consecutive  
21                         notices given by the corporation in accordance  
22                         with such consent; and

23                         (b) The inability to deliver becomes  
24                         known to the secretary or an assistant secretary  
25                         of the corporation, to the transfer agent, or

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1           other person responsible for giving notice;  
2           provided that the inadvertent failure to treat  
3           such inability as a revocation shall not  
4           invalidate any meeting or other action.

5           (9) Notice given pursuant to subsection (8)  
6           shall be deemed given:

7                   (a) If by facsimile telecommunication,  
8                   when directed to a number at which the shareholder  
9                   has consented to receive notice;

10                   (b) If by electronic mail, when  
11                   directed to an electronic mail address at which  
12                   the shareholder has consented to receive notice;

13                   (c) If by posting on an electronic  
14                   network together with separate notice to the  
15                   shareholder of such specific posting, upon the  
16                   later of the posting and the giving of such  
17                   separate notice; and

18                   (d) If by any other form of electronic  
19                   transmission, when directed to the shareholder.

20           An affidavit of the secretary, assistant  
21           secretary, transfer agent, or other agent of the  
22           corporation that the notice has been given by a  
23           form of electronic transmission, in the absence of  
24           fraud, shall be prima facie evidence of the facts  
25           stated therein."

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1           Section 6. Title 36 of the Code of the Federated  
2 States of Micronesia (Annotated), is hereby amended by  
3 inserting a new section 104 of chapter 1, to read as  
4 follows:

5           "Section 105. Shareholders.

6                   (1) For purposes of this chapter, the  
7 following identified as a shareholder in a  
8 corporation's current record of shareholders  
9 constitute one shareholder if it is reasonable to  
10 believe that the names represent the same person.

11                           (a) An individual;

12                           (b) A corporation, partnership, trust,  
13 estate, or other entity; or

14                           (c) The trustees, guardians,  
15 custodians, or other fiduciaries of a single  
16 trust, estate, or account.

17                   (2) For purposes of this chapter,  
18 shareholdings registered in substantially similar  
19 names constitute one shareholder if it is  
20 reasonable to believe that the names present the  
21 same person."

22           Section 7. Title 36 of the Code of the Federated  
23 States (Annotated), is hereby amended by inserting a new  
24 section 106 of chapter 1, to read as follows:

25           "Section 106. Registrar of Corporations. The

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1           Registrar of Corporations has the power reasonably  
2           necessary to perform the duties required of the  
3           Registrar by this chapter, and to administer this  
4           chapter efficiently. The Registrar of  
5           Corporations with the approval of the Secretary of  
6           the Department of Justice and the President of the  
7           Federated States of Micronesia shall have the  
8           power to prescribe such rules and regulations as  
9           are deemed advisable to administer and carry into  
10          effect the provisions of this chapter. The duties  
11          of the Registrar may be delegated to such  
12          Assistant Registrars as the Registrar may deem  
13          appropriate including Assistant Registrars who  
14          carry out the functions of the Registrar in  
15          embassies of the Federated States of Micronesia  
16          situated in foreign countries. Assistant  
17          Registrars shall perform their duties under the  
18          direction and supervision of the Registrar.  
19          Wherever the term "Registrar" is used in this  
20          chapter, it shall be deemed to include all  
21          Assistant Registrars, if any."

22           Section 8. Title 36 of the Code of the Federated  
23 States of Micronesia (Annotated), is hereby amended by  
24 inserting a new section 107 of chapter 1, to read as  
25 follows:

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1           "Section 107. Filing requirements.

2                   (1) A document must satisfy the requirements  
3           of this section, and of any other section that  
4           adds to or varies these requirements, to be  
5           entitled to filing by the Registrar.

6                   (2) This chapter must require or permit  
7           filing the document in the office of the  
8           Registrar.

9                   (3) The documents must contain the  
10          information required by this chapter. It may  
11          contain other information as well.

12                  (4) The document must be typewritten or  
13          printed.

14                  (5) The document must be in English  
15          language. A corporate name need not be in English  
16          if written in English letters or Arabic or Roman  
17          numerals, and the certificate of good standing  
18          required of foreign corporations need not be in  
19          English if accompanied by an English translation  
20          under oath of a translator.

21                  (6) The document must be certified and  
22          executed:

23                          (a) By the chairperson of the board of  
24                  directors of a domestic or foreign corporation, by  
25                  its president, or by another of its officers;

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1                   (b) If directors have not been selected  
2                   or the corporation has not been formed, by an  
3                   incorporator; or

4                   (c) If the corporation is in the hands  
5                   of a receiver, trustee, or other court-appointed  
6                   fiduciary, by that fiduciary.

7                   (7) The person executing the document shall  
8                   sign it and print beneath or opposite that  
9                   person's signature the person's name and the  
10                   capacity in which the person signs. The document  
11                   may but need not contain:

12                   (a) The corporate seal;

13                   (b) An attestation by the secretary or  
14                   an assistant secretary; or

15                   (c) An acknowledgement, verification,  
16                   notarization or proof.

17                   (8) If the Registrar has prescribed a  
18                   mandatory form for the document under Section 108,  
19                   the document must be in or on the prescribed form.

20                   (9) The document must be delivered to the  
21                   office of the Registrar for filing and must be  
22                   accompanied by the correct filing fee and any  
23                   penalty required by this chapter."

24                   Section 9. Title 36 of the Code of the Federated  
25                   States of Micronesia (Annotated), is hereby amended by

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1 inserting a new section 108 of chapter 1, to read as  
2 follows:

3 "Section 108. Forms.

4 (1) The Registrar may prescribe and furnish  
5 on request forms for:

6 (a) An application for a certificate of  
7 good standing;

8 (b) A foreign corporation's application  
9 for a certificate of authority to transact  
10 business in the Federated States of Micronesia;

11 (c) A foreign corporation's application  
12 for a certificate of withdrawal; and

13 (d) The annual report.

14 If the Registrar so requires, use of  
15 these forms is mandatory.

16 (2) The Registrar may prescribe and furnish  
17 on request forms for other documents required or  
18 permitted to be filed by this chapter but their  
19 use is not mandatory.

20 (3) Upon request the Registrar shall  
21 promptly, and in no case more than five business  
22 days, issue certificates of incorporation,  
23 certificates of good standing, certificates of  
24 authority and certificates of withdrawal to  
25 corporations entitled thereto."





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1           certificate, application, or other corporate  
2           document, except an annual report, of a domestic  
3           or foreign corporation, \$25;

4                   (j) Application for a certificate of  
5           authority, \$100;

6                   (k) Application for a certificate of  
7           withdrawal, \$25;

8                   (l) Reservation of corporate name, \$10;

9                   (m) Transfer of reservation of  
10          corporate name, \$10;

11                   (n) Good standing certificate, \$5.

12                   (2) All fees shall be paid to the Federated  
13          States of Micronesia Treasurer for deposit in the  
14          General Fund.

15                   (3) The Registrar may adjust the fees  
16          assessed under this section, as necessary from  
17          time to time, through regulation adopted pursuant  
18          to section 106.

19                   (4) The Registrar shall charge and collect:

20                           (a) For furnishing a certified copy of  
21          any document, instrument, or paper relating to a  
22          corporation, \$10 for the certificate and affixing  
23          the seal thereto; and

24                           (b) at the time of any services of  
25          process on the Registrar as agent for service of

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1           process of a corporation, \$10, which amount may be  
2           recovered as taxable costs by the party to the  
3           suit or action causing the service to be made if  
4           the party prevails in suit or action."

5           Section 12. Title 36 of the Code of the Federated  
6 States of Micronesia (Annotated), is hereby amended by  
7 inserting a new section 110 of chapter 1, to read as  
8 follows:

9           "Section 110. Effective time and date of  
10          document.

11           (1) Except as provided in subsection (2)  
12          below and section 111, a document accepted for  
13          filing is effective at the time of filing on the  
14          date it is filed, as evidenced by the Registrar  
15          and time endorsement on the original document.

16           (2) Articles of dissolution, articles of  
17          conversion, and articles of merger or share  
18          exchange may specify a delayed effective time and  
19          date, and if it does so the document becomes  
20          effective at the time and date specified. If a  
21          delayed effective date but not time is specified,  
22          the document is effective at the close of business  
23          on that date. A delayed effective date for a  
24          document may not be later than the thirtieth day  
25          after the date it is filed."

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1           Section 13. Title 36 of the Code of the Federated  
2 States of Micronesia (Annotated), is hereby amended by  
3 inserting a new section 111 of chapter 1, to read as  
4 follows:

5           "Section 111. Correcting filed document.

6                   (1) A domestic or foreign corporation may  
7 correct a document filed by the Registrar if the  
8 document:

9                           (a) Contains an incorrect statement; or

10                           (b) Was defectively executed, attested,  
11 sealed, verified, or acknowledged.

12                           (2) A document is corrected by:

13                           (a) Preparing articles of correction  
14 that:

15                                   (i) Describe the document including  
16 its filing date or attach a copy of it to the  
17 articles;

18                                   (ii) Specify the incorrect  
19 statement and the reason it is incorrect or the  
20 manner in which the execution was defective; and

21                                   (iii) Correct the incorrect  
22 statement or defective execution; and

23                           (b) Delivering the articles of  
24 correction to the Registrar for filing.

25                   (3) Articles of correction are effective on

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1           the effective date of the document they correct  
2           except as to persons relying on the uncorrected  
3           document and adversely affected by the correction.  
4           As to those persons, articles of correction are  
5           effective when filed."

6           Section 14. Title 36 of the Code of the Federated  
7 States of Micronesia (Annotated), is hereby amended by  
8 inserting a new section 112 of chapter 1, to read as  
9 follows:

10           "Section 112. Filing duty of Registrar.

11                   (1) If a document delivered to the Registrar  
12                   for filing satisfies the requirement of section  
13                   107, the Registrar shall file it.

14                   (2) The Registrar files a document by  
15                   stamping or otherwise endorsing the document  
16                   including the date and time of receipt.

17                   (3) If the Registrar refuses to file a  
18                   document, the Registrar shall return it to the  
19                   domestic or foreign corporation or its  
20                   representative together with a brief, written  
21                   explanation of the reason for the Registrar's  
22                   refusal.

23                   (4) The Registrar's duty to file documents  
24                   under this section is ministerial. The  
25                   Registrar's filing or refusing to file a document

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1           does not:

2                           (a) Affect the validity or invalidity  
3                           of the document in whole or part;

4                           (b) Relate to the correctness or  
5                           incorrectness of information contained in the  
6                           document; and

7                           (c) Create a presumption that the  
8                           document is valid or invalid or that information  
9                           contained in the document is correct or  
10                          incorrect."

11           Section 15. Title 36 of the Code of the Federated  
12 States of Micronesia (Annotated), is hereby amended by  
13 inserting a new section 113 of chapter 1, to read as  
14 follows:

15                          "Section 113. Appeal from Registrar's refusal to  
16                          file document.

17                           (1) If the Registrar refuses to file a  
18                           document delivered to the Registrar for filing,  
19                           the domestic or foreign corporation may appeal the  
20                           refusal within thirty days after the return of the  
21                           document in the Supreme Court of the Federated  
22                           States of Micronesia. The appeal is commenced by  
23                           petitioning the court to compel filing the  
24                           document and by attaching to the petition the  
25                           document and the Registrar's explanation of the

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1           Registrar's refusal to file.

2                   (2) The court shall summarily order the  
3           Registrar to file the document or take other  
4           action the court considers appropriate.

5                   (3) The court's final decision may be  
6           appealed as in other civil proceedings."

7           Section 16. Title 36 of the Code of the Federated  
8 States of Micronesia (Annotated), is hereby amended by  
9 inserting a new section 114 of chapter 1, to read as  
10 follows:

11                   "Section 114. Evidentiary effect of copy of filed  
12           document. A certificate attached to a copy of a  
13           document filed by the Registrar bearing the  
14           Registrar's signature which may be in facsimile  
15           and the seal of the Registrar is conclusive  
16           evidence that the original document is on file  
17           with the Registrar."

18           Section 17. Title 36 of the Code of the Federated  
19 States of Micronesia (Annotated), is hereby amended by  
20 inserting a new section 115 of chapter 1, to read as  
21 follows:

22                   "Section 115. Certificates and certified copies  
23           to be received in evidence. All certificates  
24           issued by the Registrar pursuant to this chapter,  
25           and all copies of documents filed with Registrar

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1           pursuant to this chapter when certified by the  
2           Registrar, shall be taken and received in all  
3           courts, public offices and official bodies as  
4           prima facie evidence of the facts therein stated.  
5           A certificate by the Registrar under the seal of  
6           Registrar as to the existence or nonexistence of  
7           the facts relating to corporations, shall be taken  
8           and received in all courts, public offices, and  
9           official bodies as prima facie evidence of the  
10          existence or nonexistence of the facts therein  
11          stated."

12           Section 18. Title 36 of the Code of the Federated  
13 States of Micronesia (Annotated), is hereby amended by  
14 inserting a new section 116 of chapter 1, to read as  
15 follows:

16           "Section 116. Incorporators. One or more  
17           individuals may act as the incorporator or  
18           incorporators of a corporation by delivering  
19           articles of incorporation to the Registrar for  
20           filing."

21           Section 19. Title 36 of the Code of the Federated  
22 States of Micronesia (Annotated), is hereby amended by  
23 inserting a new section 117 of chapter 1, to read as  
24 follows:

25           "Section 117. Articles of incorporation.

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1                   (1) The articles of incorporation shall set  
2                   forth:

3                   (a) A corporate name for the  
4                   corporation that satisfies the requirements of  
5                   section 127;

6                   (b) The number of shares the  
7                   corporation is authorized to issue;

8                   (c) The mailing address of the  
9                   corporation's initial principal office, the street  
10                  address of the corporation's initial registered  
11                  office, and the name of its initial registered  
12                  agent at its initial registered office; and

13                  (d) The name and address of each  
14                  incorporator.

15                  (2) The articles of incorporation may set  
16                  forth:

17                  (a) The names and addresses of the  
18                  individuals who are to serve as initial directors;

19                  (b) Provisions not inconsistent with  
20                  law regarding:

21                                  (i) The purpose or purposes for  
22                                  which the corporation is organized;

23                                  (ii) Managing the business and  
24                                  regulating the affairs of the corporation;

25                                  (iii) Defining, limiting, and



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1 regulating the powers of the corporation, its  
2 board of directors, and shareholders;

3 (iv) A par value for authorized  
4 shares or classes of shares; and

5 (v) The imposition of personal  
6 liability on shareholders for the debts of  
7 the corporation to a specified extent and  
8 upon specified conditions;

9 (c) Any provision that under this  
10 chapter is required or permitted to be set  
11 forth in the bylaws;

12 (d) A provision eliminating or limiting  
13 the liability of a director or officer to the  
14 corporation or its shareholders for money  
15 damages for any action taken, or any failure  
16 to take any action, as a director or officer,  
17 subject to section 195;

18 (e) A provision permitting or making  
19 obligatory indemnification of a director for  
20 liability as defined in section 202 to any  
21 person for any action taken, or any failure  
22 to take any action, as a director, except  
23 liability for:

24 (i) Receipt of a financial benefit  
25 to which the director is not entitled;

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- 1                    (ii) An intentional infliction of  
2                    harm on the corporation or its shareholders;  
3                    (iii) A violation of section 196.  
4                    (iv) An intentional violation of  
5                    criminal law.

6                    (3) The articles of incorporation need not  
7                    set forth any of the corporate powers enumerated  
8                    in this chapter."

9                    Section 20. Title 36 of the Code of the Federated  
10                    States of Micronesia (Annotated), is hereby amended by  
11                    inserting a new section 118 of chapter 1, to read as  
12                    follows:

13                    "Section 118. Incorporation.

14                    (1) The corporate existence begins when the  
15                    articles of incorporation are filed.

16                    (2) The Register's filing of the articles of  
17                    incorporation is conclusive proof that the  
18                    incorporators satisfied all conditions precedent  
19                    to incorporation except in a proceeding by the  
20                    Federated States of Micronesia to cancel or revoke  
21                    the incorporation or involuntarily dissolve the  
22                    corporation."

23                    Section 21. Title 36 of the Code of the Federated  
24                    States of Micronesia (Annotated), is hereby amended by  
25                    inserting a new section 119 of chapter 1, to read as

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1 follows:

2 "Section 119. Liability for pre-incorporation  
3 transactions. All persons purporting to act as or  
4 on behalf of a corporation, knowing there was no  
5 incorporation under this chapter, are jointly and  
6 severally liable for all liabilities created while  
7 so acting."

8 Section 22. Title 36 of the Code of the Federated  
9 States of Micronesia (Annotated), is hereby amended by  
10 inserting a new section 120 of chapter 1, to read as  
11 follows:

12 "Section 120. Organization of corporation.

13 (1) After incorporation:

14 (a) If initial directors are named in  
15 the articles of incorporation, the initial  
16 directors shall hold an organizational  
17 meeting, at the call of a majority of the  
18 directors, to complete the organization of  
19 the corporation by appointing officers,  
20 adopting bylaws, and carrying on any other  
21 business brought before the meeting;

22 (b) If initial directors are not named  
23 in the articles, the incorporator or  
24 incorporators shall hold an organizational  
25 meeting at the call of a majority of the

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1                   incorporators to elect:

2                               (i) Directors and complete the  
3                               organization of the corporation; or

4                               (ii) A board of directors who shall  
5                               complete the organization of the corporation.

6                   (2) Action required or permitted by this  
7                   chapter to be taken by incorporators at an  
8                   organizational meeting may be taken without a  
9                   meeting if the action taken is evidenced by one or  
10                   more written consents describing the action taken  
11                   and signed by each incorporator.

12                   (3) An organizational meeting may be held in  
13                   or out of the Federated States of Micronesia."

14           Section 23. Title 36 of the Code of the Federated  
15 States of Micronesia (Annotated), is hereby amended by  
16 inserting a new section 121 of chapter 1, to read as  
17 follows:

18                   "Section 121. Bylaws.

19                               (1) The incorporators or board of directors  
20                               of a corporation may adopt initial bylaws for the  
21                               corporation.

22                               (2) The bylaws of a corporation may contain  
23                               any provision for managing the business and  
24                               regulating the affairs of the corporation that is  
25                               not inconsistent with law or the articles of

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1           incorporation."

2           Section 24. Title 36 of the Code of the Federated  
3 States of Micronesia (Annotated), is hereby amended by  
4 inserting a new section 122 of chapter 1, to read as  
5 follows:

6           "Section 122. Emergency bylaws.

7                   (1) Unless the articles of incorporation  
8                   provide otherwise, the board of directors of a  
9                   corporation may adopt bylaws to be effective only  
10                   in an emergency defined in subsection (4) below.

11                   The emergency bylaws, which are subject to  
12                   amendment or repeal by the shareholders, may make  
13                   all provisions necessary for managing the  
14                   corporation during the emergency, including:

15                           (a) Procedures for calling a meeting of  
16                           the board of directors;

17                           (b) Quorum requirements for the  
18                           meeting; and

19                           (c) Designation of additional or  
20                           substitute directors.

21                   (2) All provisions of the regular bylaws  
22                   consistent with the emergency bylaws remain  
23                   effective during the emergency. The emergency  
24                   bylaws are not effective after the emergency ends.

25                   (3) Corporate action taken in good faith in

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1           accordance with the emergency bylaws:

2                   (a) Binds the corporation; and

3                   (b) May not be used to impose liability  
4           on a corporate director, officer, employee, or  
5           agent.

6                   (4) An emergency exists for purposes of this  
7           section if a quorum of the corporation's directors  
8           cannot readily be assembled because of some  
9           catastrophic event."

10           Section 26. Title 36 of the Code of the Federated  
11 States of Micronesia (Annotated), is hereby amended by  
12 inserting a new section 123 of chapter 1, to read as  
13 follows:

14                   "Section 123. Purposes. Every corporation  
15           incorporated under this chapter has the purpose of  
16           engaging in any lawful business unless a more  
17           limited purpose is set forth in the articles of  
18           incorporation."

19           Section 27. Title 36 of the Code of the Federated  
20 States of Micronesia (Annotated), is hereby amended by  
21 inserting a new section 124 of chapter 1, to read as  
22 follows:

23                   "Section 124. General powers.

24                   (1) Unless its articles of incorporation  
25           provide otherwise, every corporation has perpetual

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1           duration and succession in its corporate name and  
2           has the same powers as an individual to do all  
3           things necessary or convenient to carry out its  
4           business and affairs, including without  
5           limitation, the power:

6                   (a) To sue and be sued, complain and  
7                   defend in its corporate name;

8                   (b) To have a corporate seal, which may  
9                   be altered at will, and to use it, or a facsimile  
10                  of it, by impressing or affixing it or in any  
11                  other manner reproducing it;

12                  (c) To make and amend bylaws, not  
13                  inconsistent with its articles of incorporation or  
14                  with the laws of the Federated States of  
15                  Micronesia, for managing the business and  
16                  regulating the affairs of the corporation;

17                  (d) To lawfully purchase, receive,  
18                  lease, or otherwise acquire, and own, hold,  
19                  improve, use, and otherwise deal with, real or  
20                  personal property, or any legal or equitable  
21                  interest in property, wherever located;

22                  (e) To sell, convey, mortgage, pledge,  
23                  lease, exchange, and otherwise dispose of all or  
24                  any part of its property;

25                  (f) to purchase, receive, subscribe

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1           for, or otherwise acquire; own, hold, vote, use,  
2           sell, mortgage, lend, pledge, or otherwise dispose  
3           of; and deal in and with shares or other interests  
4           in, or obligations of, any other entity;

5                   (g) To make contracts and guarantees,  
6                   incur liabilities, borrow money, issue its notes,  
7                   bonds, and other obligations which may be  
8                   convertible into or include the option to purchase  
9                   other securities of the corporation, and secure  
10                  any of its obligations by mortgage or pledge of  
11                  any of its property, franchises, or income;

12                   (h) To lend money, invest and reinvest  
13                   its funds, and receive and hold real and personal  
14                   property as security for repayment;

15                   (i) To be a promoter, member,  
16                   associate, or manager of any partnership, joint  
17                   venture, trust, or other entity;

18                   (j) To conduct its business, locate  
19                   offices, and exercise the powers granted by this  
20                   chapter within or without the Federated States of  
21                   Micronesia;

22                   (k) To elect directors and appoint  
23                   officers, employees, and agents of the  
24                   corporation, define their duties, fix their  
25                   compensation, and lend them money and credit;



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1                   (l) To pay pensions and establish  
2                   pension plans, pension trusts, profit sharing  
3                   plans, share bonus plans, share option plans, and  
4                   benefit or incentive plans for any or all of its  
5                   current or former directors, officers, employees,  
6                   and agents;

7                   (m) To make donations for the public  
8                   welfare or for charitable, scientific, or  
9                   educational purposes;

10                   (n) To transact any lawful business  
11                   that will aid governmental policy; and

12                   (o) To make payments or donations, or  
13                   do any other acts, not inconsistent with law, that  
14                   furtheres the business and affairs of the  
15                   corporation."

16           Section 27. Title 36 of the Code of the Federated  
17 States of Micronesia (Annotated), is hereby amended by  
18 inserting a new section 125 of chapter 1, to read as follows:

19                   "Section 125. Emergency powers.

20                   (1) In anticipation of or during an  
21                   emergency defined in subsection (4), the board of  
22                   directors of a corporation may:

23                   (a) Modify lines of succession to  
24                   accommodate the incapacity of any director,  
25                   officer, employee, or agent; and

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1                   (b) Relocate the principal office,  
2                   designate alternative principal offices or  
3                   regional offices, or authorize the officers to do  
4                   so.

5                   (2) During an emergency defined in  
6                   subsection (4), unless emergency bylaws provide  
7                   otherwise:

8                   (a) Notice of a meeting of the board of  
9                   directors need to be given only to those directors  
10                  whom it is practicable to reach and may be given  
11                  in any practicable manner, including by  
12                  publication and radio; and

13                  (b) One or more officers of the  
14                  corporation present at a meeting of the board of  
15                  directors may be deemed to be directors for the  
16                  meeting, in order of rank and with the same rank  
17                  in order of seniority, as necessary to achieve a  
18                  quorum.

19                  (3) Corporate action taken in good faith  
20                  during an emergency under this section to further  
21                  the ordinary business affairs of the corporation:

22                         (a) Binds the corporation; and

23                         (b) May not be used to impose liability  
24                         on a corporate director, officer, employee, or  
25                         agent.

1                   (4) An emergency exists for purposes of this  
2                   section if a quorum of the corporation's directors  
3                   cannot readily be assembled because of some  
4                   catastrophic event."

5           Section 28. Title 36 of the Code of the Federated  
6 States of Micronesia (Annotated), is hereby amended by  
7 inserting a new section 126 of chapter 1, to read as  
8 follows:

9                   "Section 126. Ultra vires.

10                   (1) Except as provided in subsection (2) the  
11                   validity of corporate action may not be challenged  
12                   on the ground that the corporation lacks or lacked  
13                   power to act.

14                   (2) A corporation's power to act may be  
15                   challenged:

16                   (a) In a proceeding by a shareholder  
17                   against the corporation to enjoin the act;

18                   (b) In a proceeding by the corporation,  
19                   directly, derivatively, or through a receiver,  
20                   trustee, or other legal representative, against an  
21                   incumbent or former director, officer, employee,  
22                   or agent of the corporation; or

23                   (c) In a proceeding by the Secretary of  
24                   the Department of Justice under section 267.

25                   (3) In a shareholder's proceeding under

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1           subsection (2)(a) to enjoin an unauthorized  
2           corporate act, the court may enjoin or set aside  
3           the act, if equitable and if all affected persons  
4           are parties to the proceeding, and may award  
5           damages for loss other than anticipated profits  
6           suffered by the corporation or another party  
7           because of enjoining the unauthorized act."

8           Section 29. Title 36 of the Code of the Federated  
9 States of Micronesia (Annotated), is hereby amended by  
10 inserting a new section 127 of chapter 1, to read as  
11 follows:

12           "Section 127. Corporate name.

13                   (1) A corporate name:

14                           (a) Must contain the word  
15                   "corporation", "incorporated", or "limited", or  
16                   the abbreviation "corp.", "inc.", or "ltd."; and

17                           (b) May not contain language stating or  
18                   implying that the corporation is organized for a  
19                   purpose other than that permitted by section 123  
20                   and its articles of incorporation.

21                   (2) Except as authorized by subsections (3)  
22                   and (4), a corporate name may not be the same as  
23                   or substantially identical to:

24                           (a) The name of any entity registered  
25                   or authorized to transact business or conduct

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1           affairs under the laws of the Federated States of  
2           Micronesia;

3                   (b) A name the exclusive right to which  
4           is, at the time, reserved in the Federated States  
5           of Micronesia;

6                   (c) The fictitious name adopted by a  
7           foreign corporation authorized to transact  
8           business in the Federated States of Micronesia  
9           because its real name is unavailable; and

10                   (d) Any trade name, trademark, or  
11           service mark registered in the Federated States of  
12           Micronesia.

13                   (3) A corporation may apply to the Registrar  
14           for authorization to use a name that is  
15           substantially identical, based upon the  
16           Registrar's records, to one or more of the names  
17           described in subsection (2). The Registrar shall  
18           authorize use of the name applied for if:

19                   (a) The other entity or holder of a  
20           reserved or registered name consents to the use in  
21           writing and one or more words are added to make  
22           the name distinguishable from the name of the  
23           applying corporation; or

24                   (b) The applicant delivers to the  
25           Registrar a certified copy of the final judgment

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1           of a court of competent jurisdiction establishing  
2           the applicant's right to use the name applied for  
3           in the Federated States of Micronesia.

4           (4) A corporation may use the name including  
5           the fictitious name of another domestic or foreign  
6           corporation that is used in the Federated States  
7           of Micronesia if the other corporation is  
8           incorporated or authorized to transact business in  
9           the Federated States of Micronesia and the  
10          proposed user corporation:

11                   (a) Has merged with the other  
12                   corporation;

13                   (b) Has been formed by reorganization  
14                   of the other corporation; or

15                   (c) Has acquired all or substantially  
16                   all of the assets, including the corporate name,  
17                   of the other corporation.

18           (5) This chapter does not control the use of  
19           fictitious names."

20           Section 30. Title 36 of the Code of the Federated  
21 States of Micronesia (Annotated), is hereby amended by  
22 inserting a new section 128 of chapter 1, to read as  
23 follows:

24           "Section 128. Reserved name.

25                   (1) A person may reserve the exclusive use

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1           of a domestic or foreign corporate name including  
2           a fictitious name for a foreign corporation whose  
3           corporate name is not available by delivering an  
4           application to the Registrar for filing. The  
5           application shall set forth the name and address  
6           of the applicant and the name proposed to be  
7           reserved. If the Registrar finds that the  
8           corporate name applied for is available, the  
9           Registrar shall reserve the name for the  
10          applicant's exclusive use for a one hundred twenty  
11          day period.

12                   (2) The owner of a reserved corporate name  
13                   may transfer the reservation to another person by  
14                   delivering to the Registrar a signed notice of the  
15                   transfer that states the name and address of the  
16                   transferee."

17           Section 31. Title 36 of the Code of the Federated  
18 States of Micronesia (Annotated), is hereby amended by  
19 inserting a new section 129 of chapter 1, to read as  
20 follows:

21                   "Section 129. Administrative order of abatement  
22                   for infringement of corporate name.

23                   (1) Any domestic corporation in good  
24                   standing or foreign corporation authorized to do  
25                   business in the Federated States of Micronesia





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1                    (ii) Require the entity to register the  
2                    new name with the Registrar; and

3                    (iii) Require the entity to conduct  
4                    business in the Federated States of Micronesia  
5                    under its new name.

6                    If the entity fails to comply with the order of  
7                    abatement within sixty days, the Registrar may  
8                    involuntarily dissolve or terminate the entity, or  
9                    cancel or revoke the entity's registration or  
10                   certificate of authority; after the time to appeal  
11                   has lapsed and no appeal has been timely filed.

12                   The Registrar shall mail notice of the  
13                   dissolution, termination, or cancellation to the  
14                   entity at its last known mailing address. The  
15                   entity shall wind up its affairs in accordance  
16                   with this chapter.

17                   (3) Any person aggrieved by the Registrar's  
18                   order under this section may obtain judicial  
19                   review in accordance with Title 17 of the Code of  
20                   the Federated States of Micronesia."

21                   Section 32. Title 36 of the Code of the Federated  
22 States of Micronesia (Annotated), is hereby amended by  
23 inserting a new section 130 of chapter 1, to read as  
24 follows:

25                   "Section 130. Registered office and registered

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1        agent. Each corporation shall continuously maintain in  
2        the Federated States of Micronesia:

3                (1) A registered office that may be the same  
4                as any of its places of business; and

5                (2) A registered agent, who may be:

6                        (a) An individual who resides in the  
7                        Federated States of Micronesia and whose business  
8                        office is identical with the registered office;

9                        (b) A domestic entity authorized to  
10                        transact business or conduct affairs in the  
11                        Federated States of Micronesia whose business  
12                        office is identical with the registered office; or

13                        (c) A foreign entity authorized to  
14                        transact business or conduct affairs in the  
15                        Federated States of Micronesia whose business  
16                        office is identical with the registered office."

17        Section 33. Title 36 of the Code of the Federated  
18 States of Micronesia (Annotated), is hereby amended by  
19 inserting a new section 131 of chapter 1, to read as  
20 follows:

21                "Section 131. Designation or change of registered  
22                office or registered agent.

23                        (1) A corporation that does not already have  
24                        a registered office and registered agent shall  
25                        designate its registered office and registered

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1           agent by delivering to the Registrar for filing a  
2           statement of designation that sets forth:

3                   (a) The name of the corporation;

4                   (b) The street address of its initial  
5           registered office in the Federated States of  
6           Micronesia and the name of its initial registered  
7           agent at its initial registered office; and

8                   (c) That the street addresses of its  
9           registered office and agent shall be identical.

10           (2) A corporation may change its registered  
11           office or its registered agent by delivering to  
12           the Registrar for filing a statement of change  
13           that sets forth:

14                   (a) The name of the corporation;

15                   (b) The street address of its current  
16           registered office, the name of its current  
17           registered agent at its registered office, and any  
18           changes required to keep the information current;  
19           and

20                   (c) That after the change or changes  
21           are made, the street addresses of its registered  
22           office and agent shall be identical.

23           (3) If the registered agent's street address  
24           changes, the registered agent may change the  
25           street address of the corporation's registered

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1           office by notifying the corporation in writing of  
2           the change and signing either manually or in  
3           facsimile and delivering to the Registrar for  
4           filing a statement that complies with the  
5           requirements of subsection (1) and recites that  
6           the corporation has been notified of the change."

7           Section 34. Title 36 of the Code of the Federated  
8 States of Micronesia (Annotated), is hereby amended by  
9 inserting a new section 132 of chapter 1, to read as  
10 follows:

11           "Section 132. Resignation of registered agent.

12                   (1) A registered agent may resign from the  
13                   registered agent's appointment by signing and  
14                   delivering to the Registrar for filing the signed  
15                   statement of resignation. The statement may  
16                   include a statement that the registered office is  
17                   also discontinued.

18                   (2) The registered agent shall mail one copy  
19                   to the registered office (if not discontinued) and  
20                   the other copy to the corporation at its principal  
21                   office.

22                   (3) The appointment of the agent is  
23                   terminated, and the registered office discontinued  
24                   if so provided, on the thirty-first day after the  
25                   date on which the statement was filed."

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1           Section 35. Title 36 of the Code of the Federated  
2 States of Micronesia (Annotated), is hereby amended by  
3 inserting a new section 133 of chapter 1, to read as  
4 follows:

5           "Section 133. Service on corporation.

6                   (1) Service of any notice or process  
7                   authorized by law issued against any corporation,  
8                   whether domestic or foreign, by any court,  
9                   judicial or administrative office, or board, may  
10                   be made in the manner provided by law upon any  
11                   registered agent, officer, or director of the  
12                   corporation who is found within the jurisdiction  
13                   of the court, officer, or board; or if any  
14                   registered agent, office, or director cannot be  
15                   found, upon the manager or superintendent of the  
16                   corporation or any person who is found in charge  
17                   of the property, business, or office of the  
18                   corporation within the jurisdiction.

19                   (2) If no officer, director, manager,  
20                   superintendent, or other person in charge of the  
21                   property, business, or office of the corporation  
22                   can be found within the Federated States of  
23                   Micronesia, and the corporation has not filed with  
24                   the Registrar, pursuant to this chapter, the name  
25                   of a registered agent upon whom legal notice and

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1           process from the courts of the Federated States of  
2           Micronesia may be served, or the person named is  
3           not found within the Federated States of  
4           Micronesia, service may be made upon the  
5           corporation by registered or certified mail,  
6           return receipt requested, addressed to the  
7           corporation at its principal office.

8           (3) Service using registered or certified  
9           mail is perfected at the earliest of:

10           (a) The date the corporation receives  
11           the mail;

12           (b) The date shown on the return  
13           receipt, if signed on behalf of the corporation;  
14           or

15           (c) Five days after its deposit in the  
16           Federated States of Micronesia mail, as evidenced  
17           by the postmark, if mailed postpaid and correctly  
18           addressed.

19           (4) Nothing contained in this section shall  
20           limit or affect the right to serve any process,  
21           notice, or demand required or permitted by law to  
22           be served upon a corporation in any other manner  
23           permitted by law."

24           Section 36. Title 36 of the Code of the Federated  
25 States of Micronesia (Annotated), is hereby amended by

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1 inserting a new section 134 of chapter 1, to read as  
2 follows:

3 "Section 134. Authorized shares.

4 (1) The articles of incorporation must  
5 prescribe the classes of shares and the number of  
6 shares of each class that the corporation is  
7 authorized to issue. If more than one class of  
8 shares is authorized, the articles of  
9 incorporation must prescribe a distinguishing  
10 designation for each class, and, prior to the  
11 issuance of shares of a class, the preferences,  
12 limitations, and relative rights of that class  
13 must be described in the articles of  
14 incorporation. All shares of a class must have  
15 preferences, limitations, and relative rights  
16 identical with those of other shares of the same  
17 class except to the extent otherwise permitted by  
18 section 135.

19 (2) The articles of incorporation must  
20 authorize:

21 (a) One or more classes of shares that  
22 together have unlimited voting rights; and

23 (b) One or more classes of shares which  
24 may be the same class or classes as those with  
25 voting rights that together are entitled to

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1           receive the net assets of the corporation upon  
2           dissolution.

3           (3) The articles of incorporation may  
4           authorize one or more classes of shares that:

5                   (a) Have special, conditional, or  
6                   limited voting rights, or no right to vote, except  
7                   to the extent prohibited by this chapter;

8                   (b) Are redeemable or convertible as  
9                   specified in the articles of corporation:

10                           (i) At the option of the  
11                           corporation, the shareholder, or another person or  
12                           upon the occurrence of a designated event;

13                           (ii) For cash, indebtedness,  
14                           securities, or other property; and

15                           (iii) In a designated amount or in  
16                           an amount determined in accordance with a  
17                           designated formula or by reference to extrinsic  
18                           data or events;

19                           (c) Entitle the holders to  
20                           distributions calculated in any manner, including  
21                           dividends that may be cumulative, noncumulative,  
22                           or partially cumulative; or

23                           (d) Have preference over any other  
24                           classes of shares with respect to distributions,  
25                           including dividends and distributions upon the



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1           dissolution of the corporation.

2                   (4) The description of the designations,  
3                   preferences, limitations, and relative rights of  
4                   share classes in subsection (3) is not  
5                   exhaustive."

6           Section 37. Title 36 of the Code of the Federated  
7 States of Micronesia (Annotated), is hereby amended by  
8 inserting a new section 135 of chapter 1, to read as  
9 follows:

10                   "Section 135. Terms of class or series determined  
11                   by board of directors.

12                   (1) If and to the extent that articles of  
13                   incorporation so provide, the board of directors  
14                   may determine, in whole or part, the preferences,  
15                   limitations, and relative rights within the limits  
16                   set forth in section 134 of:

17                           (a) Any class of shares before the  
18                           issuance of any shares of that class; or

19                           (b) One or more series within a class  
20                           before the issuance of any shares of that series.

21                   (2) Each series of a class must be given a  
22                   distinguishing designation.

23                   (3) All shares of a series must have  
24                   preferences, limitations, and relative rights  
25                   identical with those of other shares of the same

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1           series and, except to the extent otherwise  
2           provided in the description of the series, with  
3           those of other series of the same class.

4           (4) Before issuing any shares of a class or  
5           series created under this section, the corporation  
6           must deliver to the Registrar for filing an  
7           articles of amendment, or a resolution, which is  
8           effective without shareholder action, that sets  
9           forth:

10                   (a) The name of the corporation;

11                   (b) The text of the amendment or  
12           resolution determining the terms of the class or  
13           series or shares;

14                   (c) The date it was adopted; and

15                   (d) A statement that the amendment or  
16           resolution was duly adopted by the board of  
17           directors. Upon filing of the articles of  
18           amendment or resolution by the Registrar, it shall  
19           constitute an amendment of the articles of  
20           incorporation."

21           Section 38. Title 36 of the Code of the Federated  
22 States of Micronesia (Annotated), is hereby amended by  
23 inserting a new section 136 of chapter 1, to read as  
24 follows:

25           "Section 136. Issued and outstanding shares.

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1                   (1) A corporation may issue the number of  
2                   shares of each class or series authorized by the  
3                   articles of incorporation. Shares that are issued  
4                   are outstanding shares until they are reacquired,  
5                   redeemed, converted, or cancelled.

6                   (2) The reacquisition, redemption, or  
7                   conversion of outstanding shares is subject to the  
8                   limitations of subsection (3) and section 149.

9                   (3) At all times that shares of the  
10                   corporation are outstanding, one or more shares  
11                   that together have unlimited voting rights and one  
12                   or more shares that together are entitled to  
13                   receive the net assets of the corporation upon  
14                   dissolution must be outstanding."

15           Section 39. Title 36 of the Code of the Federated  
16 States of Micronesia (Annotated), is hereby amended by  
17 inserting a new section 137 of chapter 1, to read as  
18 follows:

19                   "Section 137. Fractional shares.

20                   (1) A corporation may:

21                           (a) Issue fractions of a share or pay  
22                           in money the value of fractions of a share;

23                           (b) Arrange for disposition of  
24                           fractional shares by the shareholders; or

25                           (c) Issue scrip in registered or bearer

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1           form entitling the holder to receive a full share  
2           upon surrendering enough scrip to equal a full  
3           share.

4                   (2) Each certificate representing scrip  
5           must be conspicuously labeled "scrip" and must  
6           contain the information required by section 143.

7                   (3) The holder of a fractional share is  
8           entitled to exercise the rights of a shareholder,  
9           including the right to vote, to receive dividends,  
10          and to participate in the assets of the  
11          corporation upon liquidation. The holder of scrip  
12          is not entitled to any of these rights unless the  
13          scrip provides for them.

14                   (4) The board of directors may authorize the  
15          issuance of scrip subject to any condition  
16          considered desirable, including:

17                           (a) That the scrip will become void if  
18                           not exchanged for full shares before a specified  
19                           date; and

20                           (b) That the shares for which the scrip  
21                           is exchangeable may be sold and the proceeds paid  
22                           to the scripholders."

23           Section 40. Title 36 of the Code of the Federated  
24          States of Micronesia (Annotated), is hereby amended by  
25          inserting a new section 138 of chapter 1, to read as

1 follows:

2 "Section 138. Subscription for shares before  
3 incorporation.

4 (1) A subscription for shares entered into  
5 before incorporation is irrevocable for six months  
6 unless the subscription agreement provides a  
7 longer or shorter period or all the subscribers  
8 agree to revocation.

9 (2) The board of directors may determine the  
10 payment terms of subscription for shares that were  
11 entered into before incorporation, unless the  
12 subscription agreement specifies them. A call for  
13 payment by the board of directors must be uniform  
14 so far as practicable as to all shares of the same  
15 class or series, unless the subscription agreement  
16 specifies otherwise.

17 (3) Shares issued pursuant to subscriptions  
18 entered into before incorporation are fully paid  
19 and nonassessable when the corporation receives  
20 the consideration specified in the subscription  
21 agreement.

22 (4) If a subscriber defaults in payment of  
23 money or property under a subscription agreement  
24 entered into before incorporation, the corporation  
25 may collect the amount owed as any other debt.

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1           Alternatively, unless the subscription agreement  
2           provides otherwise, the corporation may rescind  
3           the agreement and may sell the shares if the debt  
4           remains unpaid for more than twenty days after the  
5           corporation sends written demand for payment to  
6           the subscriber.

7           (5) A subscription agreement entered into  
8           after incorporation is a contract between the  
9           subscriber and the corporation subject to section  
10          139."

11          Section 41. Title 36 of the Code of the Federated  
12 States of Micronesia (Annotated), is hereby amended by  
13 inserting a new section 139 of chapter 1, to read as  
14 follows:

15          "Section 139. Issuance of shares.

16                 (1) The powers granted in this section to  
17                 the board of directors may be reserved to the  
18                 shareholders by the articles of incorporation.

19                 (2) The board of directors may authorize  
20                 shares to be issued for consideration consisting  
21                 of any tangible or intangible property or benefit  
22                 to the corporation, including cash, promissory  
23                 notes, services performed, contracts for services  
24                 to be performed, or other securities of the  
25                 corporation.

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1           (3) Before the corporation issues shares,  
2           the board of directors must determine that the  
3           consideration received or to be received for  
4           shares to be issued is adequate. That  
5           determination by the board of directors is  
6           conclusive insofar as the adequacy of  
7           consideration for the issuance of shares related  
8           to whether the shares are validly issued, fully  
9           paid, and nonassessable.

10           (4) The corporation may place in escrow  
11           shares issued for a contract for future services  
12           or benefits or a promissory note, or make other  
13           arrangements to restrict the transfer of the  
14           shares, and may credit distributions in respect of  
15           the shares against their purchase price, until the  
16           services are performed, the note is paid, or the  
17           benefits received. If the services are not  
18           performed, the note is not paid, or the benefits  
19           are not received, the shares escrowed or  
20           restricted and the distributions credited may be  
21           cancelled in whole or part."

22           Section 42. Title 36 of the Code of the Federated  
23 States of Micronesia (Annotated), is hereby amended by  
24 inserting a new section 140 of chapter 1, to read as  
25 follows:

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1           "Section 140. Liability of shareholders.

2                   (1) A purchaser from a corporation of the  
3                   corporation's own shares is not liable to the  
4                   corporation or its creditors with respect to the  
5                   shares except to pay the consideration for which  
6                   the shares were authorized to be issued or  
7                   specified in the subscription agreement.

8                   (2) Unless otherwise provided in the  
9                   articles of incorporation a shareholder of a  
10                  corporation is not personally liable for the acts  
11                  or debts of the corporation except that such  
12                  shareholder may become personally liable by reason  
13                  of such shareholder's own acts or conduct."

14           Section 43. Title 36 of the Code of the Federated  
15 States of Micronesia (Annotated), is hereby amended by  
16 inserting a new section 141 of chapter 1, to read as  
17 follows:

18           "Section 141. Share dividends.

19                   (1) Unless the articles of incorporation  
20                   provide otherwise, shares may be issued pro rata  
21                   and without consideration to the corporation's  
22                   shareholders or to the shareholders of one or more  
23                   classes or series. An issuance of shares under  
24                   this subsection is a share dividend.

25                   (2) Shares of one class or series may not be



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1           issued as a share dividend in respect of shares of  
2           another class or series unless:

3                   (a) The articles of incorporation so  
4                   authorize;

5                   (b) A majority of the votes entitled to  
6                   be cast by the class or series to be issued  
7                   approves the issue; or

8                   (c) There are no outstanding shares of  
9                   the class or series to be issued.

10                   (3) If the board of directors does not fix  
11                   the record date for determining shareholders  
12                   entitled to a share dividend, it is the date the  
13                   board of directors authorizes the share dividend."

14           Section 44. Title 36 of the Code of the Federated  
15 States of Micronesia (Annotated), is hereby amended by  
16 inserting a new section 142 of chapter 1, to read as  
17 follows:

18                   "Section 142. Share Options. A corporation may  
19                   issue rights, options, or warrants for the  
20                   purchase of shares of the corporation. The board  
21                   of directors shall determine the terms upon which  
22                   the rights, options, or warrants are issued, their  
23                   form and content, and the consideration for which  
24                   the shares are to be issued. The documents  
25                   evidencing such rights, options, or warrants may

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1           include conditions that preclude the holder or  
2           holders, including any subsequent transferees, of  
3           at least a specified percentage of the common  
4           shares of a corporation from exercising such  
5           rights, options, or warrants."

6           Section 45. Title 36 of the Code of the Federated  
7 States of Micronesia (Annotated), is hereby amended by  
8 inserting a new section 143 of chapter 1, to read as  
9 follows:

10           "Section 143. Form and content of certificates.

11                   (1) Shares may but need not be represented  
12                   by certificates. Unless this chapter or another  
13                   statute expressly provides otherwise, the rights  
14                   and obligations of shareholder are identical  
15                   whether or not their shares are represented by  
16                   certificates.

17                   (2) At a minimum each share certificate must  
18                   state on its face:

19                           (a) The name of the issuing corporation  
20                           and that it is organized under the laws of the  
21                           Federated States of Micronesia;

22                           (b) The name of the person to whom  
23                           issued; and

24                           (c) The number and class of shares and  
25                           the designation of the series, if any, the

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1           certificate represents.

2           (3) If the issuing corporation is authorized  
3           to issue different classes of shares or different  
4           series within a class, the designations, relative  
5           rights, preferences, and limitations applicable to  
6           each class and the variations in rights,  
7           preferences, and limitations determined for each  
8           series and the authority of the board of directors  
9           to determine variations for future series must be  
10           summarized on the front or back of each  
11           certificate. Alternatively, each certificate may  
12           state conspicuously on its front or back that the  
13           corporation will furnish the shareholder this  
14           information on request in writing and without  
15           charge.

16           (4) Each share certificate:

17                   (a) Must be signed either manually or  
18                   in facsimile by two officers designated in the  
19                   bylaws or by the board of directors; and

20                   (b) May bear corporate seal or its  
21                   facsimile.

22           (5) If the person who signed either manually  
23           or in facsimile a share certificate no longer  
24           holds office when the certificate is issued, the  
25           certificate is nevertheless valid."

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1           Section 46. Title 36 of the Code of the Federated  
2 States of Micronesia (Annotated), is hereby amended by  
3 inserting a new section 144 of chapter 1, to read as  
4 follows:

5           "Section 144. Shares without certificates.

6                   (1) Unless the articles of incorporation or  
7 bylaws provide otherwise, the board of directors  
8 of a corporation may authorize the issuance of  
9 some or all of the shares of any or all of its  
10 classes or series without certificates. The  
11 authorization does not affect shares already  
12 represented by certificates until they are  
13 surrendered to the corporation.

14                   (2) Within a reasonable time after the  
15 issuance or transfer of shares without  
16 certificates, the corporation shall send the  
17 shareholder a written statement of the information  
18 required on certificates by Section 143(2) and  
19 (3), and, if applicable, section 145."

20           Section 47. Title 36 of the Code of the Federated  
21 States of Micronesia (Annotated), is hereby amended by  
22 inserting a new section 145 of chapter 1, to read as  
23 follows:

24           "Section 145. Restriction on transfer of shares  
25 and other securities.

1           (1) The articles of incorporation, bylaws,  
2           an agreement among shareholders, or an agreement  
3           between shareholders and the corporation may  
4           impose restrictions on the transfer or  
5           registration of transfer of shares of the  
6           corporation. A restriction does not affect shares  
7           issued before the restriction was adopted unless  
8           the holders of the shares are parties to the  
9           restriction agreement or voted in favor of the  
10           restriction.

11           (2) A restriction on the transfer or  
12           registration of transfer of shares is valid and  
13           enforceable against the holder or a transferee of  
14           the holder if the restriction is authorized by  
15           this section and its existence is noted  
16           conspicuously on the front or back of the  
17           certificate or is contained in the information  
18           statement required by Section 144. Unless so  
19           noted, a restriction is not enforceable against a  
20           person without knowledge of the restriction.

21           (3) A restriction on the transfer or  
22           registration of transfer of shares is authorized:

23                   (a) To maintain the corporation's  
24                   status when it is dependent on the number or  
25                   identity of its shareholders;

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1                   (b) To preserve exemptions under  
2                   securities law; or

3                   (c) For any other reasonable purpose.

4                   (4) A restriction on the transfer or  
5                   registration of transfer of shares may:

6                   (a) Obligate the shareholder first to  
7                   offer the corporation or other persons separately,  
8                   consecutively, or simultaneously an opportunity to  
9                   acquire the restricted shares;

10                  (b) Obligate the corporation or other  
11                  persons separately, consecutively, or  
12                  simultaneously to acquire the restricted shares;

13                  (c) Require the corporation, the  
14                  holders of any class of its shares, or another  
15                  person to approve the transfer of the restricted  
16                  shares, if the requirement is not manifestly  
17                  unreasonable; or

18                  (d) Prohibit the transfer of the  
19                  restricted shares to designated persons or classes  
20                  of persons, if the prohibition is not manifestly  
21                  unreasonable.

22                  (5) For purposes of this section, "shares"  
23                  includes a security convertible into or carrying a  
24                  right to subscribe for or acquire shares."

25                  Section 48. Title 36 of the Code of the Federated

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1 States of Micronesia (Annotated), is hereby amended by  
2 inserting a new section 146 of chapter 1, to read as  
3 follows:

4 "Section 146. Expense of issue. A corporation  
5 may pay the expenses of selling or underwriting  
6 its shares, and of organizing or reorganizing the  
7 corporation, from the consideration received for  
8 shares."

9 Section 49. Title 36 of the Code of the Federated  
10 States of Micronesia (Annotated), is hereby amended by  
11 inserting a new section 147 of chapter 1, to read as  
12 follows:

13 "Section 147. Shareholders' preemptive rights.

14 (1) The shareholders of a corporation do not  
15 have a preemptive right to acquire the  
16 corporation's unissued shares except to the extent  
17 the articles of incorporation so provide.

18 (2) A statement included in the articles of  
19 incorporation that "the corporation elects to have  
20 preemptive rights" or words of similar import  
21 means that the following principles apply except  
22 to the extent the articles of incorporation  
23 expressly provide otherwise:

24 (a) The shareholders of the corporation  
25 have a preemptive right, granted on uniform terms

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1           and conditions prescribed by the board of  
2           directors to provide a fair and reasonable  
3           opportunity to exercise the right, to acquire  
4           proportional amounts of the corporation's unissued  
5           shares upon the decision of the board of directors  
6           to issue them;

7                    (b) A shareholder may waive the  
8           shareholder's preemptive right. A waiver  
9           evidenced by a writing is irrevocable even though  
10           it is not supported by consideration;

11                   (c) There is no preemptive right with  
12           respect to:

13                           (i) Shares issued as compensation  
14           to directors, officers, agents, or employees of  
15           the corporation, its subsidiaries or affiliates;

16                           (ii) Shares issued to satisfy  
17           conversion or option rights created to provide  
18           compensation to directors, officers, agents, or  
19           employees of the corporation, its subsidiaries or  
20           affiliates;

21                           (iii) Shares authorized in articles  
22           of incorporation that are issued within six months  
23           from the effective date of incorporation; or

24                           (iv) Shares sold otherwise than for  
25           money;



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1                   (d) Holders of shares of any class  
2                   without general voting rights but with  
3                   preferential rights to distributions or assets  
4                   have no preemptive rights with respect to shares  
5                   of any class;

6                   (e) Holders of shares of any class with  
7                   general voting rights but without preferential  
8                   rights to distributions or assets have no  
9                   preemptive rights with respect to shares of any  
10                  class with preferential rights to distributions or  
11                  assets unless the shares with preferential rights  
12                  are convertible into or carry a right to subscribe  
13                  for or acquire shares without preferential rights;  
14                  or

15                  (f) Shares subject to preemptive rights  
16                  that are not acquired by shareholders may be  
17                  issued to any person for a period of one year  
18                  after being offered to shareholders at a  
19                  consideration set by the board of directors that  
20                  is not lower than the consideration set for the  
21                  exercise of preemptive rights. An offer at a  
22                  lower consideration or after the expiration of one  
23                  year is subject to the shareholders' preemptive  
24                  rights.

25                  (3) For purposes of this section, "shares"

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1           includes a security convertible into or carrying a  
2           right to subscribe for or acquire shares."

3           Section 50. Title 36 of the Code of the Federated  
4 States of Micronesia (Annotated), is hereby amended by  
5 inserting a new section 148 of chapter 1, to read as  
6 follows:

7           "Section 148. Corporation's acquisition of its  
8           own shares.

9                   (1) A corporation may acquire its own shares  
10                   and shares so acquired constitute authorized but  
11                   unissued shares.

12                   (2) If the articles of incorporation  
13                   prohibit the reissuance of acquired shares, the  
14                   number of authorized shares is reduced by the  
15                   number of shares acquired, effective upon delivery  
16                   to the Registrar for filing, a statement of  
17                   cancellation showing the reduction in the  
18                   authorized shares.

19                   (3) The statement of cancellation must set  
20                   forth:

21                                   (1) The name of the corporation;

22                                   (2) The number of acquired shares  
23                   cancelled, itemized by class and series; and

24                                   (3) The total number of authorized  
25                   shares, itemized by class and series, remaining

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1           after reduction of the shares."

2           Section 51. Title 36 of the Code of the Federated  
3 States of Micronesia (Annotated), is hereby amended by  
4 inserting a new section 149 of chapter 1, to read as  
5 follows:

6           "Section 149. Distributions to shareholders.

7                 (1) A board of directors may authorize and  
8                 the corporation may make distributions to its  
9                 shareholders subject to restriction by the  
10                articles of incorporation and the limitation in  
11                subsection (3).

12                (2) If the board of directors does not fix  
13                the record date for determining shareholders  
14                entitled to a distribution other than one  
15                involving a purchase, redemption, or other  
16                acquisition of the corporation's shares, it is the  
17                date the board of directors authorizes the  
18                distribution.

19                (3) No distribution may be made if, after  
20                giving it effect:

21                         (a) The corporation would not be able  
22                         to pay its debts as they become due in the usual  
23                         course of business; or

24                         (b) The corporation's total assets  
25                         would be less than the sum of its total

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1            liabilities plus (unless the articles of  
2            incorporation permit otherwise) the amount that  
3            would be needed, if the corporation were to be  
4            dissolved at the time of the distribution, to  
5            satisfy the preferential rights upon dissolution  
6            of shareholders whose preferential rights are  
7            superior to those receiving the distribution.

8            (4) The board of directors may base a  
9            determination that a distribution is not  
10           prohibited under subsection (3) either on  
11           financial statements prepared on the basis of  
12           accounting practices and principles that are  
13           reasonable in the circumstances or on a fair  
14           valuation or other method that is reasonable in  
15           the circumstances.

16           (5) Except as provided in subsection (7),  
17           the effect of a distribution under subsection (3)  
18           is measured.

19           (a) In the case of distribution by  
20           purchase, redemption, or other acquisition of the  
21           corporation's shares, as of the earlier of:

22                    (i) The date money or other property  
23                    is transferred or debt incurred by the corporation;  
24                    or

25                    (ii) The date the shareholder

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1           ceases to be a shareholder with respect to the  
2           acquired shares.

3                   (b) In the case of any other  
4           distribution of indebtedness, as of the date the  
5           indebtedness is distributed;

6                   (c) In all other cases, as of:

7                           (i) The date the distribution is  
8           authorized if the payment occurs within one  
9           hundred twenty days after the date of  
10          authorization; or

11                           (ii) The date the payment is made  
12          if it occurs more than one hundred twenty days  
13          after the date of authorization.

14                   (6) A corporation's indebtedness to a  
15          shareholder incurred by reason of a distribution  
16          made in accordance with this section is at parity  
17          with the corporation's indebtedness to its  
18          general, unsecured creditors except to the extent  
19          subordinated by agreement.

20                   (7) Indebtedness of a corporation, including  
21          indebtedness issued as a distribution, is not  
22          considered a liability for purposes of  
23          determinations under subsection (3) if its terms  
24          provide that payment of principal and interest are  
25          made only if and to the extent that payment of a

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1           distribution to shareholders could then be made  
2           under this section. If the indebtedness is issued  
3           as a distribution, each payment of principal or  
4           interest is treated as a distribution, the effect  
5           of which is measured on the date the payment is  
6           actually made."

7           Section 52. Title 36 of the Code of the Federated  
8 States of Micronesia (Annotated), is hereby amended by  
9 inserting a new section 150 of chapter 1, to read as  
10 follows:

11           "Section 150. Annual meeting.

12                   (1) A corporation shall hold a meeting of  
13                   shareholders annually at a time stated in or fixed  
14                   in accordance with the bylaws.

15                   (2) Annual shareholders' meetings may be  
16                   held in or out of the Federated States of  
17                   Micronesia at the place stated in or fixed in  
18                   accordance with the bylaws. If no place is stated  
19                   in or fixed in accordance with the bylaws, annual  
20                   meetings shall be held at the corporation's  
21                   principal office. Notwithstanding the foregoing,  
22                   the bylaws may authorize the board of directors,  
23                   in its sole discretion, to determine that the  
24                   annual meeting shall not be held at any place, but  
25                   may instead be held solely by means of remote

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1           communication as authorized under subsection (3).

2           (3) If authorized by the board of directors  
3           in its sole discretion, and subject to guidelines  
4           and procedures adopted by the board, shareholders  
5           and proxies of the shareholders not physically  
6           present at a meeting of shareholders, by means of  
7           remote communication, may:

8                   (a) Participate in a meeting of  
9                   shareholders; and

10                   (b) Be deemed present in person and  
11                   vote at a meeting of shareholders whether the  
12                   meeting is held at a designated place or solely by  
13                   means of remote communication; provided that the  
14                   corporation shall:

15                           (i) Implement reasonable measures  
16                           to verify that each person deemed present and  
17                           permitted to vote at the meeting by means of  
18                           remote communication is a shareholder or proxy of  
19                           a shareholder;

20                           (ii) Implement reasonable measures  
21                           to provide shareholders and proxies of  
22                           shareholders a reasonable opportunity to  
23                           participate in the meeting and to vote on matters  
24                           submitted to the shareholders, including an  
25                           opportunity to read or hear the proceedings of the

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1           meeting concurrently with the proceedings; and  
2                           (iii) Maintain a record of voting  
3           or action by any shareholder or proxy of a  
4           shareholder that votes or takes other action at  
5           the meeting by means of remote communication.

6           (4) The failure to hold an annual meeting at  
7           the time stated in or fixed in accordance with a  
8           corporation's bylaws shall not affect the validity  
9           of any corporate action."

10           Section 53. Title 36 of the Code of the Federated  
11 States of Micronesia (Annotated), is hereby amended by  
12 inserting a new section 151 of chapter 1, to read as  
13 follows:

14           "Section 151. Special meeting.

15                           (1) A corporation shall hold a special  
16           meeting of shareholders:

17                                   (a) On call of its board of directors  
18           or the person or persons authorized to do so by  
19           the articles of incorporation or bylaws; or

20                                   (b) If the holders of at least ten  
21           percent of all of the votes entitled to be cast on  
22           any issue proposed to be considered at the  
23           proposed special meeting sign, date, and deliver  
24           to the corporation's secretary one or more written  
25           demands for the meeting describing the purpose or



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1           purposes for which it is to be held.

2           (2) If not otherwise fixed under section 152  
3           or 156, the record date for determining  
4           shareholders entitled to demand a special meeting  
5           is the date the first shareholder signs the  
6           demand.

7           (3) Special shareholders' meetings may be  
8           held in or out of the Federated States of  
9           Micronesia at the place stated in or fixed in  
10          accordance with the bylaws. If no place is stated  
11          in or fixed in accordance with the bylaws, special  
12          meetings shall be held at the corporation's  
13          principal office. Notwithstanding the foregoing,  
14          the bylaws may authorize the board of directors,  
15          in its sole discretion, to determine that the  
16          special meeting shall not be held at any place,  
17          but may instead be held solely by means of remote  
18          communication as authorized by section 150(3).

19          (4) Only business within the purpose or  
20          purposes described in the meeting notice required  
21          by section 154(3) may be conducted at a special  
22          shareholders' meeting."

23          Section 54. Title 36 of the Code of the Federated  
24          States of Micronesia (Annotated), is hereby amended by  
25          inserting a new section 152 of chapter 1, to read as

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1 follows:

2 "Section 152. Court-ordered meeting.

3 (1) The Supreme Court of the Federated  
4 States of Micronesia may summarily order a meeting  
5 to be held:

6 (a) On application of any shareholder  
7 of the corporation entitled to participate in an  
8 annual meeting if an annual meeting was not held  
9 within the earlier of six months after the end of  
10 the corporation's fiscal year or fifteen months  
11 after its last annual meeting; or

12 (b) On application of a shareholder who  
13 signed a demand for a special meeting valid under  
14 section 151, if:

15 (i) Notice of a special meeting  
16 was not given within thirty days after the date  
17 the demand was delivered to the corporation's  
18 secretary; or

19 (ii) The special meeting was not  
20 held in accordance with the notice.

21 (2) The court may fix the time and place of  
22 the meeting or determine that the meeting shall be  
23 held solely by means of remote communication as  
24 authorized by Section 150(3), determine the shares  
25 entitled to participate in the meeting, specify a

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1           record date for determining shareholders entitled  
2           to notice of and to vote at the meeting, prescribe  
3           the form and content of the meeting notice, fix  
4           the quorum required for specific matters to be  
5           considered at the meeting or direct that the votes  
6           represented at the meeting constitute a quorum for  
7           action on those matters, and enter other orders  
8           necessary to accomplish the purpose or purposes of  
9           the meeting.”

10           Section 55. Title 36 of the Code of the Federated  
11 States of Micronesia (Annotated), is hereby amended by  
12 inserting a new section 153 of chapter 1, to read as  
13 follows:

14           “Section 153. Action without meeting.

15                   (1) Action required or permitted by this  
16           chapter to be taken at a shareholders’ meeting may  
17           be taken without a meeting if the action is taken  
18           by all the shareholders entitled to vote on the  
19           action. The action shall be evidenced by one or  
20           more written consents describing the action taken,  
21           signed before or after the intended effective date  
22           of the action by all the shareholders entitled to  
23           vote on the action, and delivered to the  
24           corporation for inclusion in the minutes for  
25           filing with the corporate records.

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1                   (2) If not otherwise fixed under Section 152  
2                   or 156, the record date for determining  
3                   shareholders entitled to take action without a  
4                   meeting is the date the first shareholder signs  
5                   the consent under subsection (1).

6                   (3) A consent signed under this section has  
7                   the effect of a meeting vote and may be described  
8                   as such in any document.

9                   (4) If this chapter requires that notice of  
10                  proposed action be given to nonvoting shareholders  
11                  and the action is to be taken by unanimous consent  
12                  of the voting shareholders, the corporation shall  
13                  give its nonvoting shareholders written notice of  
14                  the proposed action at least ten days before the  
15                  action is taken. The notice shall contain or be  
16                  accompanied by the same material that, under this  
17                  chapter, would have been required to be sent to  
18                  nonvoting shareholders in a notice of a meeting at  
19                  which the proposed action would have been  
20                  submitted to the shareholders for action.

21                  (5) An electronic transmission consenting to  
22                  an action to be taken and transmitted by a  
23                  shareholder, proxy of a shareholder, or person or  
24                  persons authorized to act for a shareholder or  
25                  proxy of a shareholder, shall be deemed to be

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1           written, signed, and dated for the purposes of  
2           this section; provided that the electronic  
3           transmission sets forth or is delivered with  
4           information from which the corporation may  
5           determine:

6                   (a) That the electronic transmission  
7           was transmitted by the shareholder, proxy of the  
8           shareholder, or person or persons authorized to  
9           act for the shareholder or proxy of the  
10           shareholder; and

11                   (b) The date on which the shareholder,  
12           or authorized person or persons transmitted the  
13           electronic transmission.

14           The date on which the electronic transmission is  
15           transmitted shall be deemed to be the date on  
16           which the consent is signed. No consent given by  
17           electronic transmission shall be deemed to have  
18           been delivered until the consent is reproduced in  
19           paper form and delivered to the corporation.

20                   (6) Any copy, facsimile, or other reliable  
21           reproduction of a consent in writing may be  
22           substituted or used in lieu of the original  
23           writing for any and all purposes for which the  
24           original writing could be used; provided that the  
25           copy, facsimile, or other reproduction shall be a

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1           complete reproduction of the entire original  
2           writing."

3           Section 56. Title 36 of the Code of the Federated  
4 States of Micronesia (Annotated), is hereby amended by  
5 inserting a new section 154 of chapter 1, to read as  
6 follows:

7           "Section 154. Notice of meeting.

8                   (1) A corporation shall notify shareholders  
9                   of the date, time, and place, if any, of each  
10                   annual and special shareholders' meeting no fewer  
11                   than ten nor more than sixty days before the  
12                   meeting date. If means of remote communication  
13                   are authorized for use in a meeting, regardless of  
14                   whether the meeting is held at a designated place  
15                   or solely by means of remote communication, the  
16                   notice shall also inform shareholders of the means  
17                   of remote communication by which shareholders may  
18                   be deemed to be present in person and allowed to  
19                   vote. Unless this chapter or the articles of  
20                   incorporation require otherwise, the corporation  
21                   is required to give notice only to shareholders  
22                   entitled to vote at the meeting.

23                   (2) Unless this chapter or the articles of  
24                   incorporation require otherwise, notice of an  
25                   annual meeting need not include a description of

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1           the purpose or purposes for which the meeting is  
2           called.

3           (3) Notice of a special meeting must include  
4           a description of the purpose or purposes for which  
5           the meeting is called.

6           (4) If not otherwise fixed under Section 152  
7           or 156, the record date for determining  
8           shareholders entitled to notice of and to vote at  
9           an annual or special shareholders' meeting is the  
10          day before the first notice is delivered to  
11          shareholders.

12          (5) Unless the bylaws require otherwise, if  
13          an annual or special shareholders' meeting is  
14          adjourned to a different date, time, or place,  
15          notice need not be given of the new date, time or  
16          place if the new date, time, or place is announced  
17          at the meeting before adjournment. In addition,  
18          if the annual or special shareholders' meeting was  
19          held solely by means of remote communication, and  
20          the adjourned meeting will be held by a means of  
21          remote communication by which shareholders may be  
22          deemed to be present in person and vote, notice  
23          need not be given of the new means of remote  
24          communication if the new means of remote  
25          communication is announced at the meeting before

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1           adjournment. If a new record date for the  
2           adjourned meeting is or must be fixed under  
3           Section 156, however, notice of the adjourned  
4           meeting shall be given under this section to  
5           shareholders who are entitled to notice of the new  
6           record date."

7           Section 57. Title 36 of the Code of the Federated  
8 States of Micronesia (Annotated), is hereby amended by  
9 inserting a new section 155 of chapter 1, to read as  
10 follows:

11           "Section 155. Waiver of notice.

12                   (1) A shareholder may waive any notice  
13           required by this chapter, the articles of  
14           incorporation, or bylaws before or after the date  
15           and time stated in the notice. The waiver shall  
16           be in writing and be signed by the shareholder  
17           entitled to the notice or shall be by electronic  
18           transmission by the shareholder entitled to  
19           notice, and delivered to the corporation for  
20           inclusion in the minutes or filing with the  
21           corporate records; provided that the electronic  
22           transmission sets forth, or is delivered with  
23           information from which the corporation may  
24           determine that the electronic transmission was  
25           transmitted by the shareholder.



1                   (2) A shareholder's attendance at a meeting:

2                           (a) Waives objection to lack of notice  
3                   or defective notice of the meeting, unless the  
4                   shareholder at the beginning of the meeting  
5                   objects to holding the meeting or transacting  
6                   business at the meeting; and

7                           (b) Waives objection to consideration  
8                   of a particular matter at the meeting that is not  
9                   within the purpose or purposes described in the  
10                  meeting notice, unless the shareholder objects to  
11                  considering the matter when it is presented."

12                  Section 58. Title 36 of the Code of the Federated  
13 States of Micronesia (Annotated), is hereby amended by  
14 inserting a new section 156 of chapter 1, to read as  
15 follows:

16                  "Section 156. Record date.

17                           (1) The bylaws may fix or provide the manner  
18                   of fixing the record date for one or more voting  
19                   groups to determine the shareholders entitled to  
20                   notice of a shareholders' meeting, to demand a  
21                   special meeting, to vote, or to take any other  
22                   action. If the bylaws do not fix or provide for  
23                   fixing a record date, the board of directors of  
24                   the corporation may fix a future date as the  
25                   record date.

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1           (2) A record date fixed under this section  
2           may not be more than seventy days before the  
3           meeting or action requiring a determination of  
4           shareholders.

5           (3) A determination of shareholders entitled  
6           to notice of or to vote at a shareholders' meeting  
7           is effective for any adjournment of the meeting  
8           unless the board of directors fixes a new record  
9           date, which it must do if the meeting is adjourned  
10          to a date more than one hundred twenty days after  
11          the date fixed for the original meeting.

12          (4) If a court orders a meeting adjourned to  
13          a date more than one hundred twenty days after the  
14          date fixed for the original meeting, it may  
15          provide that the original record date continues in  
16          effect or it may fix a new record date."

17          Section 59. Title 36 of the Code of the Federated  
18 States of Micronesia (Annotated), is hereby amended by  
19 inserting a new section 157 of chapter 1, to read as  
20 follows:

21          "Section 157. Shareholders' list for meeting.

22                 (1) After fixing a record date for a  
23                 meeting, a corporation shall prepare an  
24                 alphabetical list of the names of all its  
25                 shareholders who are entitled to notice of a

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1           shareholders' meeting. The list shall be arranged  
2           by voting group and within each voting group by  
3           class or series of shares and show the address of  
4           and number of shares held by each shareholder.

5           (2) The shareholders' list shall be  
6           available for inspection by any shareholder,  
7           beginning two business days after notice of the  
8           meeting for which the list was prepared is given  
9           and continuing through the meeting, at the  
10          corporation's principal office or at a place  
11          identified in the meeting notice in the city where  
12          the meeting will be held, or on a reasonably  
13          accessible electronic network; provided that the  
14          information required to gain access to the  
15          shareholders' list is provided with the notice of  
16          the meeting. A shareholder, the shareholder's  
17          agent, or the shareholder's attorney, shall be  
18          entitled on written demand to inspect and to copy  
19          the list, during regular business hours and at the  
20          shareholder's expense, during the period it is  
21          available for inspection. If the corporation  
22          determines that the list will be made available on  
23          an electronic network, the corporation shall take  
24          reasonable steps to ensure that such information  
25          is available only to shareholders of the

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1           corporation.

2           (3) The corporation shall make the  
3           shareholders' list available at the meeting, and  
4           any shareholder, the shareholder's agent, or  
5           shareholder's attorney, is entitled to inspect the  
6           list at any time during the meeting or any  
7           adjournment.

8           (4) If the corporation refuses to allow a  
9           shareholder, the shareholder's agent, or the  
10          shareholder's attorney, to inspect the  
11          shareholders' list before or at the meeting or  
12          copy the list as permitted by subsection (2), the  
13          FSM Supreme Court, on application of the  
14          shareholder, may summarily order the inspection or  
15          copying at the corporations' expense and may  
16          postpone the meeting for which the list was  
17          prepared until the inspection or copying is  
18          complete.

19          (5) Refusal or failure to prepare or make  
20          available the shareholders' list does not affect  
21          the validity of action taken at the meeting."

22          Section 60. Title 36 of the Code of the Federated  
23 States of Micronesia (Annotated), is hereby amended by  
24 inserting a new section 158 of chapter 1, to read as  
25 follows:

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1           "Section 158. Voting entitlement of shares.

2                   (1) Except as provided in subsections (2)  
3                   and (4) or unless the articles of incorporation  
4                   provide otherwise, each outstanding share,  
5                   regardless of class, is entitled to one vote on  
6                   each matter voted on at a shareholders' meeting.  
7                   Only shares are entitled to vote.

8                   (2) Absent special circumstances, the shares  
9                   of a corporation are not entitled to vote if they  
10                   are owned, directly or indirectly, by a second  
11                   corporation, domestic or foreign, and the first  
12                   corporation owns, directly or indirectly, a  
13                   majority of the shares entitled to vote for  
14                   directors of the second corporation.

15                   (3) Subsection (2) does not limit the power  
16                   of a corporation to vote any shares, including its  
17                   own shares, held by it in a fiduciary capacity.

18                   (4) Redeemable shares are not entitled to  
19                   vote after notice of redemption is mailed to the  
20                   holders and a sum sufficient to redeem the shares  
21                   has been deposited with a bank, trust company, or  
22                   other financial institution under an irrevocable  
23                   obligation to pay the holders the redemption price  
24                   on surrender of the shares."

25           Section 61. Title 36 of the Code of the Federated

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1 States of Micronesia (Annotated), is hereby amended by  
2 inserting a new section 159 of chapter 1, to read as  
3 follows:

4 "Section 159. Proxies.

5 (1) A shareholder may vote the shareholder's  
6 shares in person or by proxy.

7 (2) A shareholder may appoint a proxy to  
8 vote or otherwise act for the shareholder by  
9 signing an appointment form. The appointment form  
10 shall be signed by either the shareholder  
11 personally or by the shareholder's attorney-in-  
12 fact.

13 (3) Alternatively, a shareholder may  
14 authorize another person to act as a proxy for the  
15 shareholder by:

16 (a) Executing a writing authorizing  
17 another person or persons to act as a proxy for  
18 the shareholder, which may be accompanied by the  
19 shareholder or the shareholder's authorized  
20 attorney-in-fact, officer, director, employee, or  
21 agent signing the writing or causing the  
22 shareholder's signature to be affixed to the  
23 writing by any reasonable means, including without  
24 limitation the use of a facsimile signature; or

25 (b) Transmitting or authorizing the

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1           transmission of an electronic transmission  
2           authorizing the person or persons to act as a  
3           proxy for the shareholder to the person or persons  
4           who will be the holder of the proxy or to a proxy  
5           solicitation firm, proxy support service  
6           organization, or similar agent duly authorized by  
7           the person who will be the holder of the proxy to  
8           receive the transmission; provided that any such  
9           transmission shall specify that the transmission  
10          was authorized by the shareholder. A copy,  
11          facsimile telecommunication, or other reliable  
12          reproduction of the writing or transmission  
13          created pursuant to the foregoing may be used in  
14          lieu of the original writing or transmission for  
15          any and all purposes for which the original  
16          writing or transmission could be used; provided  
17          that any such copy, facsimile telecommunication,  
18          or other reproduction shall be a complete  
19          reproduction of the entire original writing or  
20          transmission.

21                 (4) An appointment of a proxy is effective  
22                 when received by the secretary or other officer or  
23                 agent authorized to tabulate votes. An  
24                 appointment is valid for eleven months unless a  
25                 longer period is expressly provided in the

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1           appointment document.

2                   (5) An appointment of a proxy is revocable  
3           by the shareholder unless the appointment document  
4           conspicuously states that it is irrevocable and  
5           the appointment is coupled with an interest.  
6           Appointments coupled with an interest include the  
7           appointment of:

8                           (a) A pledgee;

9                           (b) A person who purchased or agreed to  
10           purchase the shares;

11                           (c) A creditor of the corporation who  
12           extended it credit under terms requiring  
13           appointment;

14                           (d) An employee of the corporation  
15           whose employment contract requires the  
16           appointment; or

17                           (e) A party to a voting agreement  
18           created under Section 167.

19                   (6) The death or incapacity of the  
20           shareholder appointing a proxy does not affect the  
21           right of the corporation to accept the proxy's  
22           authority unless notice of the death or incapacity  
23           is received by the secretary or other officer or  
24           agent authorized to tabulate votes before the  
25           proxy exercises authority under the appointment.



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1           (7) An appointment made irrevocable under  
2           subsection (5) is revoked when the interest with  
3           which it is coupled is extinguished.

4           (8) A transferee for value of shares subject  
5           to an irrevocable appointment may revoke the  
6           appointment if the transferee did not know of its  
7           existence when the transferee acquired the shares  
8           and the existence of the irrevocable appointment  
9           was not noted conspicuously on the certificate  
10          representing the shares or on the information  
11          statement for shares without certificates.

12          (9) Subject to Section 161 and to any  
13          express limitation on the proxy's authority  
14          appearing on the face of the appointment document,  
15          a corporation is entitled to accept the proxy's  
16          vote or other action as that of the shareholder  
17          making the appointment."

18          Section 62. Title 36 of the Code of the Federated  
19 States of Micronesia (Annotated), is hereby amended by  
20 inserting a new section 160 of chapter 1, to read as  
21 follows:

22          "Section 160. Shares held by nominees.

23          (1) A corporation may establish a procedure  
24          by which the beneficial owner of shares that are  
25          registered in the name of the nominee is

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1           recognized by the corporation as the shareholder.  
2           The extent of this recognition may be determined  
3           in the procedure.

4           (2) The procedure may set forth:

5                   (a) The types of nominees to which it  
6           applies;

7                   (b) The rights or privileges that the  
8           corporation recognizes in a beneficial owner;

9                   (c) The manner in which the procedure  
10          is selected by the nominee;

11                   (d) The information that must be  
12          provided when the procedure is selected;

13                   (e) The period for which selection of  
14          the procedure is effective; and

15                   (f) Other aspects of the rights and  
16          duties created."

17           Section 62. Title 36 of the Code of the Federated  
18 States of Micronesia (Annotated), is hereby amended by  
19 inserting a new section 161 of chapter 1, to read as  
20 follows:

21                   "Section 161. Corporation's acceptance of votes,  
22           etc.

23                   (1) If the name signed on a vote, consent,  
24          waiver, or proxy appointment corresponds to the  
25          name of a shareholder, the corporation, acting in

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1           good faith, is entitled to accept the vote,  
2           consent, waiver, or proxy appointment and to give  
3           it effect as the act of the shareholder.

4           (2) If the name signed on a vote, consent,  
5           waiver, or proxy appointment does not correspond  
6           to the name of its shareholder, the corporation  
7           acting in good faith is nevertheless entitled to  
8           accept the vote, consent, waiver, or proxy  
9           appointment and to give it effect as the act of  
10          the shareholder if:

11                   (a) The shareholder is an entity and  
12                   the name signed purports to be that of an officer  
13                   or agent of the entity;

14                   (b) The name signed purports to be that  
15                   of an administrator, executor, guardian, or  
16                   conservator representing the shareholder and, if  
17                   the corporation requests, evidence of fiduciary  
18                   status acceptable to the corporation has been  
19                   presented with respect to the vote, consent,  
20                   waiver, or proxy appointment;

21                   (c) The name signed purports to be that  
22                   of a receiver or trustee in bankruptcy of the  
23                   shareholder and, if the corporation requests,  
24                   evidence of this status acceptable to the  
25                   corporation has been presented with respect to the

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1           vote, consent, waiver, or proxy appointment;

2                   (d) The name signed purports to be that  
3           of a pledgee, beneficial owner, or attorney-in-  
4           fact of the shareholder and, if the corporation  
5           requests, evidence acceptable to the corporation  
6           of the signatory's authority to sign for the  
7           shareholder has been presented with respect to the  
8           vote, consent, waiver, or proxy appointment; or

9                   (e) Two or more persons are the  
10          shareholder as cotenants or fiduciaries and the  
11          name signed purports to be the name of at least  
12          one of the co-owners and the person signing  
13          appears to be acting on behalf of all the co-  
14          owners.

15                  (3) The corporation is entitled to reject a  
16          vote, consent, waiver, or proxy appointment if the  
17          secretary or other officer or agent authorized to  
18          tabulate votes, acting in good faith, has  
19          reasonable basis to doubt the validity of the  
20          signature on the vote, consent, waiver, or proxy  
21          appointment or the signatory's authority to sign  
22          for the shareholder.

23                  (4) The corporation and its officer or agent  
24          who accepts or rejects a vote, consent, waiver, or  
25          proxy appointment in good faith and in accordance

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1           with the standards of this section are not liable  
2           in damages to the shareholder for the consequences  
3           of the acceptance or rejection.

4           (5) Corporate action based on the acceptance  
5           or rejection of a vote, consent, waiver, or proxy  
6           appointment under this section is valid unless a  
7           court of competent jurisdiction determines  
8           otherwise."

9           Section 64. Title 36 of the Code of the Federated  
10          States of Micronesia (Annotated), is hereby amended by  
11          inserting a new section 162 of chapter 1, to read as  
12          follows:

13               "Section 162. Quorum and voting requirements for  
14               voting groups.

15               (1) Shares entitled to vote as a separate  
16               voting group may take action on a matter at a  
17               meeting only if a quorum of those shares exists  
18               with respect to that matter. Unless the articles  
19               of incorporation or this chapter provide  
20               otherwise, a majority of the votes entitled to be  
21               cast on the matter by the voting group constitutes  
22               a quorum of that voting group for action on that  
23               matter.

24               (2) Once a share is represented for any  
25               purpose at a meeting, it is deemed present for

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1           quorum purposes for the remainder of the meeting  
2           and for any adjournment of that meeting unless a  
3           new record date is or must be set for that  
4           adjourned meeting.

5           (3) If a quorum exists, action on a matter  
6           other than the election of directors by a voting  
7           group is approved if the votes cast within the  
8           voting group favoring the action exceed the votes  
9           cast opposing the action, unless the articles of  
10          incorporation or this chapter require a greater  
11          number of affirmative votes.

12          (4) An amendment of articles of  
13          incorporation adding, changing, or deleting a  
14          quorum or voting requirement for a voting group  
15          greater than specified in subsection (1) or (3) is  
16          governed by section 164.

17          (5) The election of directors is governed by  
18          section 165."

19          Section 65. Title 36 of the Code of the Federated  
20 States of Micronesia (Annotated), is hereby amended by  
21 inserting a new section 163 of chapter 1, to read as  
22 follows:

23          "Section 163. Action by single and multiple  
24          voting groups.

25          (1) If the articles of incorporation or this

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1           chapter provide for voting by a single voting  
2           group on a matter, action on that matter is taken  
3           when voted upon by that voting group as provided  
4           in Section 162.

5           (2) If the articles of incorporation or this  
6           chapter provide for voting by two or more voting  
7           groups on a matter, action on that matter is taken  
8           only when voted upon by each of those voting  
9           groups counted separately as provided in Section  
10          162. Action may be taken by one voting group on a  
11          matter even though no action is taken by another  
12          voting group entitled to vote on the matter."

13          Section 66. Title 36 of the Code of the Federated  
14 States of Micronesia (Annotated), is hereby amended by  
15 inserting a new section 164 of chapter 1, to read as  
16 follows:

17                 "Section 164. Greater quorum or voting  
18                 requirements.

19                 (1) The articles of incorporation may  
20                 provide for a greater quorum or voting requirement  
21                 for shareholders or voting groups of shareholders  
22                 than is provided for by this chapter.

23                 (2) An amendment to the articles of  
24                 incorporation that adds, changes, or deletes a  
25                 greater quorum or voting requirement must meet the

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1           same quorum requirement and be adopted by the same  
2           vote and voting groups required to take action  
3           under the quorum and voting requirements then in  
4           effect or proposed to be adopted, whichever is  
5           greater."

6           Section 67. Title 36 of the Code of the Federated  
7 States of Micronesia (Annotated), is hereby amended by  
8 inserting a new section 164 of chapter 1, to read as  
9 follows:

10           "Section 165. Voting for directors; cumulative  
11           voting.

12                   (1) Unless otherwise provided in the  
13                   articles of incorporation, directors shall be  
14                   elected by a plurality of the votes cast by the  
15                   shares entitled to vote in the election at a  
16                   meeting at which a quorum is present.

17                   (2) If, not less than forty-eight hours  
18                   prior to the time fixed for any annual or special  
19                   meeting, any shareholder or shareholders deliver  
20                   to any officer of the corporation, a request that  
21                   the election of directors to be elected at the  
22                   meeting be by cumulative voting, then the  
23                   directors to be elected at the meeting shall be  
24                   chosen as follows:

25                           (a) Each shareholder present in person



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1           or represented by proxy at the meeting shall have  
2           a number of votes equal to the number of shares of  
3           capital stock owned by the shareholder multiplied  
4           by the number of directors to be elected at the  
5           meeting;

6                   (b) Each shareholder shall be entitled  
7           to cumulate the votes of a shareholder and to give  
8           all of the votes to one nominee or to distribute  
9           the votes among any or all of the nominees; and

10                   (c) The nominees receiving the highest  
11           number of votes on the foregoing basis, up to the  
12           total number of directors to be elected at the  
13           meeting, shall be the successful nominees.

14           The right to have directors elected by cumulative  
15           voting as provided in this section shall exist  
16           notwithstanding that provision therefor is not  
17           included in the articles of incorporation or  
18           bylaws, and this right shall not be restricted,  
19           qualified, or eliminated by a provision of the  
20           articles of incorporation or bylaws. This section  
21           shall not prevent the filling of vacancies in the  
22           board of directors, which vacancies may be filled  
23           in any manner that may be provided in the articles  
24           of incorporation or bylaws."

25           Section 68. Title 36 of the Code of the Federated

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1 States of Micronesia (Annotated), is hereby amended by  
2 inserting a new section 166 of chapter 1, to read as  
3 follows:

4 "Section 166. Voting trusts.

5 (1) One or more shareholders may create a  
6 voting trust, conferring on a trustee the right to  
7 vote or otherwise act for them, by signing an  
8 agreement setting out the provisions of the trust  
9 which may include anything consistent with its  
10 purpose and transferring their shares to the  
11 trustee. When a voting trust agreement is signed,  
12 the trustee shall prepare a list of the names and  
13 addresses of all owners of beneficial interests in  
14 the trust, together with the number and class of  
15 shares each shareholder transferred to the trust,  
16 and deliver copies of the list and agreement to  
17 the corporation's principal office.

18 (2) A voting trust becomes effective on the  
19 date the first shares subject to the trust are  
20 registered in the trustee's name. A voting trust  
21 is valid for not more than ten years after its  
22 effective date unless extended under subsection  
23 (3).

24 (3) All or some of the parties to a voting  
25 trust may extend it for additional terms of not

1           more than ten years each by signing written  
2           consent to the extension. An extension is valid  
3           for ten years from the date the first shareholder  
4           signs the extension agreement. The voting trustee  
5           must deliver copies of the extension agreement and  
6           list of beneficial owners to the corporation's  
7           principal office. An extension agreement binds  
8           only those parties signing it."

9           Section 69. Title 36 of the Code of the Federated  
10          States of Micronesia (Annotated), is hereby amended by  
11          inserting a new section 167 of chapter 1, to read as  
12          follows:

13               "Section 167. Voting agreements.

14                     (1) Two or more shareholders may provide for  
15                     the manner in which they will vote their shares by  
16                     signing an agreement for that purpose. A voting  
17                     agreement created under this section is not  
18                     subject to Section 166.

19                     (2) A voting agreement created under this  
20                     section is specifically enforceable."

21          Section 70. Title 36 of the Code of the Federated  
22          States of Micronesia (Annotated), is hereby amended by  
23          inserting a new section 168 of chapter 1, to read as  
24          follows:

25               "Section 168. Shareholder agreements.

1                   (1) An agreement among the shareholders of a  
2                   corporation that complies with this section is  
3                   effective among the shareholders and the  
4                   corporation even though it is inconsistent with  
5                   one or more other provisions of this chapter in  
6                   that it:

7                   (a) Eliminates the board of directors  
8                   or restricts the discretion or powers of the board  
9                   of directors;

10                   (b) Governs the authorization or making  
11                   of distributions whether or not in proportion to  
12                   ownership of shares, subject to limitations in  
13                   section 149, including without limitation the  
14                   elimination, restriction, or expansion of  
15                   dissenter's rights;

16                   (c) Establishes who shall be directors  
17                   or officers of the corporation, or their terms of  
18                   office or manner of selection or removal;

19                   (d) Governs, in general or in regard to  
20                   specific matters, the exercise or division of  
21                   voting power by or between the shareholders and  
22                   directors or by or among any of them, including  
23                   without limitation, the use of weighted voting  
24                   rights or director proxies, or the validity and  
25                   enforceability of actions that are approved by the

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1           directors or shareholders of a corporation, as  
2           applicable, in writing, without a meeting and with  
3           written consent of less than all the directors or  
4           shareholders entitled to vote on any such action.  
5           An agreement covered under this paragraph may  
6           include an agreement to permit any action required  
7           or permitted by this chapter to be taken at a  
8           shareholders' meeting to be taken without a  
9           meeting; provided that consents in writing,  
10          setting forth the action so taken, shall be signed  
11          or given by electronic transmission by the holders  
12          of the outstanding shares entitled to vote on the  
13          action having not less than the minimum number of  
14          votes that would be necessary to authorize or take  
15          such action at a meeting at which all shares  
16          entitled to vote thereon were present and voted,  
17          notwithstanding section 153.

18                   (e) Establishes the terms and  
19                   conditions of any agreement for the transfer or  
20                   use of property or the provision of services  
21                   between the corporation and any shareholder,  
22                   director, officer, or employee of the corporation  
23                   or among any of them;

24                   (f) Transfers to one or more  
25                   shareholders or other persons all or part of the

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1           authority to exercise the corporate powers or to  
2           manage the business and affairs of the  
3           corporation, including the resolution of any issue  
4           about which there exists a deadlock among  
5           directors or shareholders;

6                   (g) Requires dissolution of the  
7           corporation at the request of one or more of the  
8           shareholders or upon the occurrence of a specified  
9           event or contingency; or

10                   (h) Otherwise governs the exercise of  
11           the corporate powers or the management of the  
12           business and affairs of the corporation or the  
13           relationship among the shareholders, the  
14           directors, and the corporation, or among any of  
15           them, and is not contrary to public policy.

16                   (2) An agreement authorized by this section  
17           shall be:

18                           (a) Set forth:

19                                   (i) In the articles of  
20           incorporation or bylaws and approved by all  
21           persons who are shareholders at the time of the  
22           agreement; or

23                                   (ii) In a written agreement that is  
24           signed by all persons who are shareholders at the  
25           time of the agreement and is made known to the



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1           compliance with this subsection, the corporation  
2           shall recall the outstanding certificates and  
3           issue substitute certificates that comply with  
4           this subsection. The failure to note the  
5           existence of the agreement in the articles of  
6           incorporation, on the certificate, or on the  
7           information statement shall not affect the  
8           validity of the agreement or any action taken  
9           pursuant to it. Any purchaser of shares who, at  
10          the time of the purchase did not have knowledge of  
11          the existence of the agreement shall be entitled  
12          to rescission of the purchase. A purchaser shall  
13          not be entitled to rescission as described in the  
14          preceding sentence if, at the time of purchase,  
15          the existence of the agreement is noted in the  
16          articles of incorporation, on the certificate for  
17          the shares, or on the information statement for  
18          the shares, in compliance with this subsection  
19          and, if the shares are not represented by a  
20          certificate and the existence of the agreement is  
21          not noted in the articles of incorporation in  
22          compliance with this subsection, the information  
23          statement is delivered to the purchaser at or  
24          prior to the time of purchase of the shares. An  
25          action to enforce the right of rescission



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1           authorized by this subsection must be commenced  
2           within the earlier of ninety days after discovery  
3           of the existence of the agreement or two years  
4           after the time of purchase of the shares.

5           (4) An agreement authorized by this section  
6           shall cease to be effective when shares of the  
7           corporation are listed on a national securities  
8           exchange or regularly traded in a market  
9           maintained by one or more members of a national or  
10           affiliated securities association. If the  
11           agreement ceases to be effective for any reason,  
12           the board of directors, if the agreement is  
13           contained or referred to in the corporation's  
14           articles of incorporation or bylaws, may adopt an  
15           amendment to the articles of incorporation or  
16           bylaws, without shareholder action, to delete the  
17           agreement and any references to it.

18           (5) An agreement authorized by this section  
19           that limits the discretion or powers of the board  
20           of directors shall relieve the directors of, and  
21           impose upon the person or persons in whom the  
22           discretion or powers are vested, liability for  
23           acts or omissions imposed by law on directors to  
24           the extent that the discretion or powers of the  
25           directors are limited by the agreement.

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1                   (6) The existence or performance of an  
2                   agreement authorized by this section shall not be  
3                   a ground for imposing personal liability on any  
4                   shareholder for the acts or debts of the  
5                   corporation even if the agreement or its  
6                   performance treats the corporation as if it were a  
7                   partnership or results in the failure to observe  
8                   the corporate formalities otherwise applicable to  
9                   the matters governed by the agreement.

10                   (7) Incorporators or subscribers for shares  
11                   may act as shareholders with respect to an  
12                   agreement authorized by this section if no shares  
13                   have been issued when the agreement is made."

14                   Section 71. Title 36 of the Code of the Federated  
15 States of Micronesia (Annotated), is hereby amended by  
16 inserting a new section 169 of chapter 1, to read as  
17 follows:

18                   "Section 169. Definitions – Derivative Actions.  
19                   As used herein "Derivative proceeding" means a  
20                   civil suit in the right of a domestic corporation  
21                   or, to the extent provided in section 176, in the  
22                   right of a foreign corporation. "Shareholder"  
23                   includes a beneficial owner whose shares are held  
24                   in a voting trust or held by a nominee on the  
25                   beneficial owner's behalf."

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1           Section 72. Title 36 of the Code of the Federated  
2 States of Micronesia (Annotated), is hereby amended by  
3 inserting a new section 170 of chapter 1, to read as  
4 follows:

5           "Section 170. Standing.

6                   (1) A shareholder may not commence or  
7                   maintain a derivative proceeding unless the  
8                   shareholder:

9                           (a) Was a shareholder of the  
10                          corporation at the time of the act or omission  
11                          complained of or became a shareholder through  
12                          transfer by operation of law from one who was a  
13                          shareholder at that time; and

14                           (b) Fairly and adequately represents  
15                          the interests of the corporation in enforcing the  
16                          right of the corporation."

17           Section 73. Title 36 of the Code of the Federated  
18 States of Micronesia (Annotated), is hereby amended by  
19 inserting a new section 171 of chapter 1, to read as  
20 follows:

21           "Section 171. Demand.

22                   (1) No shareholder may commence a derivative  
23                   proceeding until:

24                           (a) A written demand has been made upon  
25                          the corporation to take suitable action; and

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1                   (b) Ninety days have expired from the  
2                   date the demand was made unless the shareholder  
3                   has earlier been notified that the demand has been  
4                   rejected by the corporation or unless irreparable  
5                   injury to the corporation would result by waiting  
6                   for the expiration of the ninety-day period."

7           Section 74. Title 36 of the Code of the Federated  
8 States of Micronesia (Annotated), is hereby amended by  
9 inserting a new section 172 of chapter 1, to read as  
10 follows:

11                   "Section 172. Stay of proceedings. If the  
12                   corporation commences an inquiry into the  
13                   allegations made in the demand or complaint, the  
14                   court may stay any derivative proceeding for a  
15                   period that the court deems appropriate."

16           Section 75. Title 36 of the Code of the Federated  
17 States of Micronesia (Annotated), is hereby amended by  
18 inserting a new section 173 of chapter 1, to read as  
19 follows:

20                   "Section 173. Dismissal.

21                   (1) A derivative proceeding shall be  
22                   dismissed by the court on motion by the  
23                   corporation if one of the groups specified in  
24                   subsection (2) or (6) has determined in good faith  
25                   after conducting a reasonable inquiry upon which

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1           its conclusions are based that the maintenance of  
2           the derivative proceeding is not in the best  
3           interest of the corporation.

4           (2) Unless a panel is appointed pursuant to  
5           subsection (6), the determination in subsection  
6           (1) shall be made by:

7                   (a) A majority vote of independent  
8                   directors present at a meeting of the board of  
9                   directors if the independent directors constitute  
10                  a quorum; or

11                   (b) A majority vote of a committee  
12                   consisting of two or more independent directors  
13                   appointed by majority vote of independent  
14                   directors present at a meeting of the board of  
15                   directors, whether or not the independent  
16                   directors constituted a quorum.

17           (3) None of the following by itself shall  
18           cause a director to be considered not independent  
19           for purposes of this section:

20                   (a) The nomination or election of the  
21                   director by persons who are defendants in the  
22                   derivative proceeding or against whom action is  
23                   demand;

24                   (b) The naming of the director as a  
25                   defendant in the derivative proceeding or as a

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1           persons against whom action is demanded; or

2                       (c) The approval by the director of the  
3           act being challenged in the derivative proceeding  
4           or demand if the act resulted in no personal  
5           benefit to the director.

6                       (4) If a derivative proceeding is commenced  
7           after a determination has been made rejecting a  
8           demand by a shareholder, the complaint shall  
9           allege with particularity facts establishing  
10          either:

11                      (a) That a majority of the board of  
12          directors did not consist of independent directors  
13          at the time the determination was made; or

14                      (b) That the requirements of subsection  
15          (1) have not been met.

16                      (5) If a majority of the board of directors  
17          does not consist of independent directors at the  
18          time the determination is made, the corporation  
19          shall have the burden of proving that the  
20          requirements of subsection (1) have been met. If  
21          a majority of the board of directors consists of  
22          independent directors at the time the  
23          determination is made, the plaintiff shall have  
24          the burden of proving the requirements of  
25          subsection (1) have not been met.

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1                   (6) The court may appoint a panel of one or  
2                   more independent persons upon motion by the  
3                   corporation to make a determination whether the  
4                   maintenance of the derivative proceeding is in the  
5                   best interests of the corporation. In the case,  
6                   the plaintiff shall have the burden of proving  
7                   that the requirements of subsection (1) have not  
8                   been met."

9           Section 76. Title 36 of the Code of the Federated  
10 States of Micronesia (Annotated), is hereby amended by  
11 inserting a new section 174 of chapter 1, to read as  
12 follows:

13                   "Section 174. Discontinuance or settlement. A  
14                   derivative proceeding may not be discontinued or  
15                   settled without the court's approval. If the  
16                   court determines that a proposed discontinuance or  
17                   settlement will substantially affect the interests  
18                   of the corporation's shareholders or a class of  
19                   shareholders, the court shall direct that notice  
20                   be given to the shareholders affected."

21           Section 77. Title 36 of the Code of the Federated  
22 States of Micronesia (Annotated), is hereby amended by  
23 inserting a new section 175 of chapter 1, to read as  
24 follows:

25                   "Section 175. Payment of expenses.

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1                   (1) On termination of the derivative  
2                   proceeding the court may:

3                   (a) Order the corporation to pay the  
4                   plaintiff's reasonable expenses including  
5                   reasonable attorney's fees incurred in the  
6                   proceeding if it finds that the proceeding has  
7                   resulted in a substantial benefit to the  
8                   corporation;

9                   (b) Order the plaintiff to pay any  
10                   defendant's reasonable expenses including  
11                   reasonable attorney's fees incurred in defending  
12                   the proceeding if it finds that the proceeding was  
13                   commenced or maintained without reasonable cause  
14                   or for an improper purpose; or

15                   (c) Order a party to pay an opposing  
16                   party's reasonable expenses including reasonable  
17                   attorney's fees incurred because of the filing of  
18                   a pleading, motion, or other paper, if it finds  
19                   that the pleading, motion, or other paper was not  
20                   well-grounded in fact, after reasonable inquiry,  
21                   or warranted by existing law or a good faith  
22                   argument for the extension, modification, or  
23                   reversal of existing law and was interposed for an  
24                   improper purpose, such as to harass or cause  
25                   unnecessary delay or needless increase in the cost



1           of litigation."

2           Section 78. Title 36 of the Code of the Federated  
3 States of Micronesia (Annotated), is hereby amended by  
4 inserting a new section 176 of chapter 1, to read as  
5 follows:

6           "Section 176. Applicability to foreign  
7 corporations. In any derivative proceeding with  
8 respect to a foreign corporation, matters related  
9 to derivative proceedings shall be governed by the  
10 laws of the jurisdiction of the incorporation of  
11 the foreign corporation except for sections 174  
12 and 175."

13          Section 79. Title 36 of the Code of the Federated  
14 States of Micronesia (Annotated), is hereby amended by  
15 inserting a new section 177 of chapter 1, to read as  
16 follows:

17          "Section 177. Requirement for and duties of board  
18 of directors.

19                 (1) Except as provided in section 168, each  
20 corporation must have a board of directors.

21                 (2) All corporate powers shall be exercised  
22 by or under the authority of, and the business and  
23 affairs of the corporation managed under the  
24 direction of, its board of directors, subject to  
25 any limitation set forth in the articles of

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1           incorporation or in an agreement authorized under  
2           section 168."

3           Section 80. Title 36 of the Code of the Federated  
4 States of Micronesia (Annotated), is hereby amended by  
5 inserting a new section 178 of chapter 1, to read as  
6 follows:

7           "Section 178. Qualifications of directors. The  
8           articles of incorporation or bylaws may prescribe  
9           qualifications for directors. A director need not  
10          be a citizen or resident of the Federated States  
11          of Micronesia or a shareholder of the corporation  
12          unless the articles of incorporation or bylaws so  
13          prescribe."

14          Section 81. Title 36 of the Code of the Federated  
15 States of Micronesia (Annotated), is hereby amended by  
16 inserting a new section 179 of chapter 1, to read as  
17 follows:

18          "Section 179. Number and election of directors.

19                 (1) A board of directors must consist of one  
20                 or more individuals, with the number specified in  
21                 or fixed in accordance with the articles of  
22                 incorporation or bylaws.

23                 (2) If a board of directors has power to fix  
24                 or change the number of directors, the board may  
25                 increase or decrease by thirty percent or less the

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1           number of directors last approved by the  
2           shareholders, but only the shareholders may  
3           increase or decrease by more than thirty percent  
4           the number of directors last approved by the  
5           shareholders.

6           (3) The articles of incorporation or bylaws  
7           may establish a variable range for the size of the  
8           board of directors by fixing a minimum and maximum  
9           number of directors. If a variable range is  
10          established, the number of directors may be fixed  
11          or changed from time to time, within the minimum  
12          and maximum, by the shareholders or the board of  
13          directors. After shares are issued, only the  
14          shareholders may change the range for the size of  
15          the board or change from a fixed to a variable-  
16          range size board or vice versa.

17          (4) Directors are elected at the first  
18          annual shareholders' meeting and at each annual  
19          meeting therefore unless their terms are staggered  
20          under section 182."

21          Section 82. Title 36 of the Code of the Federated  
22          States of Micronesia (Annotated), is hereby amended by  
23          inserting a new section 180 of chapter 1, to read as  
24          follows:

25          "Section 180. Election of directors by certain

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1           classes of shareholders. If the articles of  
2           incorporation authorize dividing the shares into  
3           classes, the articles may also authorize the  
4           election of all or a specified number of directors  
5           by the holders of one or more authorized classes  
6           of shares. A class or classes of shares entitled  
7           to elect one or more directors is a separate  
8           voting group for purposes of the election of  
9           directors."

10           Section 83. Title 36 of the Code of the Federated  
11 States of Micronesia (Annotated), is hereby amended by  
12 inserting a new section 181 of chapter 1, to read as  
13 follows:

14           "Section 181. Terms of directors generally.

15                   (1) The terms of the initial directors of a  
16                   corporation expire at the first shareholders'  
17                   meeting at which directors are elected.

18                   (2) The terms of all other directors expire  
19                   at the next annual shareholders' meeting following  
20                   their election unless their terms are staggered  
21                   under section 182.

22                   (3) A decrease in the number of directors  
23                   does not shorten an incumbent director's term.

24                   (4) The term of a director elected to fill a  
25                   vacancy expires at the next shareholders' meeting

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1           at which directors are elected.

2           (5) Despite the expiration of a director's  
3           term, the director continues to serve until the  
4           director's successor is elected and qualified or  
5           until there is a decrease in the number of  
6           directors."

7           Section 84. Title 36 of the Code of the Federated  
8 States of Micronesia (Annotated), is hereby amended by  
9 inserting a new section 182 of chapter 1, to read as  
10 follows:

11           "Section 182. Staggered terms for directors. If  
12           there are nine or more directors, the articles of  
13           incorporation may provide for staggering their  
14           terms by dividing the total number of directors  
15           into two or three groups, with each group  
16           containing one-half or one-third of the total, as  
17           near as may be. In that event, the terms of  
18           directors in the first group expire at the first  
19           annual shareholders' meeting after their election,  
20           the terms of the second group expire at the second  
21           annual shareholders' meeting after their election,  
22           and the terms of the third group, if any, expire  
23           at the third annual shareholders' meeting after  
24           their election. At each annual shareholders'  
25           meeting held thereafter, directors shall be chosen

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1           for terms of two years or three years, as the case  
2           may be, to succeed those whose terms expire."

3           Section 85. Title 36 of the Code of the Federated  
4 States of Micronesia (Annotated), is hereby amended by  
5 inserting a new section 183 of chapter 1, to read as  
6 follows:

7           "Section 183. Resignation of directors.

8                   (1) A director may resign at any time by  
9                   delivering notice given in writing or by  
10                   electronic transmission to the board of directors,  
11                   its chairperson, or the corporation.

12                   (2) A resignation is effective when the  
13                   notice is delivered unless the notice specifies a  
14                   later effective date."

15           Section 86. Title 36 of the Code of the Federated  
16 States of Micronesia (Annotated), is hereby amended by  
17 inserting a new section 184 of chapter 1, to read as  
18 follows:

19           "Section 184. Removal of directors by  
20           shareholders.

21                   (1) The shareholders may remove one or more  
22                   directors with or without cause unless the  
23                   articles of incorporation provide that directors  
24                   may be removed only for cause.

25                   (2) If a director is elected by a voting

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1           group of shareholders, only the shareholders of  
2           that voting group may participate in the vote to  
3           remove the director.

4           (3) If cumulative voting is authorized, a  
5           director may not be removed if the number of votes  
6           sufficient to elect the director under cumulative  
7           voting is voted against the director's removal.  
8           If cumulative voting is not authorized, a director  
9           may be removed only if the number of votes cast to  
10          remove the director exceeds the number of votes  
11          cast not to remove the director.

12          (4) A director may be removed by the  
13          shareholders only at a meeting called for the  
14          purpose of removing the director and the meeting  
15          notice must state that the purpose, or one of the  
16          purposes, of the meeting is removal of the  
17          director."

18          Section 87. Title 36 of the Code of the Federated  
19 States of Micronesia (Annotated), is hereby amended by  
20 inserting a new section 185 of chapter 1, to read as  
21 follows:

22          "Section 185. Removal of directors by judicial  
23          proceeding.

24          (1) The Supreme Court of the Federated  
25          States of Micronesia may remove a director of the

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1           corporation from office in a proceeding commenced  
2           either by the corporation or by its shareholders  
3           holding at least ten percent of the outstanding  
4           shares of any class if the court finds that:

5                   (a) The director engaged in fraudulent  
6                   or dishonest conduct, or gross abuse of authority  
7                   or discretion, with respect to the corporation;  
8                   and

9                   (b) Removal is in the best interest of  
10                  the corporation.

11                  (2) The court that removes a director may  
12                  bar the director from reelection for a period  
13                  prescribed by the court.

14                  (3) If shareholders commence a proceeding  
15                  under subsection (1), they shall make the  
16                  corporation a party defendant."

17           Section 88. Title 36 of the Code of the Federated  
18 States of Micronesia (Annotated), is hereby amended by  
19 inserting a new section 186 of chapter 1, to read as  
20 follows:

21           "Section 186. Vacancy on board.

22                   (1) Unless the articles of incorporation  
23                   provide otherwise, if a vacancy occurs on a board  
24                   of directors, including a vacancy resulting from  
25                   an increase in the number of directors:



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1                   (a) The shareholders may fill the  
2                   vacancy;

3                   (b) The board of directors may fill the  
4                   vacancy; or

5                   (c) If the directors remaining in  
6                   office constitute fewer than a quorum of the  
7                   board, they may fill the vacancy by the  
8                   affirmative vote of a majority of all the  
9                   directors remaining in office.

10                   (2) If the vacant office was held by a  
11                   director elected by a voting group of  
12                   shareholders, only the holders of shares of that  
13                   voting group are entitled to vote to fill the  
14                   vacancy if it is filled by the shareholders.

15                   (3) A vacancy that will occur at a specific  
16                   later date by reason of a resignation effective at  
17                   a later date under section 183 (2) or otherwise  
18                   may be filled before the vacancy occurs."

19                   Section 89. Title 36 of the Code of the Federated  
20 States of Micronesia (Annotated), is hereby amended by  
21 inserting a new section 187 of chapter 1, to read as  
22 follows:

23                   "Section 187. Compensation of directors. Unless  
24                   the articles of incorporation or bylaws provide  
25                   otherwise, the board of directors may fix the

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1           compensation of directors.”

2           Section 90. Title 36 of the Code of the Federated  
3 States of Micronesia (Annotated), is hereby amended by  
4 inserting a new section 188 of chapter 1, to read as  
5 follows:

6           “Section 188. Meetings.

7                   (1) The board of directors may hold regular  
8                   or special meetings in or out of the Federated  
9                   States of Micronesia.

10                   (2) Unless the articles of incorporation or  
11                   bylaws provide otherwise, the board of directors  
12                   may permit any or all directors to participate in  
13                   a regular or special meeting by, or conduct the  
14                   meeting through the use of, any means of  
15                   communication by which all directors participating  
16                   may simultaneously hear each other during the  
17                   meeting. A director participating in a meeting by  
18                   this means is deemed to be present in person at  
19                   the meeting.”

20           Section 91. Title 36 of the Code of the Federated  
21 States of Micronesia (Annotated), is hereby amended by  
22 inserting a new section 189 of chapter 1, to read as  
23 follows:

24           “Section 189. Action without meeting.

25                   (1) Unless the articles of incorporation or

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1            bylaws provide otherwise, action required or  
2            permitted by this chapter to be taken at a board  
3            of directors' meeting may be taken without a  
4            meeting if the action is taken by all members of  
5            the board. The action shall be evidenced by one  
6            or more consents describing the action taken,  
7            given either in writing and signed before or after  
8            the intended effective date of the action by each  
9            director, or by electronic transmission, and  
10           included in the minutes or filed with the  
11           corporate records reflecting the action taken. In  
12           the case of a consent by electronic transmission,  
13           the electronic transmission shall set forth or be  
14           submitted with information from which it may be  
15           determined that the electronic transmission was  
16           authorized by the director who sent the electronic  
17           transmission.

18            (2) Action taken under this section shall be  
19            effective when the last director signs the consent  
20            or gives a consent by electronic transmission,  
21            unless the consent specifies a different effective  
22            date.

23            (3) A consent signed or given by electronic  
24            transmission under this section has the effect of  
25            a meeting vote and may be described as such in any

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1           document."

2           Section 92. Title 36 of the Code of the Federated  
3 States of Micronesia (Annotated), is hereby amended by  
4 inserting a new section 190 of chapter 1, to read as  
5 follows:

6           "Section 190. Notice of meeting.

7                   (1) Unless the articles of incorporation or  
8                   bylaws provide otherwise, regular meetings of the  
9                   board of directors may be held without notice of  
10                   the date, time, place, or purpose of the meeting.

11                   (2) Unless the articles of incorporation or  
12                   bylaws provide for a longer or shorter period,  
13                   special meetings of the board of directors must be  
14                   preceded by at least two days' notice of the date,  
15                   time, and place of the meeting. The notice need  
16                   not described the purpose of the meeting unless  
17                   required by the articles of incorporation or  
18                   bylaws."

19           Section 93. Title 36 of the Code of the Federated  
20 States of Micronesia (Annotated), is hereby amended by  
21 inserting a new section 191 of chapter 1, to read as  
22 follows:

23           "Section 191. Waiver of notice of meeting.

24                   (1) A director may waive any notice required  
25                   by this chapter, the articles of incorporation, or

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1           bylaws before or after the date and time stated in  
2           the notice. Except as provided by subsection (2),  
3           the waiver shall be in writing, signed by the  
4           director entitled to the notice or by electronic  
5           transmission by the director entitled to notice,  
6           and filed with the minutes or corporate records.

7           (2) A director's attendance at or  
8           participation in a meeting waives any required  
9           notice to the director of the meeting unless the  
10          director at the beginning of the meeting or  
11          promptly upon the director's arrival objects to  
12          holding the meeting or transacting business at the  
13          meeting and does not thereafter vote for or assent  
14          to action taken at the meeting."

15          Section 94. Title 36 of the Code of the Federated  
16 States of Micronesia (Annotated), is hereby amended by  
17 inserting a new section 192 of chapter 1, to read as  
18 follows:

19          "Section 192. Quorum and voting.

20                 (1) Unless the articles of incorporation or  
21                 bylaws require a greater number or unless  
22                 otherwise specifically provided in this chapter,  
23                 a quorum of a board of directors consists of:

24                         (a) A majority of the fixed number of  
25                         directors if the corporation has a fixed board

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1           size; or

2                       (b) A majority of the number of  
3           directors prescribed, or if no number is  
4           prescribed the number in office immediately before  
5           the meeting begins, if the corporation has a  
6           variable-range size board.

7                       (2) The articles of incorporation or bylaws  
8           may authorize a quorum of a board of directors to  
9           consist of no fewer than one-third of the fixed or  
10          prescribed number of directors determined under  
11          subsection (1).

12                      (3) If a quorum is present when a vote is  
13          taken, the affirmative vote of a majority of  
14          directors present is the action of the board of  
15          directors unless the articles of incorporation or  
16          bylaws require the vote of a greater number of  
17          directors.

18                      (4) A director who is present at a meeting  
19          of the board of directors or a committee of the  
20          board of directors when corporate action is taken  
21          is deemed to have assented to the action taken  
22          unless:

23                           (a) The director objects at the  
24          beginning of the meeting or promptly upon the  
25          director's arrival to holding it or transacting



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1                   (a) A majority of all the directors in  
2                   the office when the action is taken; or

3                   (b) The number of directors required by  
4                   the articles of incorporation or bylaws to take  
5                   action under section 192.

6                   (3) Sections 188 to 192, which govern  
7                   meetings, action without meetings, notice and  
8                   waiver of notice, and quorum and voting  
9                   requirements of the board of directors, apply to  
10                  committees and their members as well.

11                  (4) To the extent specified by the board of  
12                  directors or in the articles of incorporation or  
13                  bylaws, each committee may exercise the authority  
14                  of the board of directors under section 177.

15                  (5) A committee may not, however:

16                               (a) Authorize distributions;

17                               (b) Approve or propose to shareholders  
18                               action that this chapter requires to be approved  
19                               by shareholders;

20                               (c) Fill vacancies on the board of  
21                               directors or on any of its committees;

22                               (d) Amend articles of incorporation  
23                               pursuant to section 220;

24                               (e) Adopt, amend, or repeal bylaws;

25                               (f) Approve a plan of merger not



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1           requiring shareholder approval;

2                   (g) Authorize or approve reacquisition  
3           of shares, except according to a formula or method  
4           prescribed by the board of directors; or

5                   (h) Authorize or approve the issuance  
6           or sale or contract for sale of shares, or  
7           determine the designation and relative rights,  
8           preferences, and limitations of a class or series  
9           of shares, except that the board of directors may  
10          authorize a committee or a senior executive  
11          officer of the corporation to do so within limits  
12          specifically prescribed by the board of directors.

13                   (6) The creation of, delegation of authority  
14          to, or action by a committee does not alone  
15          constitute compliance by a director with the  
16          standards of conduct described in section 194."

17           Section 96. Title 36 of the Code of the Federated  
18 States of Micronesia (Annotated), is hereby amended by  
19 inserting a new section 194 of chapter 1, to read as  
20 follows:

21           "Section 194. General standards for directors.

22                   (1) A director shall discharge the  
23          director's duties as a director, including the  
24          director's duties as a member of a committee:

25                   (a) In good faith;

1                   **(b) With the care an ordinarily prudent**  
2                   **person in a like position would exercise under**  
3                   **similar circumstances; and**

4                   **(c) In a manner the director reasonably**  
5                   **believes to be in the best interests of the**  
6                   **corporation.**

7                   **(2) In determining the best interests of the**  
8                   **corporation, a director, in addition to**  
9                   **considering the interests of the corporation's**  
10                   **shareholders, may consider, in the director's**  
11                   **discretion, any of the following factors:**

12                   **(a) The interests of the corporation's**  
13                   **employees, customers, suppliers, and creditors;**

14                   **(b) The economy of the nation;**

15                   **(c) Community and societal**  
16                   **considerations, including, without limitation, the**  
17                   **impact of any action upon the communities in or**  
18                   **near which the corporation has offices or**  
19                   **operations; and**

20                   **(d) The long-term as well as short-term**  
21                   **interests of the corporation and its shareholders,**  
22                   **including without limitation, the possibility that**  
23                   **these interests may be best served by the**  
24                   **continued independence of the corporation.**

25                   **(3) In discharging duties as a director, the**

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1            director is entitled to rely on information,  
2            opinions, reports, or statements, including  
3            financial statements and other financial data, if  
4            prepared or presented by:

5                    (a) One or more officers or employees  
6                    of the corporation whom the director reasonably  
7                    believes to be reliable and competent in the  
8                    matters presented;

9                    (b) Legal counsel, public accountants,  
10                   or other persons as to matters the director  
11                   reasonably believes are within the person's  
12                   professional or expert competence; or

13                   (c) A committee of the board of  
14                   directors of which the director is not a member if  
15                   the director reasonably believes the committee  
16                   merits confidence.

17                   (4) A director is not acting in good faith  
18                   if the director has knowledge concerning the  
19                   matter in question that makes reliance otherwise  
20                   permitted by subsection (3) unwarranted.

21                   (5) A director is not liable for any action  
22                   taken as a director, or any failure to take any  
23                   action, if the director performed the duties of  
24                   the director's office in compliance with this  
25                   section."

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1           Section 97. Title 36 of the Code of the Federated  
2 States of Micronesia (Annotated), is hereby amended by  
3 inserting a new section 195 of chapter 1, to read as  
4 follows:

5           "Section 195. Limitation of liability of  
6 directors; shareholder approval required.

7           (1) A corporation may eliminate or limit the  
8 personal liability of its directors in any action  
9 brought by the shareholders or the corporation for  
10 monetary damages against any director of the  
11 corporation for any action taken, or any failure  
12 to take any action, as a director; provided that:

13           (a) The elimination or limitation shall  
14 be authorized, directed, or provided for in:

15           (i) The articles of incorporation of  
16 the corporation; or

17           (ii) Any duly adopted amendment of the  
18 articles of incorporation; and

19           (b) If the provision eliminating or  
20 limiting the personal liability of a corporation's  
21 directors is authorized, directed, or provided for  
22 by amendments to the articles of incorporation, it  
23 shall be adopted upon the affirmative vote of the  
24 holders of two-thirds of the shares represented at  
25 the shareholders' meeting and entitled to vote;

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1           provided that the vote also constitutes a majority  
2           of the shares entitled to vote.

3           (2) A corporation shall not eliminate or  
4           limit the personal liability of a director for:

5                   (a) The amount of a financial benefit  
6                   received by a director to which the director is  
7                   not entitled;

8                   (b) An intentional infliction of harm  
9                   on the corporation or the shareholders'

10                   (c) A violation of section 196; or

11                   (d) An intentional violation of  
12                   criminal law.

13           (3) The shareholders of the corporation  
14           shall receive written notice of any proposal by  
15           the corporation to eliminate or limit the personal  
16           liability of the directors under subsection  
17           (1)(b), and the corporation shall in such cases  
18           submit the duly adopted amendment to the articles  
19           of incorporation to the Registrar.

20           (4) Nothing in this section shall impair or  
21           affect the validity of any provisions of the  
22           bylaws of a corporation eliminating or limiting  
23           the personal liability of the directors, which  
24           were authorized, directed, or provided for and  
25           approved by the shareholders of the corporation in

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1           compliance with then existing law prior to the  
2           effective date of this chapter."

3           Section 98. Title 36 of the Code of the Federated  
4 States of Micronesia (Annotated), is hereby amended by  
5 inserting a new section 196 of chapter 1, to read as  
6 follows:

7           "Section 196. Liability for unlawful  
8           distributions.

9                   (1) A director who votes for or assents to a  
10           distribution made in violation of section 149 or  
11           the articles of incorporation is personally liable  
12           to the corporation for the amount of the  
13           distribution that exceeds what could have been  
14           distributed without violating section 149 or the  
15           articles of incorporation, if it is established  
16           that the director did not perform the director's  
17           duties in compliance with section 194. In any  
18           proceeding commenced under this section, a  
19           director has all of the defenses ordinarily  
20           available to a director.

21                   (2) A director held liable under subsection  
22           (1) for an unlawful distribution is entitled to  
23           contribution:

24                           (a) From every other director who could  
25           be held liable under subsection (1) for the

1           unlawful distribution; and

2                   (b) From each shareholder for the  
3           amount the shareholder accepted knowing the  
4           distribution was made in violation of section 1 or  
5           the articles of incorporation.

6                   (3) A proceeding under this section is  
7           barred unless it is commenced within two years  
8           after the date on which the effect of the  
9           distribution was measured under section 149(5) or  
10           (7)."

11           Section 99. Title 36 of the Code of the Federated  
12 States of Micronesia (Annotated), is hereby amended by  
13 inserting a new section 197 of chapter 1, to read as  
14 follows:

15           "Section 197. Required officers.

16                   (1) A corporation has the officers described  
17           in its articles of incorporation or bylaws or  
18           appointed by the board of directors in accordance  
19           with the bylaws.

20                   (2) A duly appointed officer may appoint one  
21           or more officers or assistant officers if  
22           authorized by the bylaws or the board of  
23           directors.

24                   (3) The bylaws or the board of directors  
25           shall delegate to one of the officers

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1           responsibility for preparation and custody of  
2           minutes of the directors' and shareholders'  
3           meetings and for authenticating records of the  
4           corporation. In the absence of a specific  
5           delegation in the bylaws or by the board of  
6           directors, the secretary shall have this  
7           responsibility.

8                   (4) The same individual may simultaneously  
9                   hold more than one office in a corporation."

10           Section 100. Title 36 of the Code of the Federated  
11 States of Micronesia (Annotated), is hereby amended by  
12 inserting a new section 198 of chapter 1, to read as  
13 follows:

14                   "Section 198. Duties of officers. Each officer  
15                   has the authority and shall perform the duties set  
16                   forth in the bylaws or, to the extent consistent  
17                   with the bylaws, the duties prescribed by the  
18                   board of directors or by direction of an officer  
19                   authorized by the board of directors to prescribe  
20                   the duties of other officers."

21           Section 101. Title 36 of the Code of the Federated  
22 States of Micronesia (Annotated), is hereby amended by  
23 inserting a new section 199 of chapter 1, to read as  
24 follows:

25                   "Section 199. Standards of conduct for officers.



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1                   (1) An officer with discretionary authority  
2                   shall discharge the officer's duties under that  
3                   authority:

4                   (a) In good faith;

5                   (b) With the care an ordinarily prudent  
6                   person in a like position would exercise under  
7                   similar circumstances; and

8                   (c) In a manner the officer reasonably  
9                   believes to be in the best interests of the  
10                  corporation.

11                  (2) In discharging the duties of an officer,  
12                  the officer is entitled to rely on information,  
13                  opinions, reports, or statements, including  
14                  financial statements and other financial data, if  
15                  prepared or presented by:

16                  (a) One or more officers or employees  
17                  of the corporation whom the officer reasonably  
18                  believes to be reliable and competent in the  
19                  matters presented; or

20                  (b) Legal counsel, public accountants,  
21                  or other persons as to matters the officer  
22                  reasonably believes are within the person's  
23                  professional or expert competence.

24                  (3) An officer is not acting in good faith  
25                  if the officer has knowledge concerning the matter

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1           in question that makes reliance otherwise  
2           permitted by subsection (2) unwarranted.

3           (4) An officer is not liable for any action  
4           taken as an officer, or any failure to take any  
5           action, if the officer performed the duties of the  
6           officer's office in compliance with this section."

7           Section 102. Title 36 of the Code of the Federated  
8 States of Micronesia (Annotated), is hereby amended by  
9 inserting a new section 200 of chapter 1, to read as follows:

10           "Section 200. Resignation and removal of  
11           officers.

12           (1) An officer may resign at any time by  
13           delivering notice to the corporation. A  
14           resignation is effective when the notice is  
15           delivered unless the notice specifies a late  
16           effective date. If a resignation is made  
17           effective at a later date and the corporation  
18           accepts the future effective date, its board of  
19           directors may fill the pending vacancy before the  
20           effective date if the board of directors provides  
21           that the successor does not take office until the  
22           effective date.

23           (2) Any officer may be removed by the board  
24           of directors whenever in its judgment the best  
25           interests of the corporation will be served

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1           thereby, but the removal shall be without  
2           prejudice to the contract rights, if any, of the  
3           person so removed."

4           Section 103. Title 36 of the Code of the Federated  
5 States of Micronesia (Annotated), is hereby amended by  
6 inserting a new section 201 of chapter 1, to read as  
7 follows:

8           "Section 201. Contract rights of officers.

9                   (1) The appointment or election of an  
10                   officer does not itself create contract rights.

11                   (2) An officer's removal does not affect the  
12                   officer's contract rights, if any, with the  
13                   corporation. An officer's resignation does not  
14                   affect the corporation's contract rights, if any,  
15                   with the officer."

16           Section 104. Title 36 of the Code of the Federated  
17 States of Micronesia (Annotated), is hereby amended by  
18 inserting a new section 202 of chapter 1, to read as  
19 follows:

20           "Section 202. Definitions – Indemnification.

21           As used herein:

22                   (1) "Corporation" includes any domestic or  
23                   foreign predecessor entity of a corporation in a  
24                   merger.

25                   (2) "Director" or "officer" means an

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1           individual who is or was a director or officer,  
2           respectively, of a corporation or who, while a  
3           director or officer of the corporation, is or was  
4           serving at the corporation's request as a  
5           director, officer, partner, trustee, employee, or  
6           agent of another domestic or foreign corporation,  
7           partnership, joint venture, trust, employee  
8           benefit plan, or other entity. A director or  
9           officer is considered to be serving an employee  
10          benefit plan at the corporation's request if the  
11          duties of the director or officer to the  
12          corporation also impose duties on, or otherwise  
13          involve services by, the director or officer to  
14          the plan or to participants in or beneficiaries of  
15          the plan. "Director" or "officer" includes,  
16          unless the context requires otherwise, the estate  
17          or personal representative of a director or  
18          officer.

19                (3) "Disinterested director" means a  
20                director who, at the time of a vote referred to in  
21                section 205(3) or a vote or selection referred to  
22                in section 206 or 207, is not:

- 23                        (a) A party to the proceeding; or  
24                        (b) An individual having a familial,  
25                        financial, professional, or employment

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1           relationship with the directors whose  
2           indemnification or advance for expenses is the  
3           subject of the decision being made, which  
4           relationship would, in the circumstances,  
5           reasonably be expected to exert an influence on  
6           the director's judgment when voting on the  
7           decision being made.

8           (4) "Expenses" includes attorney's fees.

9           (5) "Liability" means the obligation to pay  
10          a judgment, settlement, penalty, fine including an  
11          excise tax assessed with respect to an employee  
12          benefit plan, or reasonable expenses incurred with  
13          respect to a proceeding.

14          (6) "Official capacity" means:

15                 (a) When used with respect to a  
16          director, the office of director in a corporation;  
17          and

18                 (b) When used with respect to an  
19          officer, as contemplated in section 208, the  
20          office in a corporation held by the officer.

21                         (i) "Official capacity" does not  
22          include service for any other domestic or foreign  
23          corporation or any partnership, joint venture,  
24          trust, employee benefit plan, or other entity.

25          (7) "Party" means an individual who was, is,

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1           or is threatened to be made, a defendant or  
2           respondent in a proceeding.

3           (8) "Proceeding" means any threatened,  
4           pending, or completed action, suit, or proceeding,  
5           whether civil, criminal, administration,  
6           arbitrative, or investigative and whether formal  
7           or informal."

8           Section 105. Title 36 of the Code of the Federated  
9 States of Micronesia (Annotated), is hereby amended by  
10 inserting a new section 203 of chapter 1, to read as  
11 follows:

12           "Section 203. Permissible indemnification.

13           (1) Except as otherwise provided in this  
14           section, a corporation may indemnify an individual  
15           who is a party to a proceeding because the  
16           individual is a director against liability  
17           incurred in the proceeding if:

18                   (a) The individual conducted the  
19                   individual's self in good faith; and

20                   (b) The individual reasonably believed:

21                           (i) In the case of conduct of  
22                           official capacity, that the individual's conduct  
23                           was in the best interests of the corporation;

24                           (ii) In all other cases, that the  
25                           individual's conduct was at least not opposed to

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1           the best interests of the corporation; and

2                           (c) In the case of any criminal  
3           proceeding, the individual had no reasonable cause  
4           to believe the individual's conduct was unlawful;  
5           or

6                           (d) The individual engaged in conduct  
7           for which broader indemnification has been made  
8           permissible or obligatory under a provision of the  
9           articles of incorporation as authorized by section  
10          117(2)(e).

11                          (2) A director's conduct with respect to an  
12          employee benefit plan for a purpose the director  
13          reasonably believed to be in the interests of the  
14          participants in, and the beneficiaries of, the  
15          plan is conduct that satisfies the requirement of  
16          subsection (1)(b)(ii).

17                          (3) The termination of a proceeding by  
18          judgment, order, settlement, or conviction, or  
19          upon a plea of nolo contendere or its equivalent,  
20          is not, of itself, determinative that the director  
21          did not meet the relevant standard of conduct  
22          described in this section.

23                          (4) Unless ordered by a court under section  
24          206(1)(c), a corporation may not indemnify a  
25          director:

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1                   (a) In connection with a proceeding by  
2                   or in the right of the corporation, except for  
3                   reasonable expenses incurred in connection with  
4                   the proceeding if it is determined that the  
5                   director has met the relevant standard of conduct  
6                   under subsection (1); or

7                   (b) In connection with any proceeding  
8                   with respect to conduct for which the director was  
9                   adjudged liable on the basis that the director  
10                  received a financial benefit to which the director  
11                  was not entitled, whether or not involving action  
12                  in the director's official capacity."

13                  Section 106. Title 36 of the Code of the Federated  
14 States of Micronesia (Annotated), is hereby amended by  
15 inserting a new section 204 of chapter 1, to read as  
16 follows:

17                  "Section 204. Mandatory indemnification. A  
18                  corporation shall indemnify a director who was  
19                  wholly successful, on the merits or otherwise, in  
20                  the defense of any proceeding to which the  
21                  director was a party because the director was a  
22                  director of the corporation against reasonable  
23                  expenses incurred by the director in connection  
24                  with the proceeding."

25                  Section 107. Title 36 of the Code of the Federated



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1 States of Micronesia (Annotated), is hereby amended by  
2 inserting a new section 205 of chapter 1, to read as follows:

3 "Section 205. Advance for expenses.

4 (1) A corporation, before final disposition  
5 of a proceeding, may advance funds to pay for or  
6 reimburse the reasonable expenses incurred by a  
7 director who is a party to a proceeding because  
8 the director is a director if the director  
9 delivers to the corporation:

10 (a) A written affirmation of the  
11 director's good faith belief that the director has  
12 met the relevant standard of conduct described in  
13 section 203 or that the proceeding involves  
14 conduct for which liability has been eliminated  
15 under a provision of the articles of incorporation  
16 as authorized by section 117(2)(d); and

17 (b) The director's written undertaking  
18 to repay any funds advanced if the director is not  
19 entitled to mandatory indemnification under  
20 section 204 and it is ultimately determined under  
21 section 206 or 207 that the director has not met  
22 the relevant standard of conduct described in  
23 section 203.

24 (2) The undertaking required by subsection  
25 (1)(b) must be an unlimited general obligation of

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1           the director but need not be secured and may be  
2           accepted without reference to the financial  
3           liability of the director to make repayment.

4           (3) Authorization under this section shall  
5           be made:

6                   (a) By the board of directors:

7                           (i) If there are two or more  
8           disinterested directors, by a majority vote of all  
9           the disinterested directors a majority of whom for  
10          this purpose, shall constitute a quorum or by a  
11          majority of the members of a committee of two or  
12          more disinterested directors appointed by such a  
13          vote; or

14                          (ii) If there are fewer than two  
15          disinterested directors, by the vote necessary for  
16          action by the board in accordance with section  
17          192(3), in which authorization directors who do  
18          not qualify as disinterested directors may  
19          participate; or

20                          (b) By the shareholders, but shares  
21          owned by or voted under the control of a director  
22          who at the time does not qualify as a  
23          disinterested director may not be voted on the  
24          authorization."

25          Section 108. Title 36 of the Code of the Federated

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1 States of Micronesia (Annotated), is hereby amended by  
2 inserting a new section 206 of chapter 1, to read as follows:

3 “Section 206. Court-ordered indemnification and  
4 advance for expenses.

5 (1) A director who is a party to a  
6 proceeding because the director is a director may  
7 apply for indemnification or an advance for  
8 expenses to the court conducting the proceeding or  
9 to another court of competent jurisdiction. After  
10 receipt of an application and after giving any  
11 notice it considers necessary, the court shall:

12 (a) Order indemnification if the court  
13 determines that the director is entitled to  
14 mandatory indemnification under section 204;

15 (b) Order indemnification or advance  
16 for expenses if the court determines that the  
17 director is entitled to indemnification or advance  
18 for expenses pursuant to a provision authorization  
19 by section 210(1); or

20 (c) Order indemnification or advance  
21 for expenses if the court determines, in view of  
22 all the relevant circumstances, that it is fair  
23 and reasonable:

24 (i) To indemnify the director; or

25 (ii) To advance expenses to the

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1            director, even if the director has not met the  
2            relevant standard of conduct set forth in section  
3            203(1), failed to comply with section 205 or was  
4            adjudged liable in a proceeding referred to in  
5            section 203(4)(a) or (b), but if the director was  
6            adjudged so liable the director's indemnification  
7            shall be limited to reasonable expenses incurred  
8            in connection with the proceeding.

9            (2) If the court determines that the  
10           director is entitled to indemnification under  
11           subsection (1)(a) or to indemnification or advance  
12           for expenses under subsection (1)(b), it shall  
13           also order the corporation to pay the director's  
14           reasonable expenses incurred in connection with  
15           obtaining court-ordered indemnification or advance  
16           for expenses. If the court determines that the  
17           director is entitled to indemnification or advance  
18           for expenses under subsection (1)(c), it may also  
19           order the corporation to pay the director's  
20           reasonable expenses to obtain court-ordered  
21           indemnification or advance for expenses."

22           Section 109. Title 36 of the Code of the Federated States  
23 of Micronesia (Annotated), is hereby amended by inserting a new  
24 section 206 of chapter 1, to read as follows:

25           "Section 206. Determination and authorization of

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1           indemnification.

2                   (1) A corporation may not indemnify a  
3           director under section 203 unless authorized by a  
4           specific proceeding after a determination has been  
5           made that indemnification of the director is  
6           permissible because the director has met the  
7           relevant standard of conduct set forth in section  
8           203.

9                   (2) The determination shall be made:

10                           (a) If there are two or more  
11           disinterested directors, by the board of directors  
12           by a majority vote of all the disinterested  
13           directors a majority of whom for this purpose  
14           shall constitute a quorum, or by a majority of the  
15           members of a committee of two or more  
16           disinterested directors appointed by such a vote;

17                           (b) By special legal counsel:

18                                   (i) Selected in the manner  
19           prescribed in subsection (2)(a); or

20                                   (ii) If there are fewer than two  
21           disinterested directors, selected by the board of  
22           directors in which selection directors who do not  
23           qualify as disinterested directors may participate  
24           or;

25                           (c) By the shareholders, but shares

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1           owned by or voted under the control of a director  
2           who at the time does not qualify as a  
3           disinterested director may not be voted on the  
4           determination.

5           (3) Authorization of indemnification shall  
6           be made in the same manner as a determination that  
7           indemnification is permissible, except that if  
8           there are fewer than two disinterested directors  
9           or if the determination is made by special legal  
10          counsel, authorization of indemnification shall be  
11          made by those entitled under subsection (2)(b)(ii)  
12          to select special legal counsel."

13          Section 110. Title 36 of the Code of the Federated States  
14 of Micronesia (Annotated), is hereby amended by inserting a new  
15 section 208 of chapter 1, to read as follows:

16          "Section 208. Officers.

17                 (1) A corporation may indemnify and advance  
18                 expenses to an officer of the corporation who is a  
19                 party to a proceeding because the officer is an  
20                 officer of the corporation:

21                         (a) To the same extent as a director;

22                         and

23                         (b) If the person is an officer but not  
24                         a director, to such further extent as may be  
25                         provided by the articles of incorporation, the

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1            bylaws, a resolution of the board of directors, or  
2            contract except for:

3                            (i) Liability in connection with a  
4            proceeding by or in the right of the corporation  
5            other than for reasonable expenses incurred in  
6            connection with the proceeding; or

7                            (ii) Liability arising out of  
8            conduct that constitutes:

9                            (a) Receipt by the officer of a  
10           financial benefit to which the officer is not  
11           entitled;

12                           (b) An intentional infliction of harm  
13           on the corporation or the shareholders; or

14                           (c) an intentional violation of  
15           criminal law.

16                           (2) Subsection (1)(b) shall apply to an  
17           officer who is also a director if the basis on  
18           which the officer is made a party to the  
19           proceeding is an act or omission solely as an  
20           officer.

21                           (3) An officer of a corporation who is not a  
22           director, is entitled to mandatory indemnification  
23           under section 204, and may apply to a court under  
24           section 206 for indemnification or an advance for  
25           expenses, in each case to the same extent to which

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1           a director may be entitled to indemnification or  
2           advance for expenses under those provisions."

3           Section 111. Title 36 of the Code of the Federated States of  
4 Micronesia (Annotated), is hereby amended by inserting a new  
5 section 209 of chapter 1, to read as follows:

6           "Section 209. Insurance. A corporation may  
7           purchase and maintain insurance on behalf of an  
8           individual who is a director or officer of the  
9           corporation, or who, while a director or officer  
10          of the corporation, serves at the corporation's  
11          request as a director, officer, partner, trustee,  
12          employee, or agent of another domestic or foreign  
13          corporation, partnership, joint venture, trust,  
14          employee benefit plan, or other entity, against  
15          liability asserted against or incurred by the  
16          director or officer in that capacity or arising  
17          from the director's or officer's status as a  
18          director or officer, whether or not the  
19          corporation would have power to indemnify or  
20          advance expenses to the director or officer  
21          against the same liability under other provisions  
22          of this act."

23          Section 112. Title 36 of the Code of the Federated States of  
24 Micronesia (Annotated), is hereby amended by inserting a new  
25 section 210 of chapter 1, to read as follows:



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1           "Section 210. Advance obligation by corporate  
2           action.

3           (1) A corporation, by a provision in its  
4           articles of incorporation or bylaws or in a  
5           resolution adopted or a contract approved by its  
6           board of directors or shareholders, may obligate  
7           itself in advance of the act or omission giving  
8           rise to a proceeding to provide indemnification in  
9           accordance with section 203 or advance funds to  
10          pay for or reimburse expenses in accordance with  
11          section 205. Any such obligatory provision shall  
12          be deemed to satisfy the requirements for  
13          authorization referred to in section 205(3) and  
14          207(3). Any such provision that obligates the  
15          corporation to provide indemnification to the  
16          fullest extent permitted by law shall be deemed to  
17          obligate the corporation to advance funds to pay  
18          for or reimburse expenses in accordance with  
19          section 205 to the fullest extent permitted by  
20          law, unless the provision specifically provides  
21          otherwise.

22          (2) Any provision pursuant to subsection (1)  
23          shall not obligate the corporation to indemnify or  
24          advance expenses to a director of a predecessor of  
25          the corporation, pertaining to conduct with

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1           respect to the predecessor, unless otherwise  
2           specifically provided. Any provision for  
3           indemnification or advance for expenses in the  
4           articles of incorporation, bylaws, or a resolution  
5           of the board of directors or shareholders of a  
6           predecessor of the corporation in a merger or in a  
7           contract to which the predecessor is a party,  
8           existing at the time the merger takes effect,  
9           shall be governed by section 238(1)(c).

10           (3) A corporation, by a provision in its  
11           articles or incorporation, may limit any of the  
12           rights to indemnification or advance for expenses  
13           created by or pursuant to this chapter.

14           (4) This chapter does not limit a  
15           corporation's power to pay or reimburse expenses  
16           incurred by a director or an officer in connection  
17           with the director's or officer's appearance as a  
18           witness in a proceeding at a time when the officer  
19           or director is not a party.

20           (5) This chapter does not limit a  
21           corporation's power to indemnify, advance expenses  
22           to, or provide or maintain insurance on behalf of  
23           an employee or agent."

24           Section 113. Title 36 of the Code of the Federated States of  
25           Micronesia (Annotated), is hereby amended by inserting a new

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1 section 211 of chapter 1, to read as follows:

2 "Section 211. Nonexclusively of subpart.

3 (1) The indemnification provided by this  
4 chapter shall not be deemed exclusive of any other  
5 rights to which those indemnified may be entitled  
6 under any bylaw, agreement, vote of shareholders,  
7 or disinterested directors or otherwise, both as  
8 to action in a person's official capacity and as  
9 to action in another capacity while holding the  
10 office, and shall continue as to a person who has  
11 ceased to be a director or officer and shall inure  
12 to the benefit of the heirs and personal  
13 representatives of that person.

14 (2) These indemnification provisions do not  
15 apply to any proceeding against any trustee,  
16 investment manager, or other fiduciary of an  
17 employee benefit plan in that person's capacity,  
18 though the person may also be a director or  
19 officer of the employer corporation. Nothing  
20 contained in this section shall limit any right to  
21 indemnification to which a trustee, investment  
22 manager, or other fiduciary may be entitled by  
23 contract or otherwise."

24 Section 113. Title 36 of the Code of the Federated States of  
25 Micronesia (Annotated), as amended, is hereby further by creating

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1 a new section 212 of chapter 1, to read as follows:

2 "Section 212. Definitions-Directors' Conflicting  
3 Interest Transactions. As used herein:

4 (1) "Conflicting interest" with respect to a  
5 corporation means the interest a director of the  
6 corporation has respecting a transaction effected  
7 or proposed to be effected by the corporation or  
8 by a subsidiary of the corporation or any other  
9 entity in which the corporation has a controlling  
10 interest if:

11 (a) Whether or not the transaction is  
12 brought before the board of directors of the  
13 corporation for action, the director knows at the  
14 time of commitment that the director or a related  
15 person is a party to the transaction or has a  
16 beneficial financial interest in or so closely  
17 linked to the transaction and of such financial  
18 significance to the director or related person  
19 that the interest would reasonably be expected to  
20 exert an influence on the director's judgment if  
21 the director were called upon to vote on the  
22 transaction; or

23 (b) The transaction is brought or is of  
24 such character and significance to the corporation  
25 that it would in the normal course be brought

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1           before the board of directors of the corporation  
2           for action, and the director knows at the time of  
3           commitment that any of the following persons is  
4           either a party to the transaction or has a  
5           beneficial financial interest in or so closely  
6           linked to the transaction and of such financial  
7           significance to the person that the interest would  
8           reasonably be expected to exert an influence on  
9           the director's judgment if the director were  
10          called upon to vote on the transaction:

11                   (i) An entity other than the  
12                   corporation of which the director is a director,  
13                   general partner, agent, or employee;

14                   (ii) A person that controls one or  
15                   more of the entities specified in subparagraph (i)  
16                   or an entity that is controlled by, or is under  
17                   common control with, one or more of the entities  
18                   specified in subparagraph (i); or

19                   (iii) An individual who is a  
20                   general partner, principal, or employer of the  
21                   director.

22                   (2) "Director's conflicting interest  
23                   transaction" with respect to a corporation means a  
24                   transaction effected or proposed to be effected by  
25                   the corporation or by a subsidiary of the

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1           corporation or any other entity in which the  
2           corporation has a controlling interest respecting  
3           which a director of the corporation has a  
4           conflicting interest.

5           (3) "Related person" of a director means:

6                   (a) The spouse or a parent or sibling  
7                   thereof of the director, or a child, grandchild,  
8                   sibling, parent or spouse of any thereof of the  
9                   director, or an individual having the same home as  
10                   the director, or a trust or estate of which an  
11                   individual specified in this paragraph is a  
12                   substantial beneficiary; or

13                   (b) A trust, estate, incompetent,  
14                   conservatee, or minor of which the director is a  
15                   fiduciary.

16           (4) "Required disclosure" means disclosure  
17           by the director who has a conflicting interest of:

18                   (a) The existence and nature of the  
19                   director's conflicting interest; and

20                   (b) All facts known to the director  
21                   respecting the subject matter of the transaction  
22                   that an ordinarily prudent person would reasonably  
23                   believe to be material to a judgment about whether  
24                   or not to proceed with the transaction.

25           (5) "Time of commitment" respecting a

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1           transaction means the time when the transaction is  
2           consummated or, if made pursuant to contract, the  
3           time when the corporation or its subsidiary or the  
4           entity in which it has a controlling interest  
5           becomes contractually obligated so that its  
6           unilateral withdrawal from the transaction would  
7           entail significant loss, liability, or other  
8           damage."

9           Section 115. Title 36 of the Code of the Federated States of  
10          Micronesia (Annotated), is hereby amended by inserting a new  
11          section 213 of chapter 1, to read as follows:

12                 "Section 213. Judicial action.

13                         (1) A transaction effected or proposed to be  
14                         effected by a corporation or by a subsidiary of  
15                         the corporation or any other entity in which the  
16                         corporation has a controlling interest that is not  
17                         a director's conflicting interest transaction may  
18                         not be enjoined, set aside, or give rise to an  
19                         award of damages or other sanctions, in a  
20                         proceeding by a shareholder or by or in the right  
21                         of the corporation, because a director of the  
22                         corporation, or any person with whom or which the  
23                         director has a personal, economic, or other  
24                         association, has an interest in the transaction.

25                         (2) A director's conflicting interest

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1           transaction may not be enjoined, set aside, or  
2           give rise to an award of damages or other  
3           sanctions, in a proceeding by a shareholder or by  
4           or in the right of the corporation, because the  
5           director, or any person with whom or which the  
6           director has a personal, economic, or other  
7           association, has an interest in the transaction,  
8           if:

9                   (a) Directors' action respecting the  
10                  transaction was at any time taken in compliance  
11                  with section 214;

12                   (b) Shareholders' action respecting the  
13                  transaction was at any time taken in compliance  
14                  with section 215; or

15                   (c) The transaction, judged according  
16                  to the circumstances at the time of commitment, is  
17                  established to have been fair to the corporation."

18           Section 116. Title 36 of the Code of the Federated States of  
19 Micronesia (Annotated), is hereby amended by inserting a new  
20 section 214 of chapter 1, to read as follows:

21           "Section 214. Directors' action.

22                   (1) The action of directors respecting a  
23                  transaction is effective for purposes of section  
24                  213(2)(a) if the transaction received the  
25                  affirmative vote of a majority but no fewer than



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1           two of those qualified directors on the board of  
2           directors or on a duly empowered committee of the  
3           board who voted on the transaction after either  
4           required disclosure to them to the extent the  
5           information was now known by them or compliance  
6           with subsection (2); provided however that action  
7           by a committee is so effective only if:

8                   (a) All its members are qualified  
9                   directors; and

10                   (b) Its members are either all the  
11                   qualified directors on the board or are appointed  
12                   by the affirmative vote of a majority of the  
13                   qualified directors on the board.

14                   (2) If a director has a conflicting interest  
15                   respecting a transaction, but neither the director  
16                   nor a related person of the director, as set forth  
17                   in the definition of "related person", in section  
18                   212, is a party to the transaction, and if the  
19                   director has a duty under law or professional  
20                   canon, or a duty of confidentiality to another  
21                   person, respecting information relating to the  
22                   transaction such that the director may not make  
23                   the required disclosure described in subsection  
24                   (b) of the definition of "required disclosure" in  
25                   section 212, then disclosure is sufficient for

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1           purposes of subsection (1) if the director:

2                   (a) Discloses to the directors voting  
3           on the transaction the existence and nature of the  
4           directors' conflicting interest and informs them  
5           of the character and limitations imposed by that  
6           duty before their vote on the transaction; and

7                   (b) Plays no part, directly or  
8           indirectly, in their deliberations or vote.

9                   (3) A majority but not fewer than two of all  
10          of the qualified directors on the board of  
11          directors, or on the committee, constitutes a  
12          quorum for purposes of action that complies with  
13          this section. The action of directors that  
14          otherwise complies with this section is not  
15          affected by the presence or vote of a director who  
16          is not a qualified director.

17                  (4) For purposes of this section, "qualified  
18          director" means, with respect to a director's  
19          conflicting interest transaction, any director who  
20          does not have either:

21                          (a) A conflicting interest respecting  
22          the transaction; or

23                          (b) A familial, financial,  
24          professional, or employment relationship with a  
25          second director who does have a conflicting

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1           interest respecting the transaction, which  
2           relationship would, in the circumstances,  
3           reasonably to be expected to exert an influence on  
4           the first director's judgment when voting on the  
5           transaction."

6           Section 117. Title 36 of the Code of the Federated States of  
7 Micronesia (Annotated), is hereby amended by inserting a new  
8 section 215 of chapter 1, to read as follows:

9           "Section 215. Shareholders' action.

10           (1) Shareholders' action respecting a  
11           transaction is effective for purposes of section  
12           213 (2)(b) if a majority of the votes entitled to  
13           be cast by the holders of all qualified shares  
14           were cast in favor of the transaction after:

15                   (a) Notice to shareholders describing  
16                   the director's conflicting interest transaction;

17                   (b) Provision of the information  
18                   referred to in subsection (4); and

19                   (c) Required disclosure to the  
20                   shareholders who voted on the transaction to the  
21                   extent the information was not known by them.

22           (2) For purposes of this section, "qualified  
23           shares" means any shares entitled to vote with  
24           respect to the director's conflicting interest  
25           transaction except shares that, to the knowledge,

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1           before the vote, of the secretary or other officer  
2           or agent of the corporation authorized to tabulate  
3           votes, are beneficially owned or the voting of  
4           which is controlled by a director who has a  
5           conflicting interest respecting the transaction or  
6           by a related person of the director, or both.

7           (3) A majority of the votes entitled to be  
8           cast by the holders of all qualified shares  
9           constitutes a quorum for purposes of action that  
10          complies with this section. Subject to  
11          subsections (4) and (5), shareholders' action that  
12          otherwise complies with this section is not  
13          affected by the presence of holders, or the  
14          voting, of shares that are not qualified shares.

15          (4) For purposes of compliance with  
16          subsection (1), a director who has a conflicting  
17          interest respecting the transaction, before the  
18          shareholders' vote, shall inform the secretary or  
19          other officer or agent of the corporation  
20          authorized to tabulate votes of the number, and  
21          the identity of persons holding or controlling the  
22          vote, of all shares that the director knows are  
23          beneficially owned or the voting of which is  
24          controlled by the director or by a related person  
25          of the director, or both.

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1           (5) If a shareholders' vote does not comply  
2           with subsection (1) solely because of a failure of  
3           a director to comply with subsection (4), and if  
4           the director establishes that the director's  
5           failure did not determine and was not intended by  
6           the director to influence the outcome of the vote,  
7           the court, with or without further proceedings  
8           respecting section 213 (2)(c), may take such  
9           action respecting the transaction and the  
10           director, and give such effect, if any, to the  
11           shareholders' vote, as it considers appropriate in  
12           the circumstances."

13           Section 118. Title 36 of the Code of the Federated States of  
14 Micronesia (Annotated), is hereby amended by inserting a new  
15 section 216 of chapter 1, to read as follows:

16           "Section 216. Conversion into and from  
17           corporations.

18           (1) A domestic corporation may adopt a plan  
19           of conversion and convert to a foreign corporation  
20           or any other entity if:

21                   (a) The board of directors and  
22                   shareholders of the domestic corporation approve a  
23                   plan of conversion in the manner prescribed by  
24                   section 235 and the conversion is treated as a  
25                   merger to which the converting entity is a party

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1           and not the surviving entity;

2                   (b) The conversion is permitted by, and  
3           complies with the laws of the state or country in  
4           which the converted entity is to be incorporated,  
5           formed, or organized; and the incorporation,  
6           formulation, or organization of the converted  
7           entity complies with those laws;

8                   (c) At the time the conversion becomes  
9           effective, each shareholder of the domestic  
10          corporation, unless otherwise agreed to by that  
11          shareholder, owns an equity interest or other  
12          ownership interest in, and is a shareholder,  
13          partner, member, owner, or other security holder  
14          of, the converted entity;

15                  (d) The shareholders of the domestic  
16          corporation, as a result of the conversion, shall  
17          not become liable, without the shareholders'  
18          consent, for the liabilities or obligations of the  
19          converted entity;

20                  (e) The converted entity is  
21          incorporated, formed, or organized as part of or  
22          pursuant to the plan of conversion.

23                  (2) Any foreign corporation or other entity  
24          may adopt a plan of conversion and convert to a  
25          domestic corporation if the conversion is

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1           permitted by and complies with the laws of the  
2           states or country in which the foreign corporation  
3           or other entity is incorporated, formed, or  
4           organized.

5           (3) A plan of conversion shall set forth:

6                   (a) The name of the converting entity  
7                   and the converted entity;

8                   (b) A statement that the converting  
9                   entity is continuing its existence in the  
10                  organizational form of the converted entity;

11                  (c) A statement describing the  
12                  organizational form of the converted entity and  
13                  the state or country under the laws of which the  
14                  converted entity is to be incorporated, formed, or  
15                  organized; and

16                  (d) The manner and basis of converting  
17                  the shares or other forms of ownership of the  
18                  converting entity into shares or other forms of  
19                  ownership of the converted entity; or any  
20                  combination thereof.

21                  (4) A plan of conversion may set forth any  
22                  other provisions relating to the conversion that  
23                  are not prohibited by law, including without  
24                  limitation the initial bylaws and officers of the  
25                  converted entity.

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1                   (5) After a conversion of a domestic or  
2                   foreign corporation is approved, and at any time  
3                   before the conversion becomes effective, the plan  
4                   of conversion may be abandoned by the converting  
5                   entity without shareholder action and in  
6                   accordance with the procedures set forth in the  
7                   plan of conversion or, if these procedures are not  
8                   provided in the plan, in the manner determined by  
9                   the board of directors. If articles of conversion  
10                   have been filed with the Registrar, but the  
11                   conversion has not become effective, the  
12                   conversion may be abandoned if a statement,  
13                   executed on behalf of the converting entity by an  
14                   officer or other duly authorized representative  
15                   and stating that the plan of conversion has been  
16                   abandoned in accordance with applicable law, is  
17                   filed with the Registrar prior to the effective  
18                   date of the conversion. If the Registrar finds  
19                   the statement satisfied the requirements provided  
20                   by law, the Registrar, after all fees have been  
21                   paid shall:

22                   (a) Stamp the statement and include the  
23                   date of the filing;

24                   (b) File the document with the  
25                   Registrar; and;



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1                   (c) Issue a certificate of abandonment  
2                   to the converting entity or its authorized  
3                   representatives.

4                   (6) Once the statement provided in  
5                   subsection (5) is filed with the Registrar, the  
6                   conversion shall be deemed abandoned and shall not  
7                   be effective."

8           Section 119.     Title 36 of the Code of the Federated States  
9 of Micronesia (Annotated), is hereby amended by inserting a new  
10 section 217 of chapter 1, to read as follows:

11                   "Section 217. Articles of conversion.

12                   (1) If a plan of conversion has been  
13                   approved in accordance with section 216 and has  
14                   not been abandoned, articles of conversion shall  
15                   be executed by an officer or other duly authorized  
16                   representative of the converting entity and shall  
17                   set forth:

18                   (a) A statement certifying the  
19                   following:

20                   (i) The name, type of entity, and state  
21                   or country of incorporation, formation, or  
22                   organization of the converting and converted  
23                   entities;

24                   (ii) That a plan of conversion has been  
25                   approved in accordance with section 216;

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1                    (iii) That an executed plan of  
2                    conversion is on file at the principal place of  
3                    business of the converting entity and stating the  
4                    address thereof; and

5                    (iv) That a copy of the plan of  
6                    conversion shall be furnished by the converting  
7                    entity prior to the conversion or by the converted  
8                    entity after the conversion on written request and  
9                    without cost, to any shareholder, partner, member,  
10                  or owner of the converting entity or the converted  
11                  entity;

12                  (b) If the converting entity is a  
13                  domestic corporation, the number of shares  
14                  outstanding and, if the shares of any class or  
15                  series are entitled to vote as a class, the  
16                  designation and number of outstanding shares of  
17                  each class or series;

18                  (c) If the converting entity is a  
19                  domestic corporation, the number of shares  
20                  outstanding that voted for and against the plan,  
21                  and, if the shares of any class or series are  
22                  entitled to vote as a class, the number of shares  
23                  of each class or series that voted for and against  
24                  the plan; and

25                  (d) If the converting entity is a

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1           foreign corporation or other entity, a statement  
2           that the approval of the plan of conversion was  
3           duly authorized and complied with the laws under  
4           which it was incorporated, formed, or organized.

5           (2) The articles of conversion shall be  
6           delivered to the Registrar. The converted entity,  
7           if a domestic corporation, domestic professional  
8           corporation, domestic nonprofit corporation,  
9           domestic general partnership, domestic limited  
10          partnership, or domestic limited liability company  
11          shall attach a copy of its respective registration  
12          documents with the articles of conversion.

13          (3) If the Registrar finds that the articles  
14          of conversion satisfy the requirements provided by  
15          law, and that all required documents are filed,  
16          the Registrar, after all fees have been paid,  
17          shall:

18                  (a) Stamp the articles of conversion  
19                  and include the date of the filing;

20                  (b) File the document with the  
21                  Registrar; and

22                  (c) Issue a certificate of conversion  
23                  to the converted entity or its authorized  
24                  representatives."

25          Section 120. Title 36 of the Code of the Federated States of

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1 Micronesia (Annotated), is hereby amended by inserting a new  
2 section 218 of chapter 1, to read as follows:

3 "Section 218. Effect of conversion.

4 (1) When conversion become effective:

5 (a) The converting entity shall  
6 continue to exist without interruption, but in the  
7 organizational form of the converted entity;

8 (b) Subject to restrictions on the  
9 ownership of real property by non citizens of the  
10 Federated States of Micronesia all rights, title,  
11 and interest in all real estate and other property  
12 owned by the converting entity shall automatically  
13 be owned by the converted entity without reversion  
14 or impairment, subject to any existing liens or  
15 other encumbrances thereon;

16 (c) All liabilities and obligations of  
17 the converting entity shall automatically be  
18 liabilities and obligations of the converted  
19 entity without impairment or diminution due to the  
20 conversion;

21 (d) The rights of creditors of the  
22 converting entity shall continue against the  
23 converted entity and shall not be impaired or  
24 extinguished by the conversion;

25 (e) Any action or proceeding pending by

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1           or against the converting entity may be continued  
2           by or against the converted entity without any  
3           need for substitution of parties;

4                   (f) The shares and other forms of  
5           ownership in the converting entity that are to be  
6           converted into shares, and other forms of  
7           ownership, in the converted entity as provided in  
8           the plan of conversion shall be converted, and if  
9           the converting entity is a domestic corporation,  
10          the former shareholders of the domestic  
11          corporation shall be entitled only to the rights  
12          provided in the plan of conversion or to the  
13          rights to dissent under section 243.

14                   (g) A shareholder, partner, member, or  
15          other owner of the converted entity shall be  
16          liable for the debts and obligations of the  
17          converting entity that existed before the  
18          conversion takes effect only to the extent that  
19          the shareholder, partner, member, or other owner:

20                           (i) Agreed in writing to be liable  
21          for the debts or obligations;

22                           (ii) Was liable under applicable  
23          law prior to the effective date of the conversion,  
24          for the debts and obligations; or

25                           (iii) Becomes liable under

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1           applicable law for existing debts and obligations  
2           of the converted entity by becoming a shareholder,  
3           partner, member, or other owner of the converted  
4           entity;

5                   (h) If the converted entity is a  
6           foreign corporation or other business entity  
7           incorporated, formed, or organized under a law  
8           other than the National or State laws of the  
9           Federated States of Micronesia, the converted  
10           entity shall file with the Registrar:

11                   (i) An agreement that the  
12           converted entity may be served with process in the  
13           Federated States of Micronesia in any action or  
14           proceeding for the enforcement of any liability or  
15           obligation of the converting domestic corporation;

16                   (ii) An irrevocable appointment of  
17           a resident of the Federated States of Micronesia  
18           including the street address, as its agent to  
19           accept service of process in any such proceeding;  
20           and

21                   (iii) An agreement for the  
22           enforcement, as provided in this chapter, of the  
23           right of any dissenting shareholder, partner,  
24           member, or other owner to receive payment for  
25           their interest against the converted entity; and

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1                                    (iv) If the converting entity is a  
2                                    domestic corporation, sections 242 through 253  
3                                    shall apply as if the converted entity were the  
4                                    survivor of a merger with the converting entity."

5            Section 120. Title 36 of the Code of the Federated States  
6 of Micronesia (Annotated), is hereby amended by inserting a new  
7 section 219 of chapter 1, of to read as follows:

8                                    "Section 219. Authority to amend – Articles of  
9                                    Incorporation.

10                                   (1) A corporation may amend its articles of  
11                                   incorporation at any time and add or change a  
12                                   provision that is required or permitted in the  
13                                   articles of incorporation or to delete a provision  
14                                   not required in the articles of incorporation.  
15                                   Whether a provision is required or permitted in  
16                                   the articles of incorporation is determined as of  
17                                   the effective date of the amendment.

18                                   (2) A shareholder of the corporation does  
19                                   not have a vested property right resulting from  
20                                   any provision in the articles of incorporation,  
21                                   including provisions relating to management,  
22                                   control, capital structure, dividend, entitlement,  
23                                   or purpose or duration of the corporation."

24            Section 122. Title 36 of the Code of the Federated States  
25 of Micronesia (Annotated), is hereby amended by inserting a new

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1 section 220 of chapter 1, to read as follows:

2 "Section 220. Amendment by board of directors.

3 (1) Unless the articles of incorporation  
4 provide otherwise, a corporation's board of  
5 directors may adopt one or more amendments to the  
6 corporation's articles of incorporation without  
7 shareholder action:

8 (a) To delete the names and addresses  
9 of the initial directors;

10 (b) To delete the name and address of  
11 the initial registered agent or registered office,  
12 if a statement of change is on file with the  
13 Registrar; or

14 (c) To make any other change expressly  
15 permitted by this chapter to be made without  
16 shareholder action."

17 Section 123. Title 36 of the Code of the Federated States of  
18 Micronesia (Annotated), is hereby amended by inserting a new  
19 section 221 of chapter 1, to read as follows:

20 "Section 221. Amendment by board of directors and  
21 shareholders.

22 (1) A corporation's board of directors may  
23 propose one or more amendments to the articles of  
24 incorporation for submission to the shareholders.

25 (2) For the amendment to be adopted:



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1                   (a) The board of directors must  
2                   recommend the amendment to the shareholders unless  
3                   the board of directors determines that because of  
4                   conflict of interest or other special  
5                   circumstances it should make no recommendation and  
6                   communicates with the basis for its determination  
7                   to the shareholders with the amendment; and

8                   (b) The shareholders entitled to vote  
9                   on the amendment must approve the amendment as  
10                  provided in section (5).

11                  (3) The board of directors may condition its  
12                  submission of the proposed amendment on any basis.

13                  (4) The corporation shall notify each  
14                  shareholder, whether or not entitled to vote, of  
15                  the proposed shareholders' meeting in accordance  
16                  with section 154. The notice of meeting must also  
17                  state that the purpose, or one of the purposes, of  
18                  the meeting is to consider the proposed amendment  
19                  and contain or be accompanied by a copy or summary  
20                  of the amendment.

21                  (5) Unless this chapter, the articles of  
22                  incorporation, or the board of directors acting  
23                  pursuant to subsection (3) require a greater vote  
24                  or a vote by voting groups, the amendment to be  
25                  adopted must be approved by a vote of the

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1           shareholders entitled to vote. The proposed  
2           amendment shall be adopted upon receiving the  
3           affirmative vote of the holders of a majority of  
4           the shares entitled to vote thereon, unless any  
5           class of shares is entitled to vote thereon as a  
6           class, in which event the proposed amendment shall  
7           be adopted upon receiving the affirmative vote of  
8           the shares of each class of shares entitled to  
9           vote thereon as a class and of the total shares  
10           entitled to vote thereon."

11           Section 124. Title 36 of the Code of the Federated States of  
12 Micronesia (Annotated), is hereby amended by inserting a new  
13 section 222 of chapter 1, to read as follows:

14           "Section 222. Voting on amendments by voting  
15           groups.

16                   (1) The holders of the outstanding shares of  
17                   a class are entitled to vote as a separate voting  
18                   group if shareholder voting is otherwise required  
19                   by this chapter on a proposed amendment if the  
20                   amendment would:

21                           (a) Increase or decrease the aggregate  
22                           number of authorized shares of the class;

23                           (b) Effect an exchange or  
24                           reclassification of all or part of the shares of  
25                           the class into shares of another class;

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1                   (c) Effect an exchange or  
2                   reclassification, or create the right of exchange,  
3                   of all or part of the shares of another class into  
4                   shares of the class;

5                   (d) Change the designation, rights,  
6                   preferences, or limitations of all or part of the  
7                   shares of the class;

8                   (e) Change the shares of all or part of  
9                   the class into a different number of shares of the  
10                   same class;

11                   (f) Create a new class of shares having  
12                   rights or preferences with respect to distribution  
13                   or to dissolution that are prior, superior, or  
14                   substantially equal to the shares of the class;

15                   (g) Increase the rights, preferences,  
16                   or number of authorized shares of any class that,  
17                   after giving effect to the amendment, have rights  
18                   or preferences with respect to distributions or to  
19                   dissolution that are prior, superior, or  
20                   substantially equal to the shares of the class;

21                   (h) Limit or deny an existing  
22                   preemptive right of all or part of the shares of  
23                   the class; or

24                   (i) Cancel or otherwise affect rights  
25                   to distributions or dividends that have

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1           accumulated but not yet been declared on all or  
2           part of the shares of the class.

3           (2) If a proposed amendment would affect a  
4           series of a class of shares in one or more of the  
5           ways described in subsection (1), the shares of  
6           that series are entitled to vote as a separate  
7           voting group on the proposed amendment.

8           (3) If a proposed amendment that entitled  
9           two or more series of shares to vote as separate  
10          voting groups under this section would affect  
11          those two or more series in the same or a  
12          substantially similar way, the shares of all the  
13          series so affected must vote together as a single  
14          voting group on the proposed amendment.

15          (4) a class or series of shares is entitled  
16          to the voting rights granted by this section  
17          although the articles of incorporation provide  
18          that the shares are nonvoting shares."

19          Section 125. Title 36 of the Code of the Federated  
20 States of Micronesia (Annotated), is hereby amended by  
21 inserting a new section 223 of chapter 1, to read as  
22 follows:

23          "Section 223. Amendment before issuance of  
24          shares. If a corporation has not yet issued  
25          shares, its incorporators or board of directors

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1           may adopt one or more amendments to the  
2           corporations' articles of incorporation."

3           Section 126. Title 36 of the Code of the Federated  
4 States of Micronesia (Annotated), is hereby amended by  
5 inserting a new section 224 of chapter 1, to read as  
6 follows:

7           "Section 224. Articles of amendment.

8                   (1) A corporation amending its articles of  
9                   incorporation shall deliver to the Registrar for  
10                   filing articles of amendment setting forth:

11                           (a) The name of the corporation;

12                           (b) The text of each amendment adopted;

13                           (c) If an amendment provides for an  
14                   exchange, reclassification, or cancellation of  
15                   issued shares, a statement that provisions  
16                   necessary to effect the exchange,

17                   reclassification, or cancellation have been made;

18                           (d) the date of each amendment's  
19                   adoption;

20                           (e) If an amendment was adopted by the  
21                   incorporators or board of directors without  
22                   shareholder action, a statement to that effect and  
23                   that shareholder action was not required; and

24                           (f) If an amendment was approved by the  
25                   shareholders:

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1                    (i) The designation, number of  
2                    outstanding shares, number of votes entitled to be  
3                    cast by each voting group entitled to vote  
4                    separately on the amendment, and number of votes  
5                    of each voting group indisputably represented at  
6                    the meeting; and

7                    (ii) Either the total number of  
8                    votes cast for and against the amendment by each  
9                    voting group entitled to vote separately on the  
10                   amendment or the total number of undisputed votes  
11                   cast for the amendment by each voting group and a  
12                   statement that the number cast for the amendment  
13                   by each voting group was sufficient for approval  
14                   by that voting group."

15                Section 127. Title 36 of the Code of the Federated  
16 States of Micronesia (Annotated), is hereby amended by  
17 inserting a new section 225 of chapter 1, to read as  
18 follows:

19                "Section 225. Restated and amended and restated  
20                articles of incorporation.

21                    (1) A corporation's board of directors may  
22                    restate its articles of incorporation at any time  
23                    with or without shareholder action.

24                    (2) If the board of directors submits a  
25                    restatement for shareholder action, the

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1           corporation shall notify each shareholder, whether  
2           or not entitled to vote, of the proposed  
3           shareholders' meeting in accordance with section  
4           154. The notice shall also state that the  
5           purpose, or one of the purposes, of the meeting is  
6           to consider the proposed restatement and contain  
7           or be accompanied by a copy of the restatement.

8           (3) A corporation restating its articles of  
9           incorporation shall deliver to the Registrar for  
10          filing articles of restatement setting forth the  
11          name of the corporation and the text of the  
12          restated articles of incorporation together with a  
13          statement that the restatement of incorporation  
14          correctly sets forth without change the  
15          corresponding provisions of the articles of  
16          incorporation as theretofore amended and that the  
17          restated articles of incorporation supersede the  
18          original articles of incorporation and any  
19          amendments thereto.

20          (4) Duly adopted restated articles of  
21          incorporation supersede the original articles of  
22          incorporation and all amendments to them.

23          (5) The Registrar may certify restated  
24          articles of incorporation as the articles of  
25          incorporation currently in effect, without







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1           "Section 227. Effect of amendment. An amendment  
2           to articles of incorporation does not affect a  
3           cause of action existing against or in favor of  
4           the corporation, a proceeding to which the  
5           corporation is a party, or the existing rights of  
6           persons other than shareholders of the  
7           corporation. An amendment changing a  
8           corporation's name does not abate a proceeding  
9           brought by or against the corporation in its  
10          former name."

11           Section 130. Title 36 of the Code of the Federated  
12 States of Micronesia (Annotated), is hereby amended by  
13 inserting a new section 228 of chapter 1, to read as  
14 follows:

15           "Section 228. Amendment by board of directors or  
16           shareholders - bylaws.

17                   (1) A corporation's board of directors may  
18           amend or repeal the corporation's bylaws unless:

19                           (a) The articles of incorporation or  
20           this chapter reserve this power exclusively to the  
21           shareholders in whole or part; or

22                           (b) The shareholders in amending or  
23           repealing a particular bylaw provide expressly  
24           that the board of directors may not amend or  
25           repeal that bylaw.



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1           repealed by the board of directors.”

2           Section 132. Title 36 of the Code of the Federated  
3 States of Micronesia (Annotated), is hereby amended by  
4 inserting a new section 230 of chapter 1, to read as  
5 follows:

6           “Section 230. Bylaw increasing quorum or voting  
7 requirement for directors.

8           (1) A bylaw that fixes a greater quorum or  
9 voting requirement for the board of directors may  
10 be amended or repealed:

11                   (a) If originally adopted by the  
12 shareholders, only by the shareholders;

13                   (b) If originally adopted by the board  
14 of directors; either by the shareholders or by the  
15 board of directors.

16           (2) A bylaw adopted or amended by the  
17 shareholders that fixes a greater quorum or voting  
18 requirement for the board of directors may provide  
19 that it may be amended or repealed only by a  
20 specified vote of either the shareholders or the  
21 board of directors.

22           (3) Action by the board of directors under  
23 subsection (1)(b) to adopt or amend a bylaw that  
24 changes the quorum or voting requirement must meet  
25 the same quorum requirement and be adopted by the

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1           same vote required to take action under the quorum  
2           and voting requirement then in effect or proposed  
3           to be adopted, whichever is greater."

4           Section 133. Title 36 of the Code of the Federated  
5 States of Micronesia (Annotated), is hereby amended by  
6 inserting a new section 231 of chapter 1, to read as  
7 follows:

8           "Section 231. Definitions – Merger and Share  
9           Exchange. As used herein:

10                   (1) 'Merger' means the procedure authorized  
11                   by this chapter in which one domestic or foreign  
12                   entity combines with one or more domestic or  
13                   foreign entities resulting in either one surviving  
14                   entity or one new entity.

15                   (2) 'Organizing articles' means:

16                           (a) For an association, corporation, or  
17                           nonprofit corporation, the articles of  
18                           incorporation;

19                           (b) For a general partnership or  
20                           limited partnership, the registration statement;

21                           (c) For a limited partnership, the  
22                           certificate of limited partnership; and

23                           (d) For a limited liability company,  
24                           the articles of organization.

25                   (3) 'Other business entity' means a

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1           nonprofit corporation, limited liability company,  
2           general partnership, limited partnership, limited  
3           liability partnership, or association."

4           Section 134. Title 36 of the Code of the Federated  
5 States of Micronesia (Annotated), is hereby amended by  
6 inserting a new section 232 of chapter 1, to read as  
7 follows:

8           "Section 232. Merger

9                   (1) Pursuant to a plan of merger adopted by  
10                   the board of directors, and approved by the  
11                   shareholders if required under section 235, a  
12                   domestic or foreign corporation may merge with one  
13                   or more domestic corporations, or with one or more  
14                   corporations or other business entities formed or  
15                   organized under the laws of any state of the  
16                   Federated States of Micronesia, any foreign  
17                   jurisdiction, or any combination thereof, with one  
18                   of the domestic corporations, being the surviving  
19                   entity, as provided in the plan; provided that the  
20                   merger is permitted by the laws of the  
21                   jurisdiction under whose law each foreign entity  
22                   that is a party to the merger is organized.

23                   (2) The plan of merger shall set forth:

24                           (a) The name and jurisdiction of  
25                           formation or organization of each entity that is a

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1           party to the merger;

2                   (b) The name of the surviving entity  
3           with or into which the other entity or entities  
4           will merge;

5                   (c) The terms and conditions of the  
6           merger;

7                   (d) The manner and basis of converting  
8           the shares of each corporation into shares,  
9           obligations, or other securities of the surviving  
10          entity, or into cash or other property in whole or  
11          in part;

12                   (e) The street address of the surviving  
13          entity's principal place of business or, if no  
14          street address is available, the post office  
15          number; and

16                   (f) Amendments, if any, to the  
17          organizing articles of the surviving entity or, if  
18          no amendments are desired, a statement that the  
19          organizing articles of the surviving entity shall  
20          not be amended pursuant to the merger.

21                   (3) A plan of merger may set forth other  
22          provisions relating to the merger.

23                   (4) If a foreign entity survives a merger  
24          and intends to do business in the Federated States  
25          of Micronesia it shall comply with all laws of the





1           is changed thereby. If the certificate is in a  
2           foreign language, a translation under oath of the  
3           translator shall accompany the certificate.

4           (2) Whenever a foreign entity authorized to  
5           transact business in the Federated States of  
6           Micronesia shall be a party to a statutory merger  
7           permitted by the laws of the jurisdiction in which  
8           it is organized, and that entity shall not be the  
9           surviving entity, the surviving entity shall,  
10          within sixty days after the merger becomes  
11          effective, file with the Registrar a certificate  
12          evidencing the merger in the form prescribed by  
13          subsection (1)."

14          Section 136. Title 36 of the Code of the Federated  
15 States of Micronesia (Annotated), is hereby amended by  
16 inserting a new section 234 of chapter 1, to read as  
17 follows:

18          "Section 234. Share Exchange

19                 (1) A corporation may acquire all of the  
20                 outstanding shares of one or more classes or  
21                 series of another corporation if the board of  
22                 directors of each corporation adopts, and its  
23                 shareholders if required by section 235 approve,  
24                 the exchange.

25                 (2) The plan of exchange shall set forth:

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1                   (a) The name of the corporation whose  
2                   shares will be acquired and the name of the  
3                   acquiring corporation;

4                   (b) the terms and conditions of the  
5                   exchange; and

6                   (c) The manner and basis of exchanging  
7                   the shares to be acquired for shares, obligations,  
8                   or other securities of the acquiring corporation  
9                   or any other corporation or for cash or other  
10                   property in whole or in part.

11                   (3) The plan of exchange may set forth other  
12                   provisions relating to the exchange."

13                   Section 137. The Code of the Federated States of  
14                   Micronesia, as amended, is hereby further amended by  
15                   enacting a new section 235 to chapter 1 of Title 36 as  
16                   follows:

17                   "Section 235. Action Plan

18                   (1) After adopting a plan of merger or share  
19                   exchange, the board of directors of each  
20                   corporation party to the merger, and the board of  
21                   directors of the corporation whose shares will be  
22                   acquired in the share exchange, shall submit the  
23                   plan for approval by its shareholders.

24                   (2) For a plan of merger or share exchange  
25                   to be approved:

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1                   (a) The board of directors shall  
2                   recommend the plan of merger or share exchange to  
3                   the shareholders, unless the board of directors  
4                   determines that because of conflict of interest or  
5                   other special circumstances it should make no  
6                   recommendation and communicates the basis for its  
7                   determination to the shareholders with the plan;  
8                   and

9                   (b) The shareholders entitled to vote  
10                  shall approve the plan.

11                  (3) The board of directors may condition its  
12                  submission of the proposed merger or share  
13                  exchange on any basis.

14                  (4) The corporation shall notify each  
15                  shareholder, whether or not entitled to vote, of  
16                  the proposed shareholders' meeting in accordance  
17                  with section 154. The notice shall also state  
18                  that the purpose, or one of the purposes, of the  
19                  meeting is to consider the plan of merger or share  
20                  exchange and contain or be accompanied by a copy  
21                  or summary of the plan.

22                  (5) A vote of the shareholders shall be  
23                  taken on the proposed plan. The plan shall be  
24                  approved upon receiving the affirmative vote of  
25                  the holders of a majority of each class of the

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1           shares entitled to vote thereon as a class and of  
2           the total shares entitled to vote thereon. Any  
3           class of shares of any such corporation shall be  
4           entitled to vote as a class if any such plan  
5           contains any provision that, if contained in a  
6           proposed amendment to articles of incorporation,  
7           would entitle that class of shares to vote as a  
8           class and, in the case of an exchange, if the  
9           class is included in the exchange.

10           (6) Separate voting by voting groups is  
11           required:

12                   (a) On a plan of merger if the plan  
13                   contains a provision that, if contained in a  
14                   proposed amendment to articles of incorporation,  
15                   would require action by one or more separate  
16                   voting groups on the proposed amendment under  
17                   section 222; or

18                   (b) On a plan of share exchange by each  
19                   class or series of shares included in the  
20                   exchange, with each class or series constituting a  
21                   separate voting group.

22           (7) Action by the shareholders of the  
23           surviving corporation on a plan of merger is not  
24           required if:

25                   (a) The articles of incorporation of

1           the surviving corporation will not differ except  
2           for amendments enumerated in section 220 from the  
3           articles of incorporation before the merger;

4                   (b) Each shareholder of the surviving  
5           corporation whose shares were outstanding  
6           immediately before the effective date of the  
7           merger will hold the same number of shares, with  
8           identical designation, preferences, limitations,  
9           and relative rights, immediately after the merger;

10                   (c) The number of voting shares  
11           outstanding immediately after the merger, plus the  
12           number of voting shares issuable as a result of  
13           the merger either by the conversion of securities  
14           issued pursuant to the merger or the exercise of  
15           rights and warrants issued pursuant to the merger,  
16           will not exceed by more than twenty per cent the  
17           total number of voting shares of the surviving  
18           corporation outstanding immediately before the  
19           merger; and

20                   (d) The number of participating shares  
21           outstanding immediately after the merger, plus the  
22           number of participating shares issuable as a  
23           result of the merger either by the conversion of  
24           securities issued pursuant to the merger or  
25           exercise of rights and warrants issued pursuant to

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1           the merger, will not exceed by more than twenty  
2           per cent the total number of participating shares  
3           outstanding immediately before the merger.

4           (8) As used in subsection (7):

5                     (a) 'Participating shares' means shares  
6           that entitle their holders to participate without  
7           limitations in distributions.

8                     (b) 'Voting shares' means shares that  
9           entitle their holders to vote unconditionally in  
10           elections of directors.

11           (9) After a merger or share exchange is  
12           authorized, and at any time before articles of  
13           merger or share exchange are filed, the planned  
14           merger or share exchange may be abandoned without  
15           prejudice to contractual rights, if any, without  
16           further shareholder action, in accordance with the  
17           procedure set forth in the plan of merger or share  
18           exchange or, if none is set forth, in the manner  
19           determined by the board of directors. A plan of  
20           merger may provide that at any time prior to the  
21           time that the plan becomes effective, the plan may  
22           be terminated by the board of directors of any  
23           constituent corporations notwithstanding approval  
24           of the plan by the stockholders of all or any of  
25           the constituent corporations. If the plan of

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1           merger is terminated after the filing of the  
2           articles but before the plan has become effective,  
3           a certificate of termination shall be filed with  
4           the Registrar. A plan of merger may allow the  
5           boards of directors of the constituent  
6           corporations to amend the plan at any time prior  
7           to the time that the plan becomes effective;  
8           provided that an amendment made subsequent to the  
9           adoption of the plan by the stockholders of any  
10           constituent corporation shall not:

11                   (a) Alter or change the amount or kind  
12                   of shares, securities, cash, property, or rights  
13                   or any of them to be received in exchange for or  
14                   on conversion of all or any of the shares of any  
15                   class or series thereof of the constituent  
16                   corporation;

17                   (b) Alter or change any term of the  
18                   organizing articles of the surviving entity to be  
19                   effected by the merger; or

20                   (c) Alter or change any of the terms  
21                   and conditions of the plan if the alteration or  
22                   change would adversely affect the holders of any  
23                   class or series of shares thereof of the  
24                   constituent corporation.

25                   (10) If the plan of merger is amended after

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1           the articles are filed with the Registrar but  
2           before the plan has become effective, articles of  
3           amendment shall be filed with the Registrar.

4           (11) A merger or share exchange takes effect  
5           on the filing date of the articles of merger or  
6           share exchange, or on the date subsequent to the  
7           filing as set forth in the articles of merger or  
8           share exchange; provided that the effective date  
9           shall not be more than thirty days from the filing  
10          date."

11          Section 138. Title 36 of the Code of the Federated  
12 States of Micronesia (Annotated), is hereby amended by  
13 inserting a new section 236 of chapter 1, to read as  
14 follows:

15          "Section 236. Merger of subsidiary.

16                 (1) A parent corporation owning at least  
17                 ninety per cent of the outstanding shares of each  
18                 class of a subsidiary corporation may merge the  
19                 subsidiary into itself without approval of the  
20                 shareholders of the parent or subsidiary.

21                 (2) The board of directors of the parent  
22                 corporation shall adopt a plan of merger that sets  
23                 forth:

24                         (a) The names of the parent and  
25                         subsidiary; and



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1                   (b) The manner and basis of converting  
2                   the shares of the subsidiary into shares,  
3                   obligations, or other securities of the parent or  
4                   any other corporation or into cash or other  
5                   property in whole or in part.

6                   (3) The parent corporation shall mail a copy  
7                   of the plan of merger to each shareholder of the  
8                   subsidiary corporation who does not waive the  
9                   mailing requirement in writing.

10                   (4) Articles of merger shall be delivered to  
11                   the Registrar for filing and shall set forth:

12                           (a) The name and jurisdiction of  
13                           incorporation of the subsidiary corporation, and  
14                           the name and jurisdiction of incorporation of the  
15                           corporation owning at least ninety percent of its  
16                           shares, which is hereinafter designated as the  
17                           surviving corporation;

18                           (b) A statement that the plan or merger  
19                           has been approved by the board of directors of the  
20                           surviving corporation;

21                           (c) The number of outstanding shares of  
22                           each class of the subsidiary corporation and the  
23                           number of shares of each class owned by the  
24                           surviving corporation;

25                           (d) The date a copy of the plan of

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1           merger was mailed to shareholders of the  
2           subsidiary corporation entitled to receive the  
3           plan; and

4                   (e) A statement that includes:

5                           (i) An agreement that the  
6           surviving entity may be served with process in the  
7           Federated States of Micronesia in any action or  
8           proceeding for the enforcement of any liability or  
9           obligation of any entity previously subject to  
10          suit in the Federated States of Micronesia that is  
11          to merge;

12                           (ii) An irrevocable appointment of  
13          a resident of the Federated States of Micronesia  
14          as its agent to accept service of process in a  
15          proceeding under subparagraph (i), that includes  
16          the resident's street address in the Federated  
17          States of Micronesia; and

18                           (iii) An agreement for the  
19          enforcement, as provided in this chapter, of the  
20          right of any dissenting member, shareholder, or  
21          partner to receive payment for their interest  
22          against the surviving entity.

23                   (5) The parent may not deliver articles of  
24          merger to the Registrar for filing until at least  
25          thirty days after the date it mailed a copy of the

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1           plan of merger to each shareholder of the  
2           subsidiary corporation who did not waive the  
3           mailing requirement.

4           (6) Articles of merger under this section  
5           may not contain amendments to the articles of  
6           incorporation of the parent corporation except for  
7           amendments enumerated in section 220."

8           Section 139. Title 36 of the Code of the Federated  
9 States of Micronesia (Annotated), is hereby amended by  
10 inserting a new section 237 of chapter 1, to read as  
11 follows:

12           "Section 237. Articles of merger or share  
13           exchange.

14           (1) After a plan of merger or share exchange  
15           is approved by the shareholders, or adopted by the  
16           board of directors if shareholder approval is not  
17           required, articles of merger or share exchange  
18           shall be signed on behalf of each corporation and  
19           each other entity that is a party to the merger or  
20           share exchange and shall be delivered to the  
21           Register for filing. The articles of merger or  
22           share exchange shall set forth:

23           (a) For a merger, the name and  
24           jurisdiction of each entity that is a party to the  
25           merger, and the name, address, and jurisdiction of

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1           the surviving entity;

2                   (b) For a share exchange, the name,  
3           address, and jurisdiction of both the corporation  
4           whose shares will be acquired and the acquiring  
5           corporation;

6                   (c) A statement that the plan of merger  
7           or share exchange has been approved by each entity  
8           involved in the merger or share exchange;

9                   (d) If a merger, a statement indicating  
10          any changes in the organizing articles of the  
11          surviving entity to be given effect by the merger;  
12          provided that if no changes are made, a statement  
13          that the organizing articles of the surviving  
14          entity shall not be amended pursuant to the  
15          merger; and

16                   (e) A statement that includes:

17                           (i) An agreement that the  
18           surviving entity may be served with process in the  
19           Federated States of Micronesia in any action or  
20           proceeding for the enforcement of any liability or  
21           obligation of any entity previously subject to  
22           suit in the Federated States of Micronesia that is  
23           to merge;

24                           (ii) An irrevocable appointment of  
25           a resident of the Federated States of Micronesia

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1           as its agent to accept service of process in a  
2           proceeding under subparagraph (i), that includes  
3           the resident's street address in the Federated  
4           States of Micronesia; and

5                       (iii) An agreement for the  
6           enforcement, as provided in this chapter, of the  
7           right of any dissenting member, shareholder, or  
8           partner to receive payment for their interest  
9           against the surviving entity.

10                   (2) If the articles of merger provide for a  
11           future effective date, and:

12                           (a) The plan of merger is amended to  
13           change the future effective date;

14                           (b) The plan of merger permits the  
15           amendment of the articles of merger to change the  
16           future effective date without an amendment to the  
17           plan of merger; or

18                           (c) The plan of merger is amended to  
19           change any other matter contained in the articles  
20           of merger so as to make the articles of merger  
21           inaccurate in any material respect, prior to the  
22           future effective date;

23           Then the articles of merger shall be amended by  
24           filing with the Registrar articles of amendment  
25           that identify the articles of merger and set forth

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1           the amendment to the articles of merger. If the  
2           articles of merger provide for a future effective  
3           date and if the plan of merger is terminated prior  
4           to the future effective date, the articles of  
5           merger shall be terminated by filing with the  
6           Registrar a certificate of termination that  
7           identifies the articles of merger and states that  
8           the plan of merger has been terminated.

9           (3) Articles of merger operate as an  
10          amendment to the corporation's articles of  
11          incorporation."

12           Section 140. Title 36 of the Code of the Federated  
13 States of Micronesia (Annotated), is hereby amended by  
14 inserting a new section 238 of chapter 1, to read as  
15 follows:

16           "Section 238. Effect of merger or share exchange.

17           (1) When a merger takes effect:

18           (a) Every other entity that is a party  
19           to the merger merges into the surviving entity and  
20           the separate existence of every entity except the  
21           surviving entity ceases;

22           (b) The title to all lawfully owned  
23           real estate and other property owned by each  
24           entity that is a party to the merger is vested in  
25           the surviving entity to the extent permitted by

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1           law without reversion or impairment;

2                   (c) The surviving entity has all  
3           liabilities of each entity that is a party to the  
4           merger;

5                   (d) A proceeding pending against any  
6           entity that is a party to the merger may be  
7           continued as if the merger did not occur or the  
8           surviving entity may be substituted in the  
9           proceeding for the entity whose existence ceased;

10                   (e) The organizing articles of the  
11           surviving entity are amended to the extent  
12           provided in the plan of merger and indicated in  
13           the articles of merger; and

14                   (f) The shares of each corporation  
15           party to the merger that are to be converted into  
16           shares, obligations, or other securities of the  
17           surviving entity or into cash or other property  
18           are converted, and the former holders of he shares  
19           are entitled only to the rights provided in the  
20           articles of merger or to their rights under  
21           section 242 through 255.

22                   (2) When a share exchange takes effect, the  
23           shares of each acquired corporation are exchanged  
24           as provided in the plan, and the former holder of  
25           the shares are entitled only to the exchange

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1           rights provided in the articles of share exchange  
2           or to their rights under section 242 through 255.

3           (3) If a surviving entity fails to appoint  
4           or maintain an agent designated for service of  
5           process in the Federated States of Micronesia or  
6           the agent for service of process cannot with  
7           reasonable diligence be found at the designated  
8           office, service of process may be made upon the  
9           surviving entity by sending a copy of the process  
10          by registered or certified mail, return receipt  
11          requested, to the surviving entity at the address  
12          set forth in the articles of merger. Service is  
13          effected under this subsection at the earliest of:

14                   (a) The date of the surviving entity  
15                   receives the process, notice, or demand;

16                   (b) The date shown on the return  
17                   receipt, if signed on behalf of the surviving  
18                   entity; or

19                   (c) Five days after its deposit in the  
20                   mail, if mailed postpaid and correctly addressed."

21           Section 141. Title 36 of the Code of the Federated  
22           States of Micronesia (Annotated), is hereby amended by  
23           inserting a new section 226 of chapter 1, to read as  
24           follows:

25           "Section 226. Merger of subsidiary corporations.



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1           (1) Any corporation owning at least ninety  
2           percent of the outstanding shares of each class of  
3           two or more corporations may adopt a plan of  
4           merger pursuant to section 236 that shall be  
5           delivered to the Registrar for filing including  
6           articles of merger. The articles of merger shall  
7           be signed by the parent corporation and the  
8           surviving subsidiary corporation. The plan of  
9           merger shall set forth:

10                   (a) The name of the parent corporation  
11                   owning at least ninety percent of the shares of  
12                   the subsidiary corporations, the name of any  
13                   nonsurviving subsidiary corporation, and the name  
14                   of the surviving corporation; and

15                   (b) The manner and basis of converting  
16                   the shares of any nonsurviving subsidiary  
17                   corporation into shares, obligations, or other  
18                   securities of the surviving subsidiary corporation  
19                   or of any other corporation or, in whole or in  
20                   part, into cash or other property.

21           (2) A copy of the plan of merger shall be  
22           mailed to each shareholder of record of any  
23           nonsurviving subsidiary corporation.

24           (3) On or after the thirtieth day after the  
25           mailing of a copy of the plan of merger to

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1           shareholders of any nonsurviving subsidiary  
2           corporation or upon the waiver thereof by the  
3           holders of all outstanding shares, the articles of  
4           merger shall be delivered to the Registrar for  
5           filing. Articles of merger shall set forth:

6                   (a) A statement that the plan of merger  
7                   has been approved by the board of directors of the  
8                   parent corporation;

9                   (b) The number of outstanding shares of  
10                  each class of any nonsurviving subsidiary  
11                  corporation and the number of the shares of each  
12                  class owned by the parent corporation; and

13                   (c) The date a copy of the plan of  
14                   merger is mailed to shareholders of any  
15                   nonsurviving subsidiary corporation entitled to  
16                   receive the plan of merger."

17           Section 142. Title 36 of the Code of the Federated  
18 States of Micronesia (Annotated), is hereby amended by  
19 inserting a new section 240 of chapter 1, to read as  
20 follows:

21                   "Section 240. Sale of assets in regular course of  
22                   business and mortgage of assets.

23                   (1) A corporation, on the terms and  
24                   conditions and for the consideration determined by  
25                   the board of directors, may:

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1                   (a) Sell, lease, exchange, or otherwise  
2                   dispose of all, or substantially all, of its  
3                   property in the usual and regular course of  
4                   business;

5                   (b) Mortgage, pledge, dedicate to the  
6                   repayment of indebtedness whether with or  
7                   without recourse, or otherwise encumber any  
8                   or all of its property whether or not in the  
9                   usual and regular course of business; or

10                   (c) Transfer any or all of its property  
11                   to a corporation all the shares of which are  
12                   owned by the corporation.

13                   (2) Unless the articles of incorporation  
14                   require it, approval by the shareholders of a  
15                   transaction described in subsection (1) is not  
16                   required."

17                   Section 143. Title 36 of the Code of the Federated  
18 States of Micronesia (Annotated), is hereby amended by  
19 inserting a new section 241 of chapter 1, to read as  
20 follows:

21                   "Section 241. Sale of assets other than in  
22                   regular course of business.

23                   (1) A corporation may sell, lease, exchange,  
24                   or otherwise dispose of all, or substantially all,  
25                   of its property with or without the goodwill,

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1           otherwise than in the usual and regular course of  
2           business, on the terms and conditions and for the  
3           consideration determined by the corporation's  
4           board of directors, if the board of directors  
5           proposes and its shareholders approve the proposed  
6           transaction.

7           (2) For a transaction to be authorized:

8                   (a) The board of directors must  
9                   recommend the proposed transaction to the  
10                   shareholders unless the board of directors  
11                   determines that because of conflict of interest or  
12                   other special circumstances it should make no  
13                   recommendation and communicates the basis for its  
14                   determination to the shareholders with the  
15                   submission of the proposed transaction; and

16                   (b) The shareholders entitled to vote  
17                   must approve the transaction.

18           (3) The board of directors may condition its  
19           submission of the proposed transaction on any  
20           basis.

21           (4) The corporation shall notify each  
22           shareholder, whether or not entitled to vote, of  
23           the proposed shareholders' meeting in accordance  
24           with section 154. The notice must also state that  
25           the purpose, or one of the purposes, of the

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1           meeting is to consider the sale, lease, exchange,  
2           or other disposition of all, or substantially all,  
3           the property of the corporation and contain or be  
4           accompanied by a description of the transaction.

5           (5) The shareholders may authorize the sale,  
6           lease, exchange, or other disposition and may fix,  
7           or may authorize the board of directors to fix,  
8           any or all of the terms and conditions thereof and  
9           the consideration to be received by the  
10          corporation therefore. The authorization shall  
11          require the affirmative vote of the holders of a  
12          majority of the shares of the corporation entitled  
13          to vote thereon, unless any class of shares is  
14          entitled to vote thereon as a class, in which  
15          event the authorization shall require the  
16          affirmative vote of the holders of a majority of  
17          the shares of each class of shares entitled to  
18          vote as a class thereon and of the total shares  
19          entitled to vote thereon.

20          (6) After a sale, lease, exchange, or other  
21          disposition of property is authorized, the  
22          transaction may be abandoned subject to any  
23          contractual rights without further shareholder  
24          action.

25          (7) A transaction that constitutes a

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1           distribution to shareholders is governed by  
2           section 149 and not by this section.

3           (8) A sale, lease, exchange, or other  
4           disposition of the property of a corporation shall  
5           not be deemed to be the sale, lease, exchange, or  
6           other disposition of all or substantially all the  
7           property of the corporation if the corporation is  
8           retaining sufficient property to continue one or  
9           more significant business segments or lines of the  
10          corporation after the sale, lease, exchange, or  
11          other disposition. Furthermore, the business  
12          segments or lines retained must not be only  
13          temporary operations or merely a pretext to avoid  
14          shareholders' rights which might otherwise arise  
15          under this chapter."

16          Section 144. Title 36 of the Code of the Federated  
17 States of Micronesia (Annotated), is hereby amended by  
18 inserting a new section 242 of chapter 1, to read as  
19 follows:

20          "Section 242. Definitions – Dissenters Rights. As  
21          used herein:

22                 (1) 'Beneficial shareholder' means the  
23                 person who is a beneficial owner of shares held in  
24                 a voting trust or by a nominee as the record  
25                 shareholder.

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1                   (2) 'Corporation' means the issuer of the  
2                   shares held by a dissenter before the corporate  
3                   action, or the surviving or acquiring corporation  
4                   by merger or share exchange of that issuer.

5                   (3) 'Dissenter' means a shareholder who is  
6                   entitled to dissent from corporate action under  
7                   section 243 and who exercises that right when and  
8                   in the manner required by section 245 to 253.

9                   (4) 'Fair value', with respect to a  
10                  dissenter's shares, means the value of the shares  
11                  immediately before the effectuation of the  
12                  corporate action to which the dissenter objects,  
13                  excluding any appreciation or depreciation in  
14                  anticipation of the corporate action unless  
15                  exclusion would be inequitable.

16                  (5) 'Interest' means interest from the  
17                  effective date of the corporate action until the  
18                  date of payment, at the average rate currently  
19                  paid by the corporation on its principal bank  
20                  loans or, if none, at a rate that is fair and  
21                  equitable under all the circumstances.

22                  (6) 'Record shareholder' means the person in  
23                  whose name shares are registered in the records of  
24                  a corporation or the beneficial owner of shares to  
25                  the extent of the rights granted by a nominee

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1           certificate on file with a corporation.

2                   (7) 'Shareholders' means the record  
3           shareholder or beneficial shareholder."

4           Section 145. Title 36 of the Code of the Federated  
5 States of Micronesia (Annotated), is hereby amended by  
6 inserting a new section 243 of chapter 1, to read as  
7 follows:

8           "Section 243. Right to dissent.

9                   (1) A shareholder is entitled to dissent  
10           from, and obtain payment of the fair value of the  
11           shareholder's shares in the event of, any of the  
12           following corporate actions:

13                           (a) Consummation of a plan of merger to  
14                   which the corporation is a party:

15                                   (i) If shareholder approval is  
16           required for the merger by section 235 or the  
17           articles of incorporation; provided that the  
18           shareholder is entitled to vote on the merger; or

19                                   (ii) If the corporation is a  
20           subsidiary that is merged with its parent under  
21           section 236;

22                           (b) Consummation of a plan of share  
23           exchange to which the corporation is a party as  
24           the corporation whose shares will be acquired, if  
25           the shareholder is entitled to vote on the plan;



1                   (c) Consummation of a sale or exchange  
2                   of all, or substantially all, of the property of  
3                   the corporation other than in the usual and  
4                   regular course of business, if the shareholder is  
5                   entitled to vote on the sale or exchange,  
6                   including a sale in dissolution, but not including  
7                   a sale pursuant to court order or a sale for cash  
8                   pursuant to a plan by which all or substantially  
9                   all of the net proceeds of the sale will be  
10                  distributed to the shareholders within one year  
11                  after the date of sale;

12                  (d) An amendment of the articles of  
13                  incorporation that materially and adversely  
14                  affects rights in respect of a dissenter's shares  
15                  because it:

16                               (i) Alters or abolishes a  
17                               preferential right of the shares;

18                               (ii) Creates, alters, or abolishes  
19                               a right in respect of redemption, including a  
20                               provision respecting a sinking fund for the  
21                               redemption or repurchase, of the shares;

22                               (iii) Alters or abolishes a  
23                               preemptive right of the holder of the shares to  
24                               acquire shares or other securities;

25                               (iv) Excludes or limits the right

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1           of the shares to vote on any matter, or to  
2           cumulate votes, other than a limitation by  
3           dilution through issuance of shares or other  
4           securities with similar voting rights; or

5                   (v) Reduces the number of shares  
6           owned by the shareholder to a fraction of a share  
7           if the fractional share so created is to be  
8           acquired for cash under section 137;

9                   (e) Any corporate action taken pursuant  
10          to a shareholder vote to the extent the articles  
11          of incorporation, bylaws, or a resolution of the  
12          board of directors provides that voting or  
13          nonvoting shareholders are entitled to dissent and  
14          obtain payment for their shares; or

15                   (f) Consummation of a plan of  
16          conversion to which the corporation is the  
17          converting entity, if the shareholder is entitled  
18          to vote on the plan.

19                   (2) A shareholder entitled to dissent and  
20          obtain payment for the shareholder's shares under  
21          this part may not challenge the corporate action  
22          creating the shareholder's entitlement unless the  
23          action is unlawful or fraudulent with respect to  
24          the shareholder or the corporation."

25          Section 146. Title 36 of the Code of the Federated

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1 States of Micronesia (Annotated), is hereby amended by  
2 inserting a new section 244 of chapter 1, to read as  
3 follows:

4 "Section 244. Dissent by nominees and beneficial  
5 owners.

6 (1) A record shareholder may assert  
7 dissenter's rights as to fewer than all the shares  
8 registered in the shareholder's name only if the  
9 shareholder dissents with respect to all shares  
10 beneficially owned by any one person and notifies  
11 the corporation in writing of the name and address  
12 of each person on whose behalf the record  
13 shareholder asserts dissenters' rights. The  
14 rights of a partial dissenter under this  
15 subsection are determined as if the shares to  
16 which the partial dissenter dissents and the  
17 partial dissenter's other shares were registered  
18 in the names of different shareholders.

19 (2) A beneficial shareholder may assert  
20 dissenter's rights as to shares held on the  
21 beneficial shareholder's behalf only if:

22 (a) The beneficial shareholder submits  
23 to the corporation the record shareholder's  
24 written consent to the dissent not later than the  
25 time the beneficial shareholder asserts

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1           dissenters' rights; and

2                   (b) The beneficial shareholder does so  
3           with respect to all shares of which the beneficial  
4           shareholder is the beneficial shareholder or over  
5           which the beneficial shareholder has power to  
6           direct the vote."

7           Section 147. Title 36 of the Code of the Federated  
8 States of Micronesia (Annotated), is hereby amended by  
9 inserting a new section 245 of chapter 1, to read as  
10 follows:

11           "Section 245. Notice of dissenters' rights.

12                   (1) If proposed corporate action creating  
13           dissenters' rights under section 243 is submitted  
14           to a vote at a shareholders' meeting, the meeting  
15           notice must state that shareholders are or may be  
16           entitled to assert dissenters' rights under this  
17           part and be accompanied by a copy of this part.

18                   (2) If corporate action creating dissenters'  
19           rights under section 243 is taken without a vote  
20           of shareholders, the corporation shall notify in  
21           writing all shareholders entitled to assert  
22           dissenters' rights that the action was taken and  
23           send them the dissenters' notice described in  
24           section 247."

25           Section 148. Title 36 of the Code of the Federated

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1 States of Micronesia (Annotated), is hereby amended by  
2 inserting a new section 246 of chapter 1, to read as  
3 follows:

4 "Section 246. Notice of intent to demand payment.

5 (1) If proposed corporate action creating  
6 dissenters' rights under section 243 is submitted  
7 to a vote at a shareholders' meeting, a  
8 shareholder who wishes to assert dissenters'  
9 rights:

10 (a) Must deliver to the corporation  
11 before the vote is taken written notice of the  
12 shareholder's intent to demand payment for the  
13 shareholder's shares if the proposed action is  
14 effectuated; and

15 (b) Must not vote the shareholder's  
16 shares in favor of the proposed action.

17 (2) A shareholder who does not satisfy the  
18 requirements of subsection (1) is not entitled to  
19 payment for the shareholder's shares under this  
20 part."

21 Section 149. Title 36 of the Code of the Federated  
22 States of Micronesia (Annotated), is hereby amended by  
23 inserting a new section 247 of chapter 1, to read as  
24 follows:

25 "Section 247. Dissenters' notice.

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1           (1) If proposed corporate action creating  
2           dissenters' rights under section 243 is authorized  
3           at a shareholders' meeting, the corporation shall  
4           deliver a written dissenters' notice to all  
5           shareholders who satisfied the requirements of  
6           section 246.

7           (2) The dissenters' notice must be sent no  
8           later than ten days after the corporate action was  
9           taken, and must:

10           (a) State where the payment demand must  
11           be sent and where and when certificates for  
12           certificated shares must be deposited;

13           (b) Inform holders of uncertificated  
14           shares to what extent transfer of the shares will  
15           be restricted after the payment demand is  
16           received;

17           (c) Supply a form for demanding payment  
18           that includes the date of the first announcement  
19           to news media or to shareholders of the terms of  
20           the proposed corporate action and requires that  
21           the person asserting dissenters' rights certify  
22           whether or not the person acquired beneficial  
23           ownership of the shares before that date;

24           (d) Set a date which the corporation  
25           must receive the payment demand, which date may

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1           not be fewer than thirty nor more than sixty days  
2           after the date the subsection (1) notice is  
3           delivered; and

4                   (e) Be accompanied by a copy of this  
5           part."

6           Section 150. Title 36 of the Code of the Federated  
7 States of Micronesia (Annotated), is hereby amended by  
8 inserting a new section 248 of chapter 1, to read as  
9 follows:

10           "Section 248. Duty to demand payment.

11                   (1) A shareholder sent a dissenters' notice  
12           described in section 247 must demand payment,  
13           certify whether the shareholder acquired  
14           beneficial ownership of shares before the date  
15           required to be set forth in the dissenters' notice  
16           pursuant to section 247(2) and deposit the  
17           shareholder's certificates in accordance with the  
18           terms of the notice.

19                   (2) The shareholder who demands payment and  
20           deposits the shareholder's share certificates  
21           under subsection (1) retains all other rights of a  
22           shareholder until these rights are canceled or  
23           modified by the taking of the proposed corporate  
24           action.

25                   (3) A shareholder who does not demand

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1           payment or deposit the shareholder's share  
2           certificates where required, each by the date set  
3           in the dissenters' notice, is not entitled to  
4           payment for the shareholder's shares under this  
5           part."

6           Section 151. Title 36 of the Code of the Federated  
7 States of Micronesia (Annotated), is hereby amended by  
8 inserting a new section 249 of chapter 1, to read as  
9 follows:

10           "Section 249. Share restrictions.

11                   (1) The corporation may restrict the  
12                   transfer of uncertificated shares from the date  
13                   the demand for their payment is received until the  
14                   proposed corporate action is taken or the  
15                   restrictions released under section 251.

16                   (2) The person for whom dissenters' rights  
17                   are asserted as to uncertificated shares retains  
18                   all other rights of a shareholder until these  
19                   rights are canceled or modified by the taking of  
20                   the proposed corporate action."

21           Section 152. Title 36 of the Code of the Federated  
22 States of Micronesia (Annotated), is hereby amended by  
23 inserting a new section 250 of chapter 1, to read as  
24 follows:

25           "Section 250. Payment.



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1           (1) Except as provided in section 252, as  
2           soon as the proposed corporate action is taken, or  
3           upon receipt of a payment demand, the corporation  
4           shall pay each dissenter who complied with section  
5           248 the amount the corporation estimates to be the  
6           fair value of the dissenters' shares, plus accrued  
7           interest.

8           (2) The payment must be accompanied by:

9                   (a) The corporation's balance sheet as  
10           of the end of a fiscal year ending not more than  
11           sixteen months before the date of payment, an  
12           income statement for that year, a statement of  
13           changes in shareholders' equity for that year, and  
14           the latest available interim financial statements,  
15           if any;

16                   (b) A statement of the corporation's  
17           estimate of the fair value of the shares;

18                   (c) An explanation of how the interest  
19           was calculated;

20                   (d) A statement of the dissenter's  
21           right to demand payment under section 253; and

22                   (e) A copy of this part."

23           Section 153. Title 36 of the Code of the Federated  
24           States of Micronesia (Annotated), is hereby amended by  
25           inserting a new section 251 of chapter 1, to read as

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1 follows:

2 "Section 251 Failure to take action.

3 (1) If the corporation does not take the  
4 proposed action within sixty days after the date  
5 set for demanding payment and depositing share  
6 certificates, the corporation shall return the  
7 deposited certificates and release the transfer  
8 restrictions imposed on uncertificated shares.

9 (2) If after returning deposited  
10 certificates and releasing transfer restrictions,  
11 the corporation takes the proposed action, it must  
12 send a new dissenters' notice under section 2437  
13 and repeat the payment demand procedure."

14 Section 154. Title 36 of the Code of the Federated  
15 States of Micronesia (Annotated), is hereby amended by  
16 inserting a new section 252 of chapter 1, to read as  
17 follows:

18 "Section 252. After-acquired shares.

19 (1) A corporation may elect to withhold  
20 payment required by section 250 from a dissenter  
21 unless the dissenter was the beneficial owner of  
22 the shares before the date set forth in the  
23 dissenters' notice as the date of the first  
24 announcement to news media or to shareholders of  
25 the terms of the proposed corporate action.

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1                   (2) To the extent the corporation elects to  
2                   withhold payment under subsection (1), after  
3                   taking the proposed corporate action, it shall  
4                   estimate the fair value of the shares, plus  
5                   accrued interest, and shall pay this amount to  
6                   each dissenter who agrees to accept it in full  
7                   satisfaction of the dissenter's demand. The  
8                   corporation shall send with its offer a statement  
9                   of its estimate of the fair value of the shares,  
10                  an explanation of how the interest was calculated,  
11                  and a statement of the dissenter's right to demand  
12                  payment under section 253."

13                  Section 155. Title 36 of the Code of the Federated  
14                  States of Micronesia (Annotated), is hereby amended by  
15                  inserting a new section 253 of chapter 1, to read as  
16                  follows:

17                  "Section 253. Procedure if shareholder  
18                  dissatisfied with payment or offer.

19                         (1) A dissenter may notify the corporation  
20                         in writing of the dissenter's own estimate of the  
21                         fair value of the dissenter's shares and amount of  
22                         interest due, and demand payment of the  
23                         dissenter's estimate less any payment under  
24                         section 250, or reject the corporation's offer  
25                         under section 252 and demand payment of the fair

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1           value of the dissenter's shares and interest due,  
2           if:

3                   (a) The dissenter believes that the  
4                   amount paid under section 250 or offered under  
5                   section 252 is less than the fair value of the  
6                   dissenter's shares or that the interest due is  
7                   incorrectly calculated;

8                   (b) The corporation fails to make  
9                   payment under section 250 within sixty days after  
10                  the date set for demanding payment; or

11                  (c) The corporation, having failed to  
12                  take the proposed action, does not return the  
13                  deposited certificates or release the transfer  
14                  restrictions imposed on uncertificated shares  
15                  within sixty days after the date set for demanding  
16                  payment.

17                  (2) A dissenter waives the dissenter's right  
18                  to demand payment under this section unless the  
19                  dissenter notifies the corporation of the  
20                  dissenter's demand in writing under subsection (1)  
21                  within thirty days after the corporation made or  
22                  offered payment for the dissenter's shares."

23           Section 156. Title 36 of the Code of the Federated  
24 States of Micronesia (Annotated), is hereby amended by  
25 inserting a new section 254 of chapter 1, to read as

1 follows:

2 "Section 254. Court action.

3 (1) If a demand for payment under section  
4 253 remains unsettled, the corporation shall  
5 commence a proceeding within sixty days after  
6 receiving the payment demand and petition the  
7 court to determine the fair value of the shares  
8 and accrued interest. If the corporation does not  
9 commence the proceeding within the sixty day  
10 period, it shall pay each dissenter whose demand  
11 remains unsettled the amount demanded.

12 (2) The corporation shall commence the  
13 proceeding in the Federated States of Micronesia  
14 Supreme Court. If the corporation is a foreign  
15 corporation without a registered office in the  
16 Federated States of Micronesia, it shall commence  
17 the proceeding in the trial division of the  
18 Federated States of Micronesia Supreme Court in  
19 the State where the registered office of the  
20 domestic corporation merged with or whose shares  
21 were acquired by the foreign corporation was  
22 located or, if no such registered office exists,  
23 in the trial division of Pohnpei State.

24 (3) The corporation shall make all  
25 dissenters whether or not resident of the

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1           Federated States of Micronesia whose demands  
2           remain unsettled parties to the proceeding as in  
3           an action against their shares and all parties  
4           must be served with a copy of the petition.  
5           Nonresidents may be served by registered or  
6           certified mail or by publication as provided by  
7           law.

8           (4) The jurisdiction of the court in which  
9           the proceeding is commenced under subsection (2)  
10          is plenary and exclusive. The court may appoint  
11          one or more person as appraisers to receive  
12          evidence and recommend decision on the question of  
13          fair value. The appraisers have the power  
14          described in the order appointing them, or in any  
15          amendment to it. The dissenters are entitled to  
16          the same discovery rights as parties in other  
17          civil proceedings.

18          (5) Each dissenter made a party to the  
19          proceeding is entitled to judgment:

20                (a) For the amount, if any, by which  
21                the court finds the fair value of the dissenter's  
22                shares, plus interest, exceeds the amount paid by  
23                the corporation; or

24                (b) For the fair value, plus accrued  
25                interest, of the dissenter's after-acquired shares

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1           for which the corporation elected to withhold  
2           payment under section 252."

3           Section 157. Title 36 of the Code of the Federated  
4 States of Micronesia (Annotated), is hereby amended by  
5 inserting a new section 255 of chapter 1, to read as  
6 follows:

7           "Section 255. Court costs and counsel fees.

8                   (1) The court in an appraisal proceeding  
9                   commenced under section 254 shall determine all  
10                   costs of the proceeding, including the reasonable  
11                   compensation and expenses of appraisers appointed  
12                   by the court. The court shall assess the costs  
13                   against the corporation, except that the court may  
14                   assess cost against all or some of the dissenters,  
15                   in amount the court finds equitable, to the extent  
16                   the court finds the dissenters acted arbitrarily,  
17                   vexatiously, or not in good faith in demanding  
18                   payment under section 253.

19                   (2) The court may also assess the fees and  
20                   expenses of counsel and experts for the respective  
21                   parties, in amounts the court finds equitable:

22                           (a) Against the corporation and in  
23                           favor of any or all dissenters if the court finds  
24                           the corporation did not substantially comply with  
25                           the requirements of sections 245 and 253; or

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1                   (b) Against either the corporation or a  
2                   dissenter, in favor of any other party, if the  
3                   court finds that the party against whom the fees  
4                   and expenses are assessed acted arbitrarily,  
5                   vexatiously, or not in good faith with respect to  
6                   the rights provided herein.

7                   (3) If the court finds that the services of  
8                   counsel for any dissenter were of substantial  
9                   benefit to other dissenters similarly situated,  
10                  and that the fees for those services should not be  
11                  assessed against the corporation, the court may  
12                  award to these counsel reasonable fees to be paid  
13                  out of the amounts awarded the dissenters who were  
14                  benefited."

15                  Section 158. Title 36 of the Code of the Federated  
16                  States of Micronesia (Annotated), is hereby amended by  
17                  inserting a new section 247 of chapter 1, to read as  
18                  follows:

19                  "Section 247. Dissolution by incorporators or  
20                  initial directors.

21                  (1) A majority of the incorporators or  
22                  initial directors of a corporation that has not  
23                  issued shares or has not commenced business may  
24                  dissolve the corporation by delivering to the  
25                  Registrar for filing articles of dissolution that



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1           set forth:

2                           (a) The name of the corporation;

3                           (b) The date of its incorporation;

4                           (c) Either:

5                                   (i) That none of the corporation's  
6           shares has been issued; or

7                                   (ii) That the corporation has not  
8           commenced business;

9                           (d) That no debt of the corporation  
10                           remains unpaid;

11                           (e) That the net assets of the  
12           corporation remaining after winding up have been  
13           distributed to the shareholders, if shares were  
14           issued; and

15                           (f) That a majority of the  
16           incorporators or initial directors authorized the  
17           dissolution."

18           Section 159. Title 36 of the Code of the Federated  
19 States of Micronesia (Annotated), is hereby amended by  
20 inserting a new section 257 of chapter 1, to read as  
21 follows:

22                           "Section 257. Dissolution by board of directors  
23           and shareholders.

24                           (1) A corporation's board of directors may  
25           propose dissolution for submission to the

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1           shareholders.

2                   (2) For a proposal to dissolve to be  
3           adopted:

4                           (a) The board of directors must  
5           recommend dissolution to the shareholders unless  
6           the board of directors determines that because of  
7           conflict of interest or other special  
8           circumstances it should make no recommendation and  
9           communicates the basis for its determination to  
10          the shareholders; and

11                           (b) The shareholders entitled to vote  
12          must approve the proposal to dissolve as provided  
13          subsections (5) and (6).

14                           (3) The board of directors may condition its  
15          submission of the proposal for dissolution on any  
16          basis.

17                           (4) The corporation shall notify each  
18          shareholder, whether or not entitled to vote, of  
19          the proposed shareholders' meeting in accordance  
20          with section 154. The notice must also state that  
21          the purpose, or one of the purposes, of the  
22          meeting is to consider dissolving the corporation.

23                           (5) At a meeting a vote of shareholders  
24          entitled to vote thereat shall be taken on a  
25          resolution to dissolve the corporation. The

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1           resolution shall be adopted upon receiving the  
2           affirmative vote of the holders of a majority of  
3           the shares of each class of shares entitled to  
4           vote thereon as a class and of the total shares  
5           entitled to vote thereon."

6           Section 160. Title 36 of the Code of the Federated  
7 States of Micronesia (Annotated), is hereby amended by  
8 inserting a new section 258 of chapter 1, to read as  
9 follows:

10           "Section 258. Articles of dissolution.

11                   (1) At any time after dissolution is  
12                   authorized, the corporation may dissolve by  
13                   delivering to the Registrar for filing articles of  
14                   dissolution setting forth:

15                           (a) The name of the corporation;

16                           (b) The date dissolution was  
17                           authorized;

18                           (c) If dissolution was approved by the  
19                           shareholders;

20                                   (i) The number of votes entitled  
21                           to be cast on the proposal to dissolve; and

22                                   (ii) Either the total number of  
23                           votes cast for and against dissolution or the  
24                           total number of undisputed votes cast for  
25                           dissolution and a statement that the number cast

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1           for dissolution was sufficient for approval; and

2                           (d) If voting by voting groups was  
3           required, the information required by paragraph  
4           (1)(c) must be separately provided for each voting  
5           group entitled to vote separately on the plan to  
6           dissolve.

7                           (2) A corporation is dissolved upon the  
8           effective date of its articles of dissolution.  
9           The articles of dissolution may specify a delayed  
10          effective time and date, and if it does so the  
11          document becomes effective at the time and date  
12          specified. If a delayed effective date but no  
13          time is specified, the document shall be effective  
14          at the close of business on that date. A delayed  
15          effective date for a document may not be later  
16          than the thirtieth day after the date it is  
17          filed."

18           Section 161. Title 36 of the Code of the Federated  
19 States of Micronesia (Annotated), is hereby amended by  
20 inserting a new section 259 of chapter 1, to read as  
21 follows:

22                           "Section 259. Revocation of dissolution.

23                           (1) A corporation may revoke its dissolution  
24           within one hundred twenty days of its effective  
25           date.

1                   (2) Revocation of dissolution shall be  
2                   authorized in the same manner as the dissolution  
3                   was authorized unless that authorization permitted  
4                   revocation by action of the board of directors  
5                   alone, in which event the board of directors may  
6                   revoke the dissolution without shareholder action.

7                   (3) After the revocation of dissolution is  
8                   authorized, the corporation may revoke the  
9                   dissolution by delivering to the Registrar for  
10                  filing articles of revocation of dissolution,  
11                  together with a copy of its articles of  
12                  dissolution, that set forth:

13                           (a) The name of the corporation;

14                           (b) The effective date of the  
15                           dissolution that was revoked;

16                           (c) The date that the revocation of  
17                           dissolution was authorized;

18                           (d) If the corporation's board of  
19                           directors or incorporators revoked the  
20                           dissolution, a statement to that effect;

21                           (e) If the corporation's board of  
22                           directors revoked the dissolution, the  
23                           information required by section 258(1)(c) or  
24                           (d).

25                   (4) Within the applicable revocation of

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1           dissolution period, should the name of the  
2           corporation, or a name substantially identical  
3           thereto be registered or reserved by another  
4           corporation, partnership, limited partnership, or  
5           should the name or a name substantially identical  
6           thereto be registered as a trade name, trademark,  
7           or service mark, then revocation of dissolution  
8           shall be allowed only upon the registration of a  
9           new name by the dissolved corporation pursuant to  
10          the amendment provisions of this chapter.

11           (5) Revocation of dissolution is effective  
12          upon the effective date of the articles of  
13          revocation of dissolution.

14           (6) When the revocation of dissolution is  
15          effective, it relates back to and takes effect as  
16          of the effective date of the dissolution and the  
17          corporation resumes carrying on its business as if  
18          dissolution had never occurred."

19          Section 162. Title 36 of the Code of the Federated  
20 States of Micronesia (Annotated), is hereby amended by  
21 inserting a new section 260 of chapter 1, to read as  
22 follows:

23          "Section 260. Effect of dissolution.

24           (1) A dissolved corporation continues its  
25          corporate existence but may not carry on any

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1           business except that appropriate to wind up and  
2           liquidate its business and affairs, including:

3                   (a) Collecting its assets;

4                           (b) Disposing of its properties that  
5           will not be distributed in kind to its  
6           shareholders;

7                           (c) Discharging or making provision for  
8           discharging its liabilities;

9                           (d) Distributing its remaining property  
10          among its shareholders according to their  
11          interests; and

12                          (e) Doing every other act necessary to  
13          wind up and liquidate its business affairs.

14                          (2) Dissolution of a corporation does  
15          not:

16                           (a) Transfer title to the corporation's  
17          property;

18                           (b) Prevent transfer of its shares or  
19          securities, although the authorization to dissolve  
20          may provide for closing the corporation's share  
21          transfer records;

22                           (c) Subject its directors or officers  
23          to standards of conduct different from those  
24          prescribed in sections 177 through 215;

25                           (d) Change quorum or voting

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1           requirements for its board of directors or  
2           shareholders; change provisions for selection,  
3           resignation, or removal of its directors or  
4           officers or both; or change provisions for  
5           amending its bylaws;

6                   (e) Prevent commencement of a  
7           proceeding by or against the corporation in its  
8           corporate name;

9                   (f) Abate or suspend a proceeding  
10          pending by or against the corporation on the  
11          effective date of dissolution; or

12                   (g) Terminate the authority of the  
13          registered agent of the corporation."

14           Section 162. Title 36 of the Code of the Federated  
15 States of Micronesia (Annotated), as amended, is hereby  
16 amended by inserting a new section 261 of chapter 1, to read  
17 as follows:

18                   "Section 261. Known claims against dissolved  
19          corporation.

20                   (1) A dissolved corporation may dispose of  
21          the known claims against it by following the  
22          procedure described in this section.

23                   (2) The dissolved corporation shall notify  
24          its known claimants in writing of the dissolution  
25          at any time after its effective date. The written



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1           notice must:

2                   (a) Describe information that must be  
3           included in a claim;

4                   (b) Provide a mailing address where a  
5           claim may be sent;

6                   (c) State the deadline, which may not  
7           be fewer than one hundred twenty days from the  
8           effective date of the written notice, by which the  
9           dissolved corporation must receive the claim; and

10                   (d) State that the claim will be barred  
11           if not received by the deadline.

12                   (3) A claim against the dissolved  
13           corporation is barred:

14                   (a) If a claimant who was given written  
15           notice under subsection (b) does not deliver the  
16           claim to the dissolved corporation by the  
17           deadline;

18                   (b) If a claimant whose claim was  
19           rejected by the dissolved corporation does not  
20           commence a proceeding to enforce the claim within  
21           ninety days from the effective date of the  
22           rejection notice.

23                   (4) For purposes of this section, "claim"  
24           does not include a contingent liability or a claim  
25           based on an event occurring after the effective

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1           date of dissolution."

2           Section 164. Title 36 of the Code of the Federated  
3 States of Micronesia (Annotated), is hereby amended by  
4 inserting a new section 262 of chapter 1, to read as  
5 follows:

6           "Section 262. Unknown claims against dissolved  
7 corporation.

8                   (1) A dissolved corporation may also publish  
9 notice of its dissolution and request that persons  
10 with claims against the corporation present them  
11 in accordance with the notice.

12                   (2) The notice must:

13                           (a) Be published one time in a  
14 newspaper of general circulation in the Federated  
15 States of Micronesia;

16                           (b) Describe the information that must  
17 be included in a claim and provide a mailing  
18 address where the claim may be sent; and

19                           (c) State that a claim against the  
20 corporation will be barred unless a proceeding to  
21 enforce the claim is commenced within five years  
22 after the publication of the notice.

23                   (3) If the dissolved corporation publishes a  
24 newspaper notice in accordance with subsection  
25 (b), the claim of each of the following claimants

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1           is barred unless the claimant commences a  
2           proceeding to enforce the claim against the  
3           dissolved corporation within five years after the  
4           publication date of the newspaper notice:

5                   (a) A claimant who did not receive  
6           written notice under section 261;

7                   (b) A claimant whose claim was timely  
8           sent to the dissolved corporation but not acted  
9           on;

10                   (c) A claimant whose claim is  
11           contingent or based on an event occurring after  
12           the effective date of dissolution.

13                   (4) A claim may be enforced under this  
14           section:

15                   (a) Against the dissolved corporation,  
16           to the extent of its undistributed assets; or

17                   (b) If the assets have been distributed  
18           in liquidation, against a shareholder of the  
19           dissolved corporation to the extent of the  
20           shareholder's pro rata share of the shareholder  
21           claim or the corporate assets distributed to the  
22           shareholder in liquidation, whichever is less, but  
23           a shareholder's total liability for all claims  
24           under this section may not exceed the total amount  
25           of assets distributed to such shareholder."

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1           Section 165. Title 36 of the Code of the Federated  
2 States of Micronesia (Annotated), is hereby amended by  
3 inserting a new section 263 of chapter 1, to read as  
4 follows:

5           "Section 263. Grounds for administrative  
6           dissolution.

7                   (1) The Registrar may commence a proceeding  
8                   under section 264 to administratively dissolve a  
9                   corporation if the corporation fails to:

10                           (a) Pay any fees prescribed by law;

11                           (b) File its annual report for a period  
12                   of two years;

13                           (c) Appoint and maintain an agent for  
14                   service of process as required; or

15                           (d) File a statement of a change in the  
16                   name or business address of the agent as required  
17                   under this chapter."

18           Section 166. Title 36 of the Code of the Federated  
19 States of Micronesia (Annotated), is hereby amended by  
20 inserting a new section 264 of chapter 1, to read as  
21 follows:

22           "Section 264. Procedure for and effect of  
23           administrative dissolution and effect of  
24           expiration.

25                   (1) If the Registrar determines that one or

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1           more grounds exist under section 263 for  
2           dissolving a corporation, the Registrar shall give  
3           written notice of the Registrar's determination by  
4           mailing the notice to the corporation at its last  
5           known address appearing in the records of the  
6           Registrar.

7           (2) If the corporation does not correct each  
8           ground for dissolution or demonstrate to the  
9           reasonable satisfaction of the Registrar that each  
10          ground determined by the Registrar does not exist  
11          within sixty days after the date of mailing of the  
12          Registrar's written notice, the Registrar shall  
13          administratively dissolve the corporation by  
14          signing a decree of dissolution that recites any  
15          grounds for dissolution and its effective date.  
16          The decree shall be filed in the Registrar's  
17          office.

18          (3) A corporation administratively dissolved  
19          continues its corporate existence but may not  
20          carry on any business except that necessary to  
21          wind up and liquidate its business and affairs  
22          under section 260 and notify claimants under  
23          sections 261 and 262.

24          (4) The administrative dissolution of a  
25          corporation does not terminate the authority of

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1           its registered agent.

2           (5) If a corporation's period of duration  
3           specified in its articles of incorporation has  
4           expired, the corporation may continue its  
5           corporate existence but may not carry on any  
6           business except as necessary to wind up and  
7           liquidate its business and affairs under section  
8           260 and notify claimants under sections 261 and  
9           262.

10           (6) The corporation, at any time within two  
11           years of the expiration of its period of duration,  
12           may amend its articles of incorporation to extend  
13           its period of duration, and upon the amendment,  
14           the corporation may resume carrying on its  
15           business as if the expiration had never occurred;  
16           provided that if the name of the corporation, or a  
17           name substantially identical is registered or  
18           reserved by another entity, or if that name or a  
19           name substantially identical is registered as a  
20           trade name, trademark, or service mark, the  
21           extension of its period of duration shall be  
22           allowed only upon the registration of a new name  
23           by the corporation pursuant to the amendment  
24           provisions of this chapter."

25           Section 167. Title 36 of the Code of the Federated

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1 States of Micronesia (Annotated), is hereby amended by  
2 inserting a new section 247 of chapter 1, to read as  
3 follows:

4 "Section 265. Reinstatement following  
5 administrative dissolution.

6 (1) A corporation administratively dissolved  
7 under section 264 may apply to the Registrar for  
8 reinstatement within two years after the effective  
9 date of dissolution. The application shall:

10 (a) Recite the name of the corporation  
11 and the effective date of its administrative  
12 dissolution;

13 (b) Contain all reports due and  
14 unfiled;

15 (c) Contain the payment of all  
16 delinquent fees and penalties; and

17 (d) Contain a certificate from the  
18 Department of Finance indicating that all taxes  
19 owed by the corporation have been paid, a payment  
20 arrangement has been entered into, or the unpaid  
21 tax liabilities are being contested in an  
22 administrative or judicial appeal with the  
23 Department of Finance.

24 (2) Within the applicable reinstatement  
25 period, should the name of the corporation, or a

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1           name substantially identical thereto be registered  
2           or reserved by another corporation, partnership,  
3           limited partnership, limited liability company, or  
4           limited liability partnership, or should the name  
5           or a name substantially identical thereto be  
6           registered as a trade name, trademark, or service  
7           mark, then reinstatement shall be allowed only  
8           upon the registration of a new name by the  
9           involuntarily dissolved corporation pursuant to  
10          the amendment provisions of this chapter.

11           (3) When the reinstatement is effective, it  
12          relates back to and takes effect as of the  
13          effective date of the administrative dissolution  
14          and the corporation resumes carrying on its  
15          business as if the administrative dissolution had  
16          never occurred."

17          Section 168. Title 36 of the Code of the Federated  
18 States of Micronesia (Annotated), is hereby amended by  
19 inserting a new section 266 of chapter 1, to read as  
20 follows:

21           "Section 266. Appeal from denial of  
22          reinstatement.

23           (1) If the Registrar denies a corporation's  
24          application for reinstatement following  
25          administrative dissolution, the Registrar shall



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1           mail a written notice to the corporation or its  
2           designated representative that explains the reason  
3           or reasons for denial.

4           (2) The corporation may appeal the denial of  
5           reinstatement to the Supreme Court of the  
6           Federated States of Micronesia within thirty days  
7           after the notice of denial is mailed. The  
8           corporation may appeal by petitioning the court to  
9           set aside the dissolution and attaching to the  
10          petition copies of the Registrar's certificate of  
11          dissolution, the corporation's application for  
12          reinstatement, and the Registrar's notice of  
13          denial.

14          (3) The court may summarily order the  
15          Registrar to reinstate the dissolved corporation  
16          or may take other action the court considers  
17          appropriate.

18          (4) The court's final decision may be  
19          appealed as in other civil proceedings."

20          Section 169. Title 36 of the Code of the Federated  
21 States of Micronesia (Annotated), is hereby amended by  
22 inserting a new section 267 of chapter 1, to read as  
23 follows:

24          "Section 267. Grounds for judicial dissolution.

25          (1) The Supreme Court of the Federated

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1           States of Micronesia may dissolve a corporation:

2                   (a) In a proceeding by the Secretary of  
3           the Department of Justice if it is established  
4           that:

5                           (i) The corporation obtained its  
6           articles of incorporation through fraud; or

7                           (ii) The corporation has continued  
8           to exceed or abuse the authority conferred upon it  
9           by law;

10                   (b) In a proceeding by a shareholder if  
11           it is established that:

12                           (i) The directors are deadlocked  
13           in the management of the corporate affairs, the  
14           shareholders are unable to break the deadlock, and  
15           irreparable injury to the corporation is  
16           threatened or being suffered, or the business and  
17           affairs of the corporation can no longer be  
18           conducted to the advantage of the shareholders  
19           generally, because of the deadlock;

20                           (ii) The directors or those in  
21           control of the corporation have acted, are acting,  
22           or will act in a manner that is illegal,  
23           oppressive, or fraudulent;

24                           (iii) The shareholders are  
25           deadlocked in voting power and have failed, for a

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1           period that includes at least two consecutive  
2           annual meeting dates, to elect successors to  
3           directors whose terms have expired; or

4                           (iv) The corporate assets are being  
5           misapplied or wasted;

6                           (c) In a proceeding by a creditor  
7           if it is established that:

8                                   (i) The creditor's claim has been  
9           reduced to judgment, the execution on the judgment  
10          returned unsatisfied, and the corporation is  
11          insolvent; or

12                                   (ii) The corporation has admitted  
13          in writing that the creditor's claim is due and  
14          owing and the corporation is insolvent; or

15                                   (d) In a proceeding by the corporation  
16          to have its voluntary dissolution continued under  
17          court supervision."

18           Section 170. Title 36 of the Code of the Federated  
19   States of Micronesia (Annotated), is hereby amended by  
20   inserting a new section 268 of chapter 1, to read as  
21   follows:

22                   "Section 268. Procedure for judicial dissolution.

23                           (1) Jurisdiction for a judicial proceeding  
24          to dissolve a corporation lies in the Supreme  
25          Court of the Federated States of Micronesia.

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1           Venue for a proceeding brought by any party named  
2           in section 267 lies in the Trial Division of the  
3           Supreme Court in the state where a corporation's  
4           principal office is located or, if none, where its  
5           registered office is or was last located.

6           (2) It is not necessary to make shareholders  
7           parties to a proceeding to dissolve a corporation  
8           unless relief is sought against them individually.

9           (3) A court in a proceeding brought to  
10          dissolve a corporation may issue injunctions,  
11          appoint a receiver or custodian pendente lite with  
12          all powers and duties the court directs, take  
13          other action required to preserve the corporate  
14          assets wherever located, and carry on the business  
15          of the corporation until a full hearing can be  
16          held.

17          (4) Within ten days after the commencement  
18          of a proceeding under section 267 to dissolve a  
19          corporation that has no shares listed on a  
20          national securities exchange or regularly traded  
21          in a market maintained by one or more members of a  
22          national or affiliated securities association, the  
23          corporation must send to all shareholders, other  
24          than the petitioner, a notice stating that the  
25          shareholders are entitled to avoid the dissolution

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1           of the corporation by electing to purchase the  
2           petitioner's shares under section 271 and  
3           accompanied by a copy of section 271."

4           Section 171. Title 36 of the Code of the Federated  
5 States of Micronesia (Annotated), is hereby amended by  
6 inserting a new section 269 of chapter 1, to read as  
7 follows:

8           "Section 269. Receivership or custodianship.

9                   (1) A court in a judicial proceeding brought  
10                   to dissolve a corporation may appoint one or more  
11                   receivers to wind up and liquidate, or one or more  
12                   custodians to manage, the business and affairs of  
13                   the corporation. The court shall hold a hearing,  
14                   after notifying all parties to the proceeding and  
15                   any interested persons designated by the court,  
16                   before appointing a receiver or custodian. The  
17                   court appointing a receiver or custodian has  
18                   exclusive jurisdiction over the corporation and  
19                   all of its property wherever located.

20                   (2) The court may appoint an individual or a  
21                   domestic or foreign corporation authorized to  
22                   transact business in the Federated States of  
23                   Micronesia as a receiver or custodian. The court  
24                   may require the receiver or custodian to post  
25                   bond, with or without sureties, in an amount the

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1           court directs.

2                   (3) The court shall describe the powers and  
3                   duties of the receiver or custodian in its  
4                   appointing order, which may be amended from time  
5                   to time. Among other powers:

6                           (a) The receiver:

7                                   (i) May dispose of all or any part  
8                   of the assets of the corporation wherever located,  
9                   at a public or private sale, if authorized by the  
10                   court; and

11                                   (ii) May sue and defend in the  
12                   receiver's own name as receiver of the  
13                   corporation; and

14                           (b) The custodian may exercise all of  
15                   the powers of the corporation, through or in place  
16                   of its board of directors, to the extent necessary  
17                   to manage the affairs of the corporation in the  
18                   best interests of its shareholders and creditors.

19                   (4) The court during a receivership may  
20                   redesignate the receiver a custodian, and during a  
21                   custodianship may redesignate the custodian a  
22                   receiver, if doing so is in the best interests of  
23                   the corporation, its shareholders, and creditors.

24                   (5) The court from time to time during the  
25                   receivership or custodianship may order

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1           compensation paid and expense disbursements or  
2           reimbursements made to the receiver or custodian  
3           and the receiver's or custodian's counsel from the  
4           assets of the corporation or proceeds from the  
5           sale of the assets."

6           Section 172. Title 36 of the Code of the Federated  
7 States of Micronesia (Annotated), is hereby amended by  
8 inserting a new section 270 of chapter 1, to read as  
9 follows:

10           "Section 270. Decree of dissolution.

11                   (1) If after a hearing the court determines  
12                   that one or more grounds for judicial dissolution  
13                   described in section 267 exist, it may enter a  
14                   decree dissolving the corporation and specifying  
15                   the effective date of the dissolution, and the  
16                   clerk of the court shall deliver a certified copy  
17                   of the decree to the Registrar, who shall file it.

18                   (2) After entering the decree of  
19                   dissolution, the court shall direct the winding up  
20                   and liquidation of the corporation's business and  
21                   affairs in accordance with section 260 and the  
22                   notification of claimants in accordance with  
23                   sections 261 and 262."

24           Section 173. Title 36 of the Code of the Federated  
25 States of Micronesia (Annotated), is hereby amended by

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1 inserting a new section 271 of chapter 1, to read as  
2 follows:

3 "Section 271. Election to purchase in lieu of  
4 dissolution.

5 (1) In a proceeding under section 267(1)(b)  
6 to dissolve a corporation that has no shares  
7 listed on a national securities exchange or  
8 regularly traded in a market maintained by one or  
9 more members of a national or affiliated  
10 securities association, the corporation may elect  
11 or, if it fails to elect, one or more shareholders  
12 may elect to purchase all shares owned by the  
13 petitioning shareholder at the fair value of the  
14 shares. An election pursuant to this section  
15 shall be irrevocable unless the court determines  
16 that it is equitable to set aside or modify the  
17 election.

18 (2) An election to purchase pursuant to this  
19 section may be filed with the court at any time  
20 within ninety days after the filing of the  
21 petition under section 267(1)(b) or at such later  
22 time as the court in its discretion may allow. If  
23 the election to purchase is filed by one or more  
24 shareholders, the corporation, within ten days  
25 thereafter, shall give written notice to all



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1           shareholders, other than the petitioning  
2           shareholder. The notice shall state the name and  
3           number of shares owned by the petitioning  
4           shareholder and the name and number of shares  
5           owned by each electing shareholder and shall  
6           advise the recipients of their right to join in  
7           the election to purchase shares in accordance with  
8           this section. Shareholders who wish to  
9           participate shall file notice of their intention  
10          to join in the purchase no later than thirty days  
11          after the effective date of the notice to them.  
12          All shareholders who have filed an election or  
13          notice of their intention to participate in the  
14          election to purchase thereby become parties to the  
15          proceeding and shall participate in the purchase  
16          in proportion to their ownership of shares as of  
17          the date the first election was filed, unless they  
18          otherwise agree or the court otherwise directs.  
19          After an election has been filed by the  
20          corporation or one or more shareholders, the  
21          proceeding under section 267(1)(b) may not be  
22          discontinued or settled, nor may the petitioning  
23          shareholder sell or otherwise dispose of the  
24          shareholder's shares, unless the court determines  
25          that it would be equitable to the corporation and

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1           the shareholders, other than the petitioning  
2           shareholder, to permit the discontinuance,  
3           settlement, sale, or other disposition.

4           (3) If, within sixty days of the filing of  
5           the first election, the parties reach agreement as  
6           to the fair value and terms of purchase of the  
7           petitioning shareholder's shares, the court shall  
8           enter an order directing the purchase of the  
9           petitioning shareholder's shares upon the terms  
10          and conditions agreed to by the parties.

11          (4) If the parties are unable to reach an  
12          agreement as provided for in subsection (3), the  
13          court, upon application of any party, shall stay  
14          the section 267(1)(b) proceedings and determine  
15          the fair value of the petitioning shareholder's  
16          shares as of the day before the date on which the  
17          petition under section 267(1)(b) was filed or as  
18          of any other date the court deems appropriate  
19          under the circumstances.

20          (5) Upon determining the fair value of the  
21          shares, the court shall enter an order directing  
22          the purchase upon the terms and conditions that  
23          the court deems appropriate, which may include  
24          payment of the purchase price in installments,  
25          where necessary in the interests of equity,

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1           provision for security to assure payment of the  
2           purchase price and any additional costs, fees, and  
3           expenses as may have been awarded, and, if the  
4           shares are to be purchased by shareholders, the  
5           allocation of shares among them. In allocating  
6           the petitioning shareholder's shares among holders  
7           of different classes of shares, the court shall  
8           attempt to preserve the existing distribution of  
9           voting rights among holders of different classes  
10           insofar as practicable and may direct that holders  
11           of a specific class or classes shall not  
12           participate in the purchase. Interest may be  
13           allowed at the rate and from the date determined  
14           by the court to be equitable, but if the court  
15           finds that the refusal of the petitioning  
16           shareholder to accept an offer of payment was  
17           arbitrary or otherwise not in good faith, no  
18           interest shall be allowed. If the court finds  
19           that the petitioning shareholder had probable  
20           grounds for relief under section 267(1)(b)(ii), it  
21           may award to the petitioning shareholder  
22           reasonable fees and expenses of counsel and of any  
23           experts employed by the petitioning shareholder.

24           (6) Upon entry of an order under subsection  
25           (3) or (5), the court shall dismiss the petition

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1           to dissolve the corporation under section 267, and  
2           the petitioning shareholder shall no longer have  
3           any rights or status as a shareholder of the  
4           corporation, except the right to receive the  
5           amounts awarded to the petitioning shareholder by  
6           the order of the court that shall be enforceable  
7           in the same manner as any other judgment.

8           (7) The purchase ordered pursuant to  
9           subsection (5), shall be made within ten days  
10          after the date the order becomes final unless  
11          before that time the corporation files with the  
12          court a notice of its intention to adopt articles  
13          of dissolution pursuant to sections 257 and 258,  
14          which articles shall then be adopted and filed  
15          within fifty days thereafter. Upon filing of the  
16          articles of dissolution, the corporation shall be  
17          dissolved in accordance with sections 260 to 262,  
18          and the order entered pursuant to subsection (5)  
19          shall no longer be of any force or effect, except  
20          that the court may award the petitioning  
21          shareholder reasonable fees and expenses in  
22          accordance with the provisions of the last  
23          sentence of subsection (5) and the petitioning  
24          shareholder may continue to pursue any claims  
25          previously asserted on behalf of the corporation.

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1                   (8) Any payment by the corporation pursuant  
2                   to an order under subsection (3) or (5), other  
3                   than an award of fees and expenses pursuant to  
4                   subsection (5), is subject to section 149."

5           Section 174. Title 36 of the Code of the Federated  
6 States of Micronesia (Annotated), is hereby amended by  
7 inserting a new section 272 of chapter 1, to read as  
8 follows:

9                   "Section 272. Deposit with Secretary of Finance.  
10                  Assets of a dissolved corporation that should be  
11                  transferred to a creditor, claimant, or shareholder of  
12                  the corporation who cannot be found or who is not  
13                  competent to receive them shall be reduced to cash and  
14                  deposited with the Secretary of Finance for disposition  
15                  by order of court."

16          Section 175. Title 36 of the Code of the Federated  
17 States of Micronesia (Annotated), is hereby amended by  
18 inserting a new section 273 of chapter 1, to read as  
19 follows:

20                  "Section 273. Trustees or receivers for dissolved  
21                  corporations; appointment; powers; duties.

22                         (1) When any corporation organized and  
23                         authorized to issue shares under the laws of the  
24                         Federated States of Micronesia shall be or shall  
25                         have been dissolved or shall cease or shall have

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1           ceased to exist, the Supreme Court of the  
2           Federated States of Micronesia, upon application  
3           of any creditor, stockholder, or director of the  
4           corporation, or any other person who shows good  
5           cause therefore, and upon a finding that the  
6           persons responsible for settling the unfinished  
7           business and winding up the affairs of the  
8           corporation either are not diligently pursuing  
9           such obligations, or cannot be found or otherwise  
10          are not available, may either appoint one or more  
11          of the directors of the corporation to be trustees  
12          or appoint one or more persons to be receivers of  
13          and for the corporation, to do all acts that are  
14          necessary for the final settlement of the  
15          unfinished business of the corporation. The  
16          powers of the trustees or receivers shall be  
17          effective for the time period determined by the  
18          Supreme Court of the Federated States of  
19          Micronesia.

20                (2) The relief provided in this section  
21                shall be in addition to, and shall not limit or  
22                diminish, any remedies otherwise available under  
23                the common law or other laws or regulations of the  
24                Federated States of Micronesia. In the event of a  
25                conflict between this section and any common law,

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1           statute, or rule on the subject, the more  
2           beneficial provisions favoring the applicant shall  
3           prevail."

4           Section 176. Title 36 of the Code of the Federated  
5 States of Micronesia (Annotated), is hereby amended by  
6 inserting a new section 274 of chapter 1, to read as  
7 follows:

8           "Section 274. Authority to transact business  
9           required.

10           (1) A foreign corporation may not transact  
11           business in the Federated States of Micronesia  
12           until it obtains a certificate of authority from  
13           the Registrar and has complied with the State and  
14           National foreign investment and other similar laws  
15           applicable to it.

16           (2) The following activities, among others,  
17           do not constitute transacting business within the  
18           meaning of subsection (1):

19                   (a) Maintaining, defending, or settling  
20                   any proceeding;

21                   (b) Holding meetings of the board of  
22                   directors or shareholders or carrying on other  
23                   activities concerning internal corporate affairs;

24                   (c) Maintaining bank accounts;

25                   (d) Maintaining offices or agencies for

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1           the transfer, exchange, and registration of the  
2           corporation's own securities or maintaining  
3           trustees or depositories with respect to those  
4           securities;

5                   (e) Selling through independent  
6           contractors;

7                   (f) Soliciting or obtaining orders,  
8           whether by mail or through employees or agents or  
9           otherwise, if the orders require acceptance  
10          outside of the Federated States of Micronesia  
11          before they become contracts;

12                   (g) Creating as borrower or lender, or  
13          acquiring, as borrower or lender, indebtedness,  
14          mortgages, and security interests in real or  
15          personal property;

16                   (h) Securing or collecting debts or  
17          enforcing mortgages and security interests in  
18          property securing the debts;

19                   (i) Owning, without more, personal  
20          property or leasing real property;

21                   (j) Conducting an isolated transaction  
22          that is completed within fourteen days and that is  
23          not one in the course of repeated transactions of  
24          a like nature; and

25                   (k) Transacting business in



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1           international commerce.

2                   (3) The list of activities in subsection (2)  
3                   is not exhaustive."

4           Section 177. Title 36 of the Code of the Federated  
5 States of Micronesia (Annotated), is hereby amended by  
6 inserting a new section 275 of chapter 1, to read as  
7 follows:

8                   "Section 275. Consequences of transacting  
9                   business without authority.

10                   (1) A foreign corporation transacting  
11                   business in the Federated States of Micronesia  
12                   without a certificate of authority may not  
13                   maintain a proceeding in any court in the  
14                   Federated States of Micronesia until it obtains a  
15                   certificate of authority.

16                   (2) The successor to a foreign corporation  
17                   that transacted business in the Federated States  
18                   of Micronesia without a certificate of authority  
19                   and the assignee of a cause of action arising out  
20                   of that business may not maintain a proceeding  
21                   based on that cause of action in any court in the  
22                   Federated States of Micronesia until the foreign  
23                   corporation or its successor obtains a certificate  
24                   of authority.

25                   (3) A court may stay a proceeding commenced

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1           by a foreign corporation, its successor, or  
2           assignee until it determines whether the foreign  
3           corporation or its successor requires a  
4           certificate of authority. If it so determines,  
5           the court may further stay the proceeding until  
6           the foreign corporation or its successor obtains  
7           the certificate.

8           (4) A foreign corporation that transacts  
9           business in the Federated States of Micronesia  
10          without a certificate of authority shall be liable  
11          to the Federated States of Micronesia, for the  
12          years or parts thereof during which it transacted  
13          business in the Federated States of Micronesia  
14          without a certificate of authority, in an amount  
15          equal to all fees that would have been imposed by  
16          this chapter upon the corporation had it duly  
17          applied for and received a certificate of  
18          authority to transact business in the Federated  
19          States of Micronesia as required by this chapter  
20          and thereafter filed all reports required by this  
21          chapter, plus all penalties imposed by this  
22          chapter for failure to pay the fees. The attorney  
23          general shall bring proceedings to recover all  
24          amounts due the Federated States of Micronesia  
25          under this section.

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1                   (5) Notwithstanding subsections (1) and (2),  
2                   the failure of a foreign corporation to obtain a  
3                   certificate of authority does not impair the  
4                   validity of its corporate acts or prevent it from  
5                   defending any proceeding in the Federated States  
6                   of Micronesia."

7                   Section 178. Title 36 of the Code of the Federated  
8 States of Micronesia (Annotated), is hereby amended by  
9 inserting a new section 276 of chapter 1, to read as  
10 follows:

11                   "Section 276. Application for certificate of  
12                   authority.

13                   (1) A foreign corporation may apply for a  
14                   certificate of authority to transact business in  
15                   the Federated States of Micronesia by delivering  
16                   an application to the Registrar for filing. The  
17                   application shall set forth:

18                               (a) The name of the foreign corporation  
19                               or, if its name is unavailable for use in the  
20                               Federated States of Micronesia, a corporate name  
21                               that satisfies the requirements of section 279;

22                                       (b) The name of the jurisdiction under  
23                                       whose law it is incorporated;

24   (c) Its date of incorporation;

25   (d) The mailing address of the

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1           corporation's principal office, the street address  
2           of its registered office in the Federated States  
3           of Micronesia, and the name of its registered  
4           agent at its registered office in the Federated  
5           States of Micronesia; and

6                   (e) The names and usual business  
7           addresses of its current directors and officers.

8                   (2) The foreign corporation shall deliver  
9           with the completed application a certificate of  
10          good standing or other similar record duly  
11          authenticated by the secretary of state or other  
12          official having custody of corporate records in  
13          the state or country under whose law it is  
14          incorporated; provided that the certificate shall  
15          be dated not earlier than sixty days prior to the  
16          filing of the application. If the certificate is  
17          in a foreign language, a translation attested to  
18          under oath by the translator shall accompany the  
19          certificate."

20           Section 179. Title 36 of the Code of the Federated  
21 States of Micronesia (Annotated), is hereby amended by  
22 inserting a new section 277 of chapter 1, to read as  
23 follows:

24                   "Section 277. Change of name by foreign  
25          corporation.

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1                   (1) Whenever the name of a foreign  
2                   corporation authorized to transact business in the  
3                   Federated States of Micronesia is changed by the  
4                   amendment of its articles of incorporation, the  
5                   foreign corporation, within sixty days after the  
6                   amendment becomes effective, shall deliver to the  
7                   Registrar a certificate evidencing the name  
8                   change, duly authenticated by the proper officer  
9                   of the state or country under the laws of which it  
10                  is incorporated. If the certificate is in a  
11                  foreign language, a translation under oath of the  
12                  translator shall accompany the certificate.

13                  (2) Whenever a foreign corporation that is  
14                  authorized to transact business in the Federated  
15                  States of Micronesia shall change its name to one  
16                  under which a certificate of authority would not  
17                  be granted to it on application therefor, the  
18                  foreign corporation shall not thereafter transact  
19                  any business in the Federated States of Micronesia  
20                  until it has changed its name to a name that is  
21                  available to it under the laws of the Federated  
22                  States of Micronesia or has otherwise complied  
23                  with this chapter.

24                  (3) If a foreign corporation is unable to  
25                  change its name to a name that is available to it

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1           under the laws of the Federated States of  
2           Micronesia, it may deliver to the Registrar a copy  
3           of a certificate of registration of a trade name  
4           and thereafter shall become authorized to transact  
5           business in the Federated States of Micronesia  
6           under that name."

7           Section 180. Title 36 of the Code of the Federated  
8 States of Micronesia (Annotated), is hereby amended by  
9 inserting a new section 271 of chapter 1, to read as  
10 follows:

11           "Section 278. Effect of certificate of authority.

12                   (1) A certificate of authority together with  
13           compliance with all State and National foreign  
14           investment and similar laws authorizes the foreign  
15           corporation to which it is issued to transact  
16           business in the Federated States of Micronesia  
17           subject to the right of the Federated States of  
18           Micronesia to revoke the certificate as provided  
19           in this chapter.

20                   (2) With respect to Federated States of  
21           Micronesia Corporations law, a foreign corporation  
22           with a valid certificate of authority has the same  
23           but no greater rights and has the same but no  
24           greater privileges as, and except as otherwise  
25           provided by this chapter is subject to the same

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1            duties, restrictions, penalties, and liabilities  
2            now or later imposed on, a domestic corporation of  
3            like character.

4            (3) This chapter does not authorize the  
5            Federated States of Micronesia to regulate the  
6            organization or internal affairs of a foreign  
7            corporation authorized to transact business in the  
8            Federated States of Micronesia."

9            Section 181. Title 36 of the Code of the Federated  
10          States of Micronesia (Annotated), is hereby amended by  
11          inserting a new section 279 of chapter 1, to read as  
12          follows:

13                "Section 279. Corporate name of foreign  
14                corporation.

15                (1) If the corporate name of a foreign  
16                corporation does not satisfy the requirements of  
17                section 127(2), (3) and (4), the foreign  
18                corporation to obtain or maintain a certificate of  
19                authority to transact business in the Federated  
20                States of Micronesia may use a fictitious name to  
21                transact business in the Federated States of  
22                Micronesia if its real name is unavailable and it  
23                delivers to the Registrar for filing a copy of a  
24                certificate of registration of a trade name by the  
25                foreign corporation under which the foreign

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1           corporation will transact business in the  
2           Federated States of Micronesia.

3           (2) Except as authorized by subsections (c)  
4           and (d), the corporate name including a fictitious  
5           name of a foreign corporation may not be the same  
6           as, or substantially identical to:

7                   (a) The name of any domestic  
8                   corporation, partnership, limited partnership,  
9                   limited liability company, or limited liability  
10                  partnership existing or registered under the laws  
11                  of the Federated States of Micronesia, or any  
12                  foreign corporation, partnership, limited  
13                  partnership, limited liability company, or limited  
14                  liability partnership authorized to transact  
15                  business in the Federated States of Micronesia;

16                   (b) A name the exclusive right to which  
17                  is, at the time, reserved in the Federated States  
18                  of Micronesia;

19                   (c) The fictitious name of another  
20                  foreign corporation authorized to transact  
21                  business in the Federated States of Micronesia;  
22                  and

23                   (d) Any trade name, trademark, or  
24                  service mark registered in the Federated States of  
25                  Micronesia.



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1           (3) A foreign corporation may apply to the  
2           Registrar for authorization to use in the  
3           Federated States of Micronesia the name of another  
4           corporation incorporated or authorized to transact  
5           business in this State that is substantially  
6           identical based upon the Registrar's records to  
7           the name applied for. The Registrar shall  
8           authorize use of the name applied for if:

9                   (a) The other entity or holder of a  
10                  reserved or registered name consents to the use in  
11                  writing and one or more words are added to the  
12                  other entity's name to make the name  
13                  distinguishable from the name of the applicant; or

14                   (b) The applicant delivers to the  
15                  Registrar a certified copy of a final judgment of  
16                  a court of competent jurisdiction establishing the  
17                  applicant's right to use the name applied for in  
18                  this State.

19           (4) A foreign corporation may use in the  
20           Federated States of Micronesia the name including  
21           the fictitious name of another domestic or foreign  
22           corporation that is used in the Federated States  
23           of Micronesia if the other corporation is  
24           incorporated or authorized to transact business in  
25           the Federated States of Micronesia and the foreign

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1           corporation:

2                   (a) Has merged with the other  
3           corporation;

4                   (b) Has been formed by reorganization  
5           of the other corporation; or

6                   (c) Has acquired all or substantially  
7           all of the assets, including the corporate name,  
8           of the other corporation."

9           Section 182. Title 36 of the Code of the Federated  
10 States of Micronesia (Annotated), is hereby amended by  
11 inserting a new section 280 of chapter 1, to read as  
12 follows:

13           "Section 280. Registered office and registered  
14           agent of foreign corporation.

15                   (1) Each foreign corporation authorized to  
16           transact business in the Federated States of  
17           Micronesia must continuously maintain in the  
18           Federated States of Micronesia:

19                           (a) A registered office that may be the  
20           same as any of its places of business; and

21                           (b) A registered agent, who may be:

22                                   (i) An individual who resides in  
23           the Federated States of Micronesia and whose  
24           business office is identical with the registered  
25           office;

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1                   (ii) A domestic entity authorized  
2                   to transact business in the Federated States of  
3                   Micronesia whose business office is identical with  
4                   the registered office; or

5                   (iii) A foreign entity authorized  
6                   to transact business in the Federated States of  
7                   Micronesia whose business office is identical with  
8                   the registered office."

9           Section 183. Title 36 of the Code of the Federated  
10       States of Micronesia (Annotated), is hereby amended by  
11       inserting a new section 281 of chapter 1, to read as  
12       follows:

13                   "Section 281. Change of registered office or  
14                   registered agent of foreign corporation.

15                   (1) A foreign corporation authorized to  
16                   transact business in the Federated States of  
17                   Micronesia may change its registered office or its  
18                   registered agent by delivering to the Registrar  
19                   for filing a statement of change that sets forth:

20                               (a) Its name;

21                               (b) The street address of its current  
22                   registered office, the name of its current  
23                   registered agent at its registered office, and any  
24                   changes required to keep the information current;  
25                   and

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1                   (c) That after the change or changes  
2                   are made, the street addresses of its registered  
3                   office and the business office of its registered  
4                   agent shall be identical.

5                   (2) If a registered agent changes the street  
6                   address of the agent's business office, the agent  
7                   may change the street address of the registered  
8                   office of any foreign corporation for which the  
9                   agent is the registered agent by notifying the  
10                   corporation in writing of the change and signing  
11                   either manually or in facsimile and delivering to  
12                   the Registrar for filing a statement of change  
13                   that complies with the requirements of subsection  
14                   (1) and recites that the corporation has been  
15                   notified of the change."

16                   Section 184. Title 36 of the Code of the Federated  
17 States of Micronesia (Annotated), is hereby amended by  
18 inserting a new section 282 of chapter 1, to read as  
19 follows:

20                   "Section 282. Resignation of registered agent of  
21                   foreign corporation.

22                   (1) The registered agent of a foreign  
23                   corporation may resign from the registered agent's  
24                   appointment by signing and delivering to the  
25                   Registrar for filing a statement of resignation.

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1           The statement of resignation may include a  
2           statement that the registered office is also  
3           discontinued.

4           (2) The registered agent shall attach the  
5           filing receipt to a copy of the statement of  
6           resignation and mail the copy and receipt to the  
7           registered office if not discontinued. The  
8           registered agent shall mail a second copy to the  
9           foreign corporation at its principal office  
10          address shown in its most recent annual report.

11          (3) The appointment of the agent is  
12          terminated, and the registered office discontinued  
13          if so provided, on the thirty-first day after the  
14          date on which the statement was filed."

15          Section 185. Title 36 of the Code of the Federated  
16 States of Micronesia (Annotated), is hereby amended by  
17 inserting a new section 283 of chapter 1, to read as  
18 follows:

19          "Section 283. Service on foreign corporation.

20          (1) Service of any notice or process  
21          authorized by law that is issued against any  
22          foreign corporation by any court, judicial or  
23          administrative officer, or board, may be made in  
24          the manner provided by law upon any registered  
25          agent, officer, or director of the foreign

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1           corporation who is found within the jurisdiction  
2           of the court, officer, or board; or if any  
3           registered agent, officer, or director cannot be  
4           found, upon the manager or superintendent of the  
5           foreign corporation or any person who is found in  
6           charge of the property, business, or office of the  
7           foreign corporation within the jurisdiction.

8           (2) If no officer, director, manager,  
9           superintendent, or other person in charge of the  
10          property, business, or office of the foreign  
11          corporation can be found within the Federated  
12          States of Micronesia, and if the foreign  
13          corporation has not filed with the Registrar  
14          pursuant to this chapter the name of a registered  
15          agent upon whom legal notice and process from the  
16          courts of the Federated States of Micronesia may  
17          be served, and likewise if the person named is not  
18          found within the Federated States of Micronesia,  
19          service may be made upon the foreign corporation  
20          by registered or certified mail, return receipt  
21          requested, addressed to the secretary of the  
22          foreign corporation at its principal office shown  
23          in its application for a certificate of authority  
24          or in its most recent annual report.

25          (3) Service using registered or certified

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1           mail is perfected at the earliest of:

2                   (a) The date the foreign corporation  
3           receives the mail;

4                   (b) The date shown on the return  
5           receipt, if signed on behalf of the foreign  
6           corporation; or

7                   (c) Five days after its deposit in the  
8           mail, as evidenced by the postmark, if mailed  
9           postpaid and correctly addressed.

10                   (d) Nothing contained herein shall  
11           limit or affect the right to serve any process,  
12           notice, or demand required or permitted by law to  
13           be served upon a foreign corporation in any other  
14           manner permitted by law."

15           Section 186. Title 36 of the Code of the Federated  
16 States of Micronesia (Annotated), is hereby amended by  
17 inserting a new section 284 of chapter 1, to read as  
18 follows:

19                   "Section 284. Application to corporations  
20           heretofore authorized to transact business in the  
21           Federated States of Micronesia. Foreign  
22           corporations that are duly authorized to transact  
23           business in the Federated States of Micronesia on  
24           the effective date of this act, for a purpose or  
25           purposes for which a corporation might secure the

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1           authority under this chapter, shall be entitled to  
2           all of the rights and privileges applicable to  
3           foreign corporations procuring certificates of  
4           authority to transact business in the Federated  
5           States of Micronesia under this chapter, and from  
6           the effective date of this act, the corporations  
7           shall be subject to all of the limitations,  
8           restrictions, liabilities, and duties prescribed  
9           herein for foreign corporations procuring  
10           certificates of authority to transact business in  
11           the Federated States of Micronesia under this  
12           chapter."

13           Section 187. Title 36 of the Code of the Federated  
14 States of Micronesia (Annotated), is hereby amended by  
15 inserting a new section 285 of chapter 1, to read as  
16 follows:

17           "Section 285. Withdrawal of foreign corporation.

18                   (1) A foreign corporation or branch  
19           authorized to transact business in the Federated  
20           States of Micronesia under this chapter may not  
21           withdraw from the Federated States of Micronesia  
22           until it obtains a certificate of withdrawal from  
23           the Registrar which certificate shall be issued  
24           within five business days of request; provided  
25           however, if the certificate of withdrawal is not



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1           issued within the time required by this subsection  
2           the corporation seeking withdrawal shall be deemed  
3           to have lawfully withdrawn upon expiration of the  
4           time limit for issuance of the certificate.

5           (2) A foreign corporation or branch  
6           authorized to transact business in the Federated  
7           States of Micronesia may apply for a certificate  
8           of withdrawal by delivering an application to the  
9           Registrar for filing. The application shall set  
10          forth:

11                   (a) The name of the foreign corporation  
12                   and the name of the state or country under whose  
13                   law it is incorporated;

14                   (b) That it is not transacting business  
15                   in the Federated States of Micronesia and that it  
16                   surrenders its authority to transact business in  
17                   the Federated States of Micronesia;

18                   (c) That it revokes the authority of  
19                   its registered agent to accept service on its  
20                   behalf and consents that service of process in any  
21                   action or proceeding based upon any cause of  
22                   action arising in the Federated States of  
23                   Micronesia during the time the corporation was  
24                   authorized to transact business in the Federated  
25                   States of Micronesia may thereafter be made on

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1           such corporation by service thereof on the  
2           Registrar; and

3                   (d) A mailing address to which the  
4           Registrar may mail a copy of any process served on  
5           the Registrar under paragraph (c).

6                   (e) After the withdrawal of the  
7           corporation is effective, service of process on  
8           the Registrar under this section is service on the  
9           foreign corporation. Upon receipt of process, the  
10          Registrar shall mail a copy of the process to the  
11          foreign corporation at the mailing address set  
12          forth under subsection (2).

13                   (f) After the filing of the application  
14          of withdrawal, the Registrar shall issue a  
15          certificate of withdrawal that shall be effective  
16          as of the date of the filing of the application of  
17          withdrawal, and the authority of the foreign  
18          corporation to transact business in the Federated  
19          States of Micronesia shall cease."

20           Section 188. Title 36 of the Code of the Federated  
21 States of Micronesia (Annotated), is hereby amended by  
22 inserting a new section 286 of chapter 1, to read as  
23 follows:

24                   "Section 286. Grounds for revocation.

25                           (1) The Registrar may commence a proceeding

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1           under section 287 to revoke the certificate of  
2           authority of a foreign corporation authorized to  
3           transact business in the Federated States of  
4           Micronesia if:

5                   (a) The corporation fails to:

6                           (i) Pay any fees prescribed by  
7                           law;

8                           (ii) File its annual report for a  
9                           period of two years;

10                          (iii) Appoint and maintain an agent  
11                          for service of process as required; or

12                          (iv) File a statement of a change  
13                          in the name or business address of the agent as  
14                          required; or

15                          (b) A misrepresentation has been made  
16                          of any material matter in any application, report,  
17                          affidavit, or other record or document submitted  
18                          by the corporation."

19           Section 189. Title 36 of the Code of the Federated  
20 States of Micronesia (Annotated), is hereby amended by  
21 inserting a new section 287 of chapter 1, to read as  
22 follows:

23                   "Section 287. Procedure for and effect of  
24                   revocation.

25                          (1) If the Registrar determines that one or

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1           more grounds exist under section 286 for  
2           revocation of a certificate of authority, the  
3           Registrar shall give written notice of the  
4           Registrar's determination by mailing the notice to  
5           the foreign corporation at its last known address  
6           appearing in the records of the Registrar.

7           (2) If the foreign corporation does not  
8           correct each ground for revocation or demonstrate  
9           to the reasonable satisfaction of the Registrar  
10          that each ground determined by the Registrar does  
11          not exist within sixty days after the date of  
12          mailing of the Registrar's written notice, the  
13          Registrar may revoke the foreign corporation's  
14          certificate of authority by signing a certificate  
15          of revocation that recites the ground or grounds  
16          for revocation and its effective date.

17          (3) Upon revoking any certificate of  
18          authority, the Registrar shall issue a certificate  
19          of revocation that shall be filed in the  
20          Registrar's office, and the authority of a foreign  
21          corporation to transact business in this State  
22          shall immediately cease thereafter.

23          (4) Revocation of a foreign corporation's  
24          certificate of authority does not terminate the  
25          authority of the registered agent of the

1           corporation."

2           Section 190. Title 36 of the Code of the Federated  
3 States of Micronesia (Annotated), is hereby amended by  
4 inserting a new section 288 of chapter 1, to read as  
5 follows:

6           "Section 288. Appeal from revocation.

7                   (1) A foreign corporation may appeal the  
8                   Registrar's revocation of its certificate of  
9                   authority to the Supreme Court of the Federated  
10                   States of Micronesia within thirty days after the  
11                   certificate of revocation is signed. The foreign  
12                   corporation appeals by petitioning the court to  
13                   set aside the revocation and attaching to the  
14                   petition copies of its certificate of authority  
15                   and the Registrar's certificate of revocation.

16                   (2) The court may summarily order the  
17                   Registrar to reinstate the certificate of  
18                   authority or may take any other action the court  
19                   considers appropriate.

20                   (3) The court's final decision may be  
21                   appealed as in other civil proceedings."

22           Section 191. Title 36 of the Code of the Federated  
23 States of Micronesia (Annotated), is hereby amended by  
24 inserting a new section 289 of chapter 1, to read as  
25 follows:

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1           "Section 289. Books and records.

2                   (1) Each corporation shall keep accurate and  
3           complete books and records of account and shall  
4           keep and maintain at its principal office, or  
5           other place as its board of directors may order,  
6           minutes of the proceedings of its shareholders and  
7           board of directors. The books and records of  
8           account shall include accounts of the  
9           corporation's assets, liabilities, receipts,  
10          disbursements, gains, and losses. The minutes of  
11          the proceedings of the shareholders and board of  
12          directors of the corporation shall show, as to  
13          each meeting of the shareholders or the board of  
14          directors, the time and place, if any, thereof,  
15          whether regular or special, whether notice thereof  
16          was given, and if so in what manner, the names of  
17          those present at directors' meetings, the number  
18          of shares present or represented at shareholders'  
19          meetings, and the proceedings at each meeting.  
20          Any of the books and records described in this  
21          subsection may be kept on, or by means of, or be  
22          in the form of, any information storage device or  
23          method; provided that the books and records can be  
24          converted into clearly legible paper form within a  
25          reasonable time. Upon the request of any person

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1           entitled to inspect the books and records pursuant  
2           to any provision of this chapter, a corporation,  
3           at its own expense, shall convert the requested  
4           stored books and records. When books and records  
5           are kept pursuant to this subsection, a clearly  
6           legible paper form produced from or by means of  
7           the information storage device or method shall be  
8           admissible as evidence, and accepted for all other  
9           purposes, to the same extent as an original paper  
10          record of the same information would have been;  
11          provided that the paper form accurately portrays  
12          the record.

13           (2) In every corporation incorporated under  
14          this chapter, the board of directors of the  
15          corporation shall cause a book to be kept for  
16          registering the names of all persons who are or  
17          shall become shareholders of the corporation,  
18          showing the number of shares of stock held by them  
19          respectively, and the time when they respectively  
20          became the owner of the shares. The book shall be  
21          open at all reasonable times for the inspection of  
22          the shareholders. The secretary or the person  
23          having the charge thereof shall give a certified  
24          transcript of anything therein contained to any  
25          shareholder applying therefor; provided that the

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1           shareholder pays a reasonable charge for the  
2           preparation of the certified transcript. The  
3           transcript shall be legal evidence of the facts  
4           therein set forth in any suit by or against the  
5           corporation."

6           Section 192. Title 36 of the Code of the Federated  
7 States of Micronesia (Annotated), is hereby amended by  
8 inserting a new section 290 of chapter 1, to read as  
9 follows:

10           "Section 290. Annual report.

11                   (1) Each domestic corporation, and each  
12                   foreign corporation authorized to transact  
13                   business in the Federated States of Micronesia,  
14                   shall deliver to the Registrar for filing an  
15                   annual report that sets forth:

16                           (a) The name of the corporation and the  
17                           state or country under whose law it is  
18                           incorporated;

19                           (b) The mailing address of its principal  
20                           office, the address of its registered office in  
21                           the Federated States of Micronesia, and the name  
22                           of its registered agent at its registered office  
23                           in the Federated States of Micronesia;

24                           (c) The names and business addresses of its  
25                           directors and officers; and



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1                   (d) A brief description of the nature of its  
2                   business.

3                   (2) Domestic corporations shall also provide  
4                   the total number of authorized shares, itemized by  
5                   class and series, if any, within each class, and  
6                   the total number of issued and outstanding shares,  
7                   itemized by class and series, if any, within each  
8                   class.

9                   (3) Notwithstanding any of the provisions of  
10                  this chapter to the contrary, annual reports  
11                  reflecting the previous fiscal or calendar year  
12                  shall be filed not later than June 30 of each  
13                  year.

14                  (4) If an annual report does not contain the  
15                  information required by this section, or no annual  
16                  report is filed, the Registrar shall promptly  
17                  notify the reporting domestic or foreign  
18                  corporation in writing. If the report is provided  
19                  or corrected to contain the information required  
20                  by this section as the case may be and delivered  
21                  to the Registrar within thirty days after the  
22                  effective date of notice, it is deemed to be  
23                  timely filed."

24                  Section 193. Title 36 of the Code of the Federated  
25                  States of Micronesia (Annotated), is hereby amended by

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1 inserting a new section 291 of chapter 1, to read as  
2 follows:

3 "Section 291. Penalties imposed upon  
4 corporations. Subject to the provisions of section  
5 290, each corporation, domestic or foreign, that  
6 fails or refuses to file its annual report for any  
7 year within the time prescribed by this part shall  
8 be subject to a forfeiture of an amount to be  
9 determined by the Registrar not exceeding \$100 for  
10 every violation, neglect, or failure, to be  
11 recovered by action brought in the name of the  
12 Federated States of Micronesia by the Registrar.  
13 A continuance of a failure to file the required  
14 report shall be a separate offense for each thirty  
15 days of the continuance. The Registrar, for good  
16 cause shown, may reduce or waive the penalty  
17 imposed by this section."

18 Section 194. Title 36 of the Code of the Federated  
19 States of Micronesia (Annotated), is hereby amended by  
20 inserting a new section 292 of chapter 1, to read as  
21 follows:

22 "Section 292. Severability. If any provision of  
23 this chapter or its application to any person or  
24 circumstance is held invalid by a court of  
25 competent jurisdiction, the invalidity shall not

