

STANDING COMMITTEE REPORT NO. 20-13

RE: C.B. NO. 20-34/R&D

SUBJECT: AMENDMENTS TO TITLE 36 OF THE FSM CODE (CORPORATION
LAW)

JULY 11, 2017

The Honorable Wesley W. Simina
Speaker, Twentieth Congress
Federated States of Micronesia
First Special Session, 2017

Dear Mr. Speaker:

Your Committee on Resources and Development, to which was
referred C.B. No. 20-34, entitled:

"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.",

begs leave to report as follows:

The intent and purpose of this bill are expressed in its title.

The subject bill was transmitted to Congress through
Presidential Communication No. 20-20 on May 19, 2017,
during the First Regular Session of the Twentieth Congress.
C.B. No. 20-34 proposes several amendments to Title 36 of
the FSM Code, which is the FSM Corporation Law. In
transmitting this bill, the President has indicated that
these amendments are proposed to make certain changes to
the FSM Corporation Law to overhaul and modernize title 36

STANDING COMMITTEE REPORT NO. 20-13

RE: C.B. NO. 20-34/R&D

SUBJECT: AMENDMENTS TO TITLE 36 OF THE FSM CODE (CORPORATION
LAW)

JULY 11, 2017

of the FSM Code.

According to P.C. No. 20-20, the Micronesian Registrar Advisors (MRA) as the FSM's partner in promoting major corporations, has recommended the bill.

Title 36 of the FSM Code was enacted several years ago during the Government of the Trust Territory of the Pacific Islands and has not been updated.

The bill also align the provisions of title 36 with contemporary practices of corporate law by addressing deficiencies in the current law, protection and reassurance to investors, accords proper rights and privileges to shareholders, and promotes safe and prudent corporate practice.

The bill also contains recommended measures raised in the peer review report by the Global Forum on the prevailing corporation law and regulation throughout the nation.

Proposed Amendments

The amendments to Title 36 of the FSM Code are summarized below:

1. The intent of Section 1 of the bill is the deletion of chapter 1 of Title 36 in its entirety.
2. The intent of Section 2 of the bill is to create a new chapter 1 of Title 36 of the Code of the Federated States of Micronesia entitled: "Business Organization Act of 2016".
3. Section 3 of the bill is the insertion of new section 101 of chapter 1 of Title 36, to read "Short Title. This chapter shall be known and may be cited as the *Business Organization Act of 2016*."
4. Section 102 of the bill proposes that corporation law applies to Major Corporation as defined by 54 F.S.M.C 312(2) and to corporations required to be formed under the National law of the Federated States of Micronesia. The regulations drafted and

STANDING COMMITTEE REPORT NO. 20-13

RE: C.B. NO. 20-34/R&D

SUBJECT: AMENDMENTS TO TITLE 36 OF THE FSM CODE (CORPORATION
LAW)

JULY 11, 2017

adopted by the Trust Territory Government do not address whether they have any application to corporation formed under State law. This proposed bill does not apply to corporation formed under State law.

5. Section 103 of the bill contains a comprehensive set of definitions. There are also specialized definition sections elsewhere in the proposed bill applicable to specific corporate issues.

6. The proposed amendments in section 104 contain a set of provisions relating to providing notice in a variety of situations. The intent of section 104 is designed to reduce or eliminate disputes as to the adequacy of notice. The current FSM corporation regulations have no comparable provisions.

7. The new section 105 clarifies that shareholders of a corporation may be individuals, but also may be corporations, partnerships, trustees, guardians, custodians or other fiduciaries of a single trust, estate or account. The existing regulations contain no comparable provisions.

8. The proposed amendments in section 106 define the Registrar of Corporations' position; granting the Registrar the power to adopt regulations, appoint Assistant Registrars including Assistant Registrars who may carry out their functions in FSM embassies abroad. This section supplements and overlaps to a certain extent 36 F.S.M.C 201, which creates the position of Registrar. Currently, there are no Assistant Registrars located in the embassies of the Federated States of Micronesia situated in foreign countries.

9. The proposed amendments in section 107 address the filing requirements of a document. A document must satisfy the requirements of this section to be entitled to filing with the Registrar. A document must be typewritten or printed, must be in English language; however, a corporate name need not be in English if written in Arabic or Roman numerals. The certificate of good standing required of foreign corporations need not be in English if accompanied by an English translation under oath of a

STANDING COMMITTEE REPORT NO. 20-13

RE: C.B. NO. 20-34/R&D

SUBJECT: AMENDMENTS TO TITLE 36 OF THE FSM CODE (CORPORATION
LAW)

JULY 11, 2017

translator. The filing of documents must be at the Office of Registrar. The document must be certified and executed by the appropriate authorities of the Corporation.

10. In the proposed new section 108, the Registrar may prescribe or furnish upon request forms for an application for good standing, a foreign corporation's application for a certificate of authority to transact business in the FSM, a foreign corporation's application for a certificate of withdrawal, and a form for annual reporting. If the Registrar so requires, the use of these forms are mandatory. The Registrar may also request other forms, which are not mandatory. This section sets a deadline of five business days for the issuance by the Registrar of certain documents including Certificates of Incorporation, Certificates of Good Standing, Certificates of Authority to transact business, and Certificates of Withdrawal. No similar detailed provision exists in the current regulations.

11. The proposed new section 109 sets out a schedule of filing fees regarding the various filings which corporations are required to do with the Office of the Registrar. The Registrar may adjust the fees assessed under this section through regulation adopted pursuant to section 106. All fees collected shall be deposited into the FSM Treasury. With the fees assessed under section 109, it is envisioned that FSM will generate potential revenues.

12. The new section 110 provides for the effective time and date of document. A document accepted for filing is effective at the time of filing on the date it is filed, as evidenced by the Registrar and time endorsement on the document. No similar provisions found in the existing regulations.

13. The new section 111 provides for the correcting of errors in documents that have been filed with the Registrar. A domestic or foreign corporation may correct a document already filed with the Registrar by preparing articles of correction describing or specifying the incorrect information on such

STANDING COMMITTEE REPORT NO. 20-13

RE: C.B. NO. 20-34/R&D

SUBJECT: AMENDMENTS TO TITLE 36 OF THE FSM CODE (CORPORATION
LAW)

JULY 11, 2017

documents. Articles of correction are effective when filed. No similar provisions found in the existing regulation.

14. The new section 112 provides for the filing duty of the Registrar. The Registrar is required to immediately file documents, which appear on the face to satisfy the requirement of section 107. If the Registrar refuses to file a particular document, he must return it to the corporation with a statement of the reason for refusal. This section also clarifies that the Registrar's refusal to file a particular documents does not affect the validity nor create a presumption of validity or invalidity. No provisions exist in the current regulations.

15. The proposed section 113 clarifies that the Registrar's duty to file documents under section 112 is ministerial, and is subject to the appeal procedure. In the event the Registrar fails or refuses to file a particular document, a domestic or foreign corporation may appeal a refusal within thirty (30) days after the return of the documents in the Supreme Court of the Federated States of Micronesia. The court shall consider the appeal and render its final decision, which may be appealed as in other civil proceedings.

16. Section 114 provides for the evidentiary effect of filed document. A document filed by the Registrar bearing the Registrar's signature, which may be in facsimile and contain the seal of the Registrar is conclusive evidence that the original document is on file with the Registrar.

17. Section 115 provides that it is a requirement that all certificates issued by the Registrar pursuant to this chapter and all copies of filed documents with the Registrar shall be taken and received in all courts, public offices and official bodies as prima facie evidence of the facts therein stated.

18. Section 116 of the proposed bill clarifies that one or more individuals may act as the incorporator or incorporators of a corporation by delivering articles of incorporation to the Registrar for filing. In the existing regulations, particularly subpart 2.1 of the FSM Corporate Regulations, "Any number of

STANDING COMMITTEE REPORT NO. 20-13

RE: C.B. NO. 20-34/R&D

SUBJECT: AMENDMENTS TO TITLE 36 OF THE FSM CODE (CORPORATION
LAW)

JULY 11, 2017

persons not less than three desiring to form a corporation shall execute articles of incorporation and acknowledge the same before any officer authorized to take acknowledgements.

19. Proposed section 117 sets out the required information in the Articles of Incorporation. The required information are: the name of the corporation, the number of shares of stock the corporation is authorized to issue, the name of the registered agent and the address of the principal office and the name and address of each incorporator. This section also permits a variety of other types of information to be included in the Articles of Incorporation at the option of the incorporators. No notarization is required. No affidavit setting out of stock ownership is required. The current regulations have a detailed and specified set of information required in the Articles of Incorporation, which substantially exceeds that normally found in modern corporations law. The intent of Section 117 is to simplify the preparation of Articles of Incorporations.

20. Proposed section 118 provides that the corporate existence of a major corporation begins upon the delivery of properly prepared and executed Articles of Incorporation to the Registrar. As compared to the existing regulations, subpart 2.6 of the regulations provides that the corporate existence begins once the filing of articles and the affidavits are completed.

21. Proposed section 119 intends to penalize individuals who attempt to act on behalf of a corporation, which has not been formed by providing personal liability on the part of the individuals engaging in such transactions. The existing regulations contain no similar provisions.

22. Proposed section 120 provides for the initial organization of the corporation after the incorporation procedures are completed. It provides for the holding of organizational meetings by appointing officers, adoption of bylaws, and carrying on any other business brought before the meeting. An organization meeting may be held in or out of the Federated States of Micronesia. There is no similar provision in the existing regulations.

STANDING COMMITTEE REPORT NO. 20-13

RE: C.B. NO. 20-34/R&D

SUBJECT: AMENDMENTS TO TITLE 36 OF THE FSM CODE (CORPORATION
LAW)

JULY 11, 2017

23. Proposed section 121 provides that incorporators or the Board of Directors may adopt initial bylaws not inconsistent with law or the Articles of Incorporation. This provision replaces an unnecessarily complicated provision in the existing regulations requiring shareholder action.

24. Section 122 allows for the adoption of emergency bylaws by the Board of Directors only during a catastrophe in the event the quorum of the board cannot be easily assembled. Emergency bylaws continue in effect during the emergency. No similar provision exists in the current regulations.

25. Section 123 proposes a modern practice of corporation law, in which the purposes of the corporation are set out in the Articles of Incorporation. The intent of this section is to eliminate disputes and potential litigation as to particular acts of the corporation with respect to whether they fall within or outside the scope of the purpose clause for which the corporation was created. This proposed section 123 in no way detracts from the requirements of State or National foreign investment laws. Foreign Investment laws do require a foreign investment corporation to identify the purpose for which it is seeking a foreign investment permit, and the requirements of foreign investment laws remain intact.

26. This section 124 contains the corporate powers list of a corporation, and the intent is to eliminate the need for a corporation to define its powers in its Articles of Incorporation and bylaws. Similar to section 123, this eliminates disputes and potential future litigation over whether a particular act of a corporation falls within or outside of the scope of the powers of the corporation. The existing regulations require the powers to be defined.

27. Proposed section 125 sets out the emergency powers of the Board of Directors of a corporation, which may be exercised during a major catastrophe. This section compliments the emergency bylaw provision in section 122. The existing regulations are silent on this issue.

STANDING COMMITTEE REPORT NO. 20-13

RE: C.B. NO. 20-34/R&D

SUBJECT: AMENDMENTS TO TITLE 36 OF THE FSM CODE (CORPORATION
LAW)

JULY 11, 2017

28. Proposed section 126 limits the circumstances under which corporate action may be challenged on the ground that the corporation lacked the power to act. Corporate action, which may be challenged, includes shareholder actions, derivative actions on behalf of the corporation, proceedings by the Secretary of the Department of Justice, and certain similar situations. No existing provisions in the current regulations.

29. Amendments to Sections 127 through 129. These sections set out detailed rules for the adoption and reservation of a corporate name, which are designed to avoid public confusion due to similarity of names of corporations and allow a corporation being formed to reserve a name for itself which other corporations cannot use. These sections expand upon similar requirements set out in existing regulations.

30. Proposed sections 130 through 132 set out the requirements for a designated corporation office and agent in the Federated State of Micronesia. For example, a major corporation is required to register its office as the same name in any of its places of business. Also each corporation needs to register its agent who may be an individual who resides in the Federated States of Micronesia. Further, these requirements include the step to be taken when there is a change of registered office or registered agent and the resignation of registered agent.

31. Proposed section 133 contains detailed provisions regarding the service of legal process on corporations. This section is similar to the existing regulation, but more detailed than provisions in the existing regulations.

SHAREHOLDERS AND SHARES

32. Sections 134 through 139 contain provisions relating to the issuance of stock by a corporation. These provisions are similar to the existing regulations, but more comprehensive than the provisions of the existing regulations.

33. Section 140 contains provisions limiting the liability of shareholders similar to the existing law.

STANDING COMMITTEE REPORT NO. 20-13

RE: C.B. NO. 20-34/R&D

SUBJECT: AMENDMENTS TO TITLE 36 OF THE FSM CODE (CORPORATION
LAW)

JULY 11, 2017

34. Sections 141 and 142 contain provisions for the issuance of share dividends, example, dividends in the form of additional shares of stock issued to current shareholders, and also contains provisions regarding options to purchase shares of stock. The existing regulations contain no similar provisions.

35. Sections 143 through 148 contain provisions for the issuance of shares of stock and share certificates and the issuance of shares without certificates. Also included therein are provisions regarding restrictions on the transfer of shares, preemptive rights of existing shareholders and the acquisition by a corporation of its own shares. These provisions are much more comprehensive than the existing regulations and consistent with modern corporate practices.

36. Section 149 provides for the payment of dividends to shareholders and establishes the financial condition, which a corporation must have in order to declare dividends. Section 149 sets forth a much clearer criteria for the permitted issuance of dividends as compared to the existing regulations.

37. Sections 150 through 168 provide for annual and special meetings of shareholders, court ordered meetings, actions by shareholders without a meeting, notice requirements for meetings, as well as waiver of notice, the record date for notice to shareholders of a meeting, the preparation of shareholders lists of meetings, voting at meetings including voting by proxy, quorum requirements and requirements for voting groups, cumulative voting for directors and voting trusts and shareholder and voting agreements. These provisions are much more detailed and leave much less room for interpretation and potential disputes than existing regulations.

DERIVATIVE ACTIONS

38. Sections 169 through 176 set forth the requirements for derivative actions. Derivative actions are most commonly suits brought by minority shareholders to enforce a right of a corporation, which is not being enforced by

STANDING COMMITTEE REPORT NO. 20-13

RE: C.B. NO. 20-34/R&D

SUBJECT: AMENDMENTS TO TITLE 36 OF THE FSM CODE (CORPORATION
LAW)

JULY 11, 2017

the persons in control of the corporation. Derivative actions commonly include actions by minority shareholders on behalf of a corporation against majority shareholders or person or firms associated with majority shareholders to enforce rights, which a corporation might have against persons in control of the corporation or persons or firms associated with them. These may be debts owed by persons in control of the corporation on their associates, misuse of corporate assets by person in control, including other actions. The existing regulations contain no such provisions.

DIRECTORS AND BOARD OF DIRECTORS/OFFICERS

39. Sections 177 through 196 contain provisions governing directors and board of directors. Under the proposed legislation, a board consists of one or more directors similar to the existing corporate law. Provisions in these sections also cover the qualifications for selecting, removing, terms of office and vacancy on a board. These provisions also contain the requirements for both the removal of directors by shareholders and through a judicial proceeding and for the compensation of directors, board meeting procedures, action without a meeting, notice and waiver of notice of meetings, quorum requirements and voting, committees of the board of directors, standards of conduct for directors and shareholder approval of limitation of liability of directors. These provisions are much more comprehensive than the existing regulations.

40. Sections 197 through 201 govern corporate officers including the selection, duties, standards of conduct, resignation and removal and the contractual rights of a corporation and its officers, vis-à-vis each other in the event of a resignation or removal. Again, these provisions are more comprehensive than the existing regulations.

INDEMNIFICATION

41. Sections 202 through 211 contain provisions for permissible and mandatory indemnification of directors and officers in the event the directors or officers become

STANDING COMMITTEE REPORT NO. 20-13

RE: C.B. NO. 20-34/R&D

SUBJECT: AMENDMENTS TO TITLE 36 OF THE FSM CODE (CORPORATION
LAW)

JULY 11, 2017

parties to a judicial or administrative or similar proceeding and also contain provisions regarding circumstances under which a corporation may not indemnify a director or officer. These provisions also provide for court ordered indemnification. These provisions typically come into play when a director or officer participates in an act of the corporation, which later becomes the subject matter of litigation or an administrative or similar proceeding. The existing regulations contain no such provisions.

CONFLICTING INTEREST TRANSACTIONS

42. Sections 212 through 215 govern director's conflict of interest transaction, for instance transactions undertaken by a corporation with the participation of a director who has financial or other interest in the transaction. These provisions also cover required disclosures by directors in conflict of interest situations. The existing regulations contain no such provisions.

CONVERSION OF CORPORATIONS

43. Sections 216 through 218 make provision for the conversion of a Federated States of Micronesia corporation into a foreign corporation or vice versa. A plan of conversion and Articles of Conversion must be prepared and filed with the Registrar of Corporations. The debts, receivables and other assets of the converting entity become the debts, receivables and other assets of the converted entity following the completion of the process of conversion. A legal action by or against the converting entity becomes a legal action of the converted entity without requiring a substitution of the parties in the legal action. The converting entity is transformed into the new converted entity. The FSM corporation regulations contain no such provisions.

AMENDMENTS – ARTICLES – BYLAWS

44. Sections 219 through 227 cover the amendment of Articles of Incorporation. A corporation may amend its

STANDING COMMITTEE REPORT NO. 20-13

RE: C.B. NO. 20-34/R&D

SUBJECT: AMENDMENTS TO TITLE 36 OF THE FSM CODE (CORPORATION
LAW)

JULY 11, 2017

articles of incorporation at any time. A limited type of amendment can be made by the Board of Directors, like deletion of names and addresses of the initial directors and the names and addresses of the initial registered agent or registered office. The more fundamental amendments required action by both the board of directors and the shareholders. In the case of shareholder action, a majority vote of the outstanding shares would be required. Articles of amendment must be filed with the Registrar of Corporations. These provisions also define the circumstances under which outstanding shares of a particular class of stock are entitled to vote as a separate voting group. Provision is made also for Amended and Restated Articles of Incorporation approved by the board. Similar provisions exist under the FSM regulations except that under the proposed legislation, the Board of Directors is given greater discretion than under the FSM regulations.

45. Sections 228 through 230 provide for amendment of bylaws. The Board of Directors or the shareholders can generally amend the bylaws. The shareholders may limit the power of the board to make amendments. Shareholder action is required for bylaw changes, which increase the shareholder quorum or voting requirements. These provisions are similar to the existing FSM regulations, except that they place greater authority in the Board of Directors.

MERGERS/SHARE EXCHANGES/SALE OF ASSETS

46. Sections 231 through 239 provide procedure and requirements for corporate mergers and share exchanges. Mergers may involve the merger of two or more domestic corporations, one or more domestic corporation(s) with one or more foreign corporation(s) resulting in one becoming the surviving entity or creating an entirely new entity. A plan of merger must be established. If a foreign corporation is authorized to transact business in the FSM, is involved in the merger and is the surviving entity, the foreign corporation must file a duly authenticated

STANDING COMMITTEE REPORT NO. 20-13

RE: C.B. NO. 20-34/R&D

SUBJECT: AMENDMENTS TO TITLE 36 OF THE FSM CODE (CORPORATION
LAW)

JULY 11, 2017

Certificate of Merger with the Registrar. If the foreign entity is not the surviving entity, then the surviving entity must file the Certificate of Merger with the Registrar. These provisions also cover share exchanges whereby a corporation acquires all of the outstanding shares of one or more classes or series of stock of another corporation. Requirements for share exchanges include board and shareholder approval by both corporations. Mergers of subsidiary corporations into a parent corporation are also covered in these provisions. The plan of merger or share exchange must be filed with the Registrar. In the case of a merger, the surviving entity acquires both the assets and liabilities of the other party to the merger. These provisions would replace the existing merger provisions of the FSM regulations to simplify the process to be more consistent with modern corporate practice.

47. Sections 240 and 241 contain provisions regarding the sale of all or substantially all of the assets of a corporation in the ordinary course of business and the mortgaging and pledging of assets. Unless the Articles of Incorporation require it, board, but not the shareholder, approval is required. These provisions also cover the sale of all or substantially all of the corporate assets other than in the ordinary course of business, which requires both board and shareholder approval. These provisions would replace the existing provisions in the FSM regulations and making the process easier to accomplish and more in tune with modern corporate practice.

48. Sections 242 through 255 cover the right of shareholders to dissent and attain payment of the fair market value in exchange for their shares in certain merger and share exchange situations. These provisions also cover shareholders dissent in circumstances involving the sale of all or substantially all of the assets of a corporation other than in the ordinary course of doing business and the shareholder dissent in circumstances involving the amendment of Articles of Incorporation which materially and

STANDING COMMITTEE REPORT NO. 20-13

RE: C.B. NO. 20-34/R&D

SUBJECT: AMENDMENTS TO TITLE 36 OF THE FSM CODE (CORPORATION
LAW)

JULY 11, 2017

adversely affect the right of the dissenting shareholder and in certain other circumstances. To be entitled to payment for their shares, the dissenting shareholder generally must have been entitled to vote on the transaction opposed by the dissenting shareholder and voted against it. These provisions also include procedures in the event the dissenting shareholder is not satisfied with the proposed payment including the use of judicial proceedings. The existing regulations make provision for dissenting shareholders except they appear to limit the right of dissent and payment for shares to mergers opposed to by the dissenting shareholder.

DISSOLUTION

49. Sections 256 through 273 cover voluntary and involuntary dissolution of a corporation including dissolution by judicial action. Dissolution other than through judicial action process requires filing of Articles of Dissolution with the Registrar. Voluntary dissolution generally involves the approval by the board and shareholders except that incorporators or initial directors may dissolve a corporation, which has not yet commenced business. These provisions also allow for the revocation of dissolution and also the winding up of the affairs of the dissolved corporation. These provisions also allow dissolution by the Registrar and for reinstatement following administrative dissolution in appropriate cases. Judicial dissolution is also provided for in an action initiated by the Secretary of the Department of Justice or by a shareholder under certain circumstances such as irrevocable deadlock of a corporation. These provisions would replace somewhat similar provisions in the existing regulations, but are clearer and more consistent with modern corporate practice.

FOREIGN CORPORATIONS

50. Sections 274 through 288 contain provisions for foreign corporations, that is corporations formed in a jurisdiction other than the FSM or its States. These provisions provide for the requirement for foreign

STANDING COMMITTEE REPORT NO. 20-13

RE: C.B. NO. 20-34/R&D

SUBJECT: AMENDMENTS TO TITLE 36 OF THE FSM CODE (CORPORATION
LAW)

JULY 11, 2017

corporations to apply for and obtain a Certificate of Authority from the Registrar of Corporations to transact business in the FSM. In addition, the corporation must also comply with all State and National laws applicable to it including foreign investment laws. These provisions set out a certain few activities, which do not constitute transacting business in the FSM, soliciting orders for the sale of products, or owning personal or leasing real property similar to existing FSM regulations. Also these provisions set out the consequences in the event a foreign corporation fails to secure a Certificate of Authority. They also set out procedures for applying for and securing the Certificate. These procedures include completing an application to the Registrar and providing the Registrar a certificate of good standing from the jurisdiction under whose laws the corporation organized. Further requirement that a foreign corporation should comply with include, maintaining a registered office and a registered agent in the FSM, required service of process on foreign corporations, withdrawal of foreign corporations through the application to the Registrar for a Certificate of Withdrawal, required revocation of Certificate of Withdrawal. Finally, these sections set out the grounds for revocation and also provide a procedure whereby a revocation decision can be appealed to the FSM Supreme Court. These provisions would replace similar provisions in the existing FSM regulations, but are easier to use and more streamlined and consistent with current corporate practices unlike the existing FSM regulations. The filing of bond by the foreign corporation is not required in this proposed bill.

RECORDS

51. Section 289 requires corporations to keep records including minutes of board and shareholder meetings, financial records and records of shareholders and their shareholdings. The existing regulations contain no such provisions.

ANNUAL REPORTS

STANDING COMMITTEE REPORT NO. 20-13

RE: C.B. NO. 20-34/R&D

SUBJECT: AMENDMENTS TO TITLE 36 OF THE FSM CODE (CORPORATION
LAW)

JULY 11, 2017

52. Sections 290 and 291 require corporations to file annual reports similar to the requirements in the existing FSM regulations and set out penalties for the failure to submit the annual report.

53. Section 292 contains a severability clause. Following section 292 is a new section, which renumbers and renames Sections 201 to 209 of Title 36 of the FSM Code. Sections 201 to 209 are renumbered 301 to 309.

Your Committee recommends the following amendments to the bill as follows:

1. Page 6, line 12, delete "is".
2. Page 6, line 13, delete "name".
3. Page 22, line 15, after "and", insert "contain".
4. Page 184, line 21, delete "amendment", and insert "amended" in lieu thereof.
5. Page 185, line 12, delete "statue", and insert "statute" in lieu thereof.
6. Page 203, line 22, delete "Register", and insert "Registrar" in lieu thereof.
7. Page 207, line 19, delete "he", and insert "the" in lieu thereof.
8. Page 208, line 14, after "subsection", insert ":" and delete "at the earliest of".
9. Page 208, line 15, delete "of".
10. Page 208, line 16, after "demand;", insert "or".
11. Page 208, line 25, delete "226", and insert "239" in lieu thereof.
12. Page 209, line 1, delete "226", and insert "239" in lieu thereof.
13. Page 213, line 12, delete "therefore", and insert "thereon" in lieu thereof.
14. Page 218, line 3, after "of the", insert "holder of the".
15. Page 223, line 3, after "thirty", insert "days".
16. Page 223, line 6, delete "accompanies", and insert "accompany" in lieu thereof.
17. Page 223, line 13, insert "who", before "sent".

STANDING COMMITTEE REPORT NO. 20-13

RE: C.B. NO. 20-34/R&D

SUBJECT: AMENDMENTS TO TITLE 36 OF THE FSM CODE (CORPORATION
LAW)

JULY 11, 2017

18. Page 224, line 3, after "deposit", insert "of".
19. Page 224, line 4, delete ", each".
20. Page 226, line 14, delete "2437", and insert "247"
in lieu thereof.
21. Page 226, line 21, insert "the" before "amount".
22. Page 232, line 19, delete "247", and insert "256"
in lieu thereof.
23. Page 232, line 21, delete "247", and insert "256"
in lieu thereof.
24. Page 234, line 15, insert "in" before
"subsections".
25. Page 247, line 4, delete "247", and insert "265" in
lieu thereof.
26. Page 247, line 20, after "Finance", insert "and
Administration".
27. Page 247, line 25, after "Finance", insert "and
Administration".
28. Page 261, line 12, after "Finance", insert "and
Administration".
29. Page 261, line 16, after "Finance", insert "and
Administration".
30. Page 266, line 25, delete "attorney general", and
insert "Department of Justice" in lieu thereof.
31. Page 267, line 1, insert "to" after "due".
32. Page 270, line 12, delete "271", and insert "278"
in lieu thereof.
33. Page 271, line 2, delete "as".

Conclusion

Your Committee on Resources and Development is in accord with the intent and purpose of C.B. 20-34 and recommends its passage on First reading and that it be placed on the calendar for Second and Final reading in the form attached hereto C.B. 20-34, C.D.1.

STANDING COMMITTEE REPORT NO. 20-13

RE: C.B. NO. 20-34/R&D

SUBJECT: AMENDMENTS TO TITLE 36 OF THE FSM CODE (CORPORATION
LAW)

JULY 11, 2017

Respectfully submitted,

/s/ David W. Panuelo
David W. Panuelo, chairman

/s/ Tiwiter Aritos
Tiwiter Aritos, vice chairman

Alik L. Alik, member

/s/ Isaac V. Figir
Isaac V. Figir, member

/s/ Victor Gouland
Victor Gouland, member

/s/ Derensio S. Konman
Derensio S. Konman, member

/s/ Esmond B. Moses
Esmond B. Moses, member