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A BILL FOR AN ACT

To enact a new title 27 of the Code of the Federated States of Micronesia to govern essential services and to enact a new chapter 2 thereof to create the Federated States of Micronesia Petroleum Corporation as a public corporation, and for other purposes.

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

1           Section 1. The Code of the Federated States of Micronesia,  
2 as amended, is hereby further amended by enacting a new title 27  
3 entitled "Essential Services".

4           Section 2. The Code of the Federated States of Micronesia,  
5 as amended, is hereby further amended by enacting a new chapter 1  
6 of title 27 which shall be titled "Reserved".

7           Section 3. The Code of the Federated States of Micronesia,  
8 as amended, is hereby further amended by enacting a new chapter 2  
9 of title 27 which shall be entitled "Federated States of  
10 Micronesia Petroleum Corporation Act of 2007".

11           Section 4. The Code of the Federated States of Micronesia,  
12 as amended, is hereby further amended by enacting a new section  
13 201 to chapter 2 of title 27 as follows:

14                   "Section 201. Short title. This chapter may be cited  
15 as the "Federated States of Micronesia Petroleum  
16 Corporation Act of 2007"."

17           Section 5. The Code of the Federated States of Micronesia,  
18 as amended, is hereby further amended by enacting a new section  
19 202 to chapter 2 of title 27 as follows:

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1           "Section 202. Definitions. For the purposes of this  
2 chapter and subsequent regulations, the following  
3 definitions shall apply unless the context otherwise  
4 requires:

5           (1) "Board" means the Board of Directors appointed  
6 under section 213;

7           (2) "CEO" means the Chief Executive Officer appointed  
8 under section 231;

9           (3) "Corporation" means the Federated States of  
10 Micronesia Petroleum Corporation;

11           (4) "Chairperson" means the Chairperson of the Board;

12           (5) "Congress" means the Congress of the Federated  
13 States of Micronesia;

14           (6) "Executive Council" means the President of the  
15 Federated States of Micronesia and the Governor of each  
16 State. As used herein, consent, approval or instruction  
17 of the Executive Council shall mean such consent,  
18 approval or instruction taken with the unanimous consent  
19 of the President and each Governor. For the avoidance of  
20 doubt, a written resolution of the Federated States of  
21 Micronesia Economic Policy Implementation Council, duly  
22 signed by the President and each Governor, shall  
23 constitute such an instruction notwithstanding the fact  
24 that it is also executed by other officials;

25           (7) "FSM" means the Federated States of Micronesia;

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1           (8) "Officer" includes any employee of the Corporation  
2           vested with a power or duty in accordance with this  
3           Chapter;

4           (9) "Premises" means any piece of land and if there  
5           are buildings of any sort erected on that land, includes  
6           those buildings, and also includes a ship or other  
7           vessel;

8           (10) "Product" or "Products" means petroleum products  
9           including automotive and industrial diesel fuels,  
10          gasoline, unleaded petrol, kerosene, Jet A1, lubricants  
11          and other fuel products;

12          (11) "Secretary" means the Secretary of Finance and  
13          Administration of the Federated States of Micronesia;

14          (12) "State" means a State of the Federated States of  
15          Micronesia;

16          (13) "Works" or "Works of the Corporation" includes the  
17          whole of the petroleum storage and dispensing systems  
18          and associated works owned, controlled or managed by the  
19          Corporation for any purpose associated with its  
20          functions under this Act."

21          Section 6. The Code of the Federated States of Micronesia,  
22          as amended, is hereby further amended by enacting a new section  
23          211 to chapter 2 of title 27 as follows:

24                 "Section 211. Establishment of Corporation. The  
25                 Federated States of Micronesia Petroleum Corporation is

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1           hereby established as a public corporation under the  
2           laws of the Federated States of Micronesia. It may  
3           hereinafter be referred to as "the Corporation"."

4           Section 7. The Code of the Federated States of Micronesia,  
5 as amended, is hereby further amended by enacting a new section  
6 212 to chapter 2 of title 27 as follows:

7           "Section 212. Independence. The Corporation shall not  
8           be deemed to be a government department, board or agency  
9           and as such is not subject to the laws governing the  
10          activities of the government including but not limited  
11          to Title 52 (the Public Service System Act) and Title 55  
12          (The Financial Management Act); provided, however, that  
13          nothing herein shall be deemed to waive the Corporations  
14          responsibility to comply with the Financial Management  
15          Act if allotted government funds."

16          Section 8. The Code of the Federated States of Micronesia,  
17 as amended, is hereby further amended by enacting a new section  
18 213 to chapter 2 of title 27 as follows:

19          "Section 213. Board of Directors of the Corporation.  
20          The affairs of the Corporation shall be managed and its  
21          corporate powers exercised by a Board of Directors,  
22          hereinafter referred to as 'the Board.'"

23          Section 9. The Code of the Federated States of Micronesia,  
24 as amended, is hereby further amended by enacting a new section  
25 214 to chapter 2 of title 27 as follows:

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1           "Section 214. Appointment and Termination of Directors.

2           (1) The Board shall be composed of seven voting  
3 members as follows:

4                   (a) one director appointed by the President of  
5 the FSM with the advice and consent of Congress;

6                   (b) one director appointed by the Governor of the  
7 State of Chuuk;

8                   (c) one director appointed by the Governor of the  
9 State of Kosrae;

10                  (d) one director appointed by the Governor of the  
11 State of Pohnpei;

12                  (e) one director appointed by the Governor of the  
13 State of Yap; and

14                  (f) two directors appointed by the President of  
15 the FSM with the advice and consent of Congress from a  
16 list of private sector candidates nominated by the four  
17 State governors.

18           (2) The persons appointed under subsection 214(1) must  
19 have experience in public administration, environmental  
20 matters, finance, or oil and gas distribution. At least  
21 one person appointed under subsection (1)(f) must have  
22 special knowledge and capacity in the field of oil and  
23 gas distribution.

24           (3) No person appointed under subsection 214(1) may  
25 possess any pecuniary interest in any business or entity

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1           which derives any part of its revenue from the  
2           distribution of oil or gas in the Federated States of  
3           Micronesia.

4           (4) The persons appointed under subsection 214(1) hold  
5           office for a term of three years, provided, however,  
6           that the initial terms of office shall be determined by  
7           lot at the first meeting held by the Board with three  
8           members serving an initial term of one year, two serving  
9           an initial term of two years and two serving an initial  
10          term of three years. All members are eligible for  
11          reappointment.

12          (5) Vacancies on the Board shall be filled for the  
13          unexpired portion of the term in the same manner as  
14          originally filled.

15          (6) The Board may, at any time by majority vote,  
16          remove any director for failure to attend three  
17          consecutive meetings of the Board, or for neglect of  
18          duty or malfeasance in office."

19          Section 10. The Code of the Federated States of Micronesia,  
20          as amended, is hereby further amended by enacting a new section  
21          215 to chapter 2 of title 27 as follows:

22          "Section 215. Chairperson of the Board. The  
23          Chairperson of the Board shall be chosen by the Board  
24          members by majority vote and shall serve for a term of  
25          one year from the date of selection. The Chairperson may

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1 authorize, in writing, any director to exercise any  
2 power or perform any function conferred on the  
3 Chairperson by or under this Act."

4 Section 11. The Code of the Federated States of Micronesia,  
5 as amended, is hereby further amended by enacting a new section  
6 216 to chapter 2 of title 27 as follows:

7 "Section 216. Meetings of the Board.

8 (1) The Board must meet as often as may be necessary  
9 for the performance of its functions, provided that it  
10 shall meet on no less than four occasions each calendar  
11 year and provided, further, that at least two such  
12 meetings shall require the physical presence of the  
13 directors at a single location.

14 (2) At any meeting, the quorum of the Board is a  
15 majority of the total directors appointed at the time of  
16 the meeting.

17 (3) Notice of a meeting of the Board must be given to  
18 each director and shall be delivered by hand or sent by  
19 post, facsimile, electronic mail, or other written  
20 message to an address supplied by the director to the  
21 Board for this purpose.

22 (4) Decisions at meetings of the Board are taken by a  
23 simple majority of the directors present and voting.

24 (5) Subject to this section, the Board may regulate  
25 its own procedure.

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1           (6) The validity of a proceeding of the Board is not  
2           affected by a vacancy in the membership, or by any  
3           defect in the appointment, of a director."

4           Section 12. The Code of the Federated States of Micronesia,  
5 as amended, is hereby further amended by enacting a new section  
6 217 to chapter 2 of title 27 as follows:

7           "Section 217. Transaction of Business Without Meeting.

8           A resolution of the Board is valid, even though it was  
9           not passed at a meeting of the Board, if -

10           (1) it is signed or assented to by no less than five  
11           directors of the Board; and

12           (2) a notice in writing of the proposed resolution was  
13           given to each director no less than 7 Days before the  
14           resolution is assented to by any director."

15           Section 13. The Code of the Federated States of Micronesia,  
16 as amended, is hereby further amended by enacting a new section  
17 218 to chapter 2 of title 27 as follows:

18           "Section 218. Remuneration of Directors. Directors who  
19           are employees of the national government of the FSM or a  
20           State government shall receive no additional  
21           compensation for their service as members of the Board.

22           The compensation of members who are not Government  
23           employees shall be as determined by the Board and  
24           published in the minutes and annual report of the  
25           Board."



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1 Section 14. The Code of the Federated States of Micronesia,  
2 as amended, is hereby further amended by enacting a new section  
3 219 to chapter 2 of title 27 as follows:

4 "Section 219. Disclosure of Interest.

5 (1) A director of the Board who has a direct or  
6 indirect personal interest in the outcome of any matter  
7 before the Board must disclose the interest to the  
8 Board.

9 (2) The disclosure of an interest under subsection (1)  
10 must be recorded in the minutes of the Board.

11 (3) After making a disclosure under subsection (1),  
12 the director -

13 (a) in the case of a meeting, must withdraw from  
14 the meeting before the commencement of deliberations of  
15 the Board in respect of the matter referred to in  
16 subsection (1), although the director may be counted for  
17 the purposes of forming a quorum of the Board at the  
18 meeting; and

19 (b) in any case, must not vote on the matter."

20 Section 15. The Code of the Federated States of Micronesia,  
21 as amended, is hereby further amended by enacting a new section  
22 220 to chapter 2 of title 27 as follows:

23 "Section 220. Minutes of Meetings and Business

24 Transacted. The Board must keep minutes of all its  
25 meetings and business transacted under section 216 and

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1           217 in a proper form. All minutes of the meetings shall  
2           be made available to the public upon request."

3           Section 16. The Code of the Federated States of Micronesia,  
4 as amended, is hereby further amended by enacting a new section  
5 221 to chapter 2 of title 27 as follows:

6           "Section 221. Delegation of Board's Powers.

7           (1) The Board may, from time to time, by notice in  
8 writing under the hand of the Chairperson, delegate to  
9 any person or committee any of the Board's powers under  
10 this Act.

11          (2) A delegation under this section may be made to a  
12 specified person or committee, or holder for the time  
13 being of a specified office or to the holders of offices  
14 of a specified class.

15          (3) A delegation may be made subject to such  
16 restrictions and conditions as the Board thinks fit, and  
17 may be made either generally or in relation to any  
18 particular case or class of cases.

19          (4) A person or committee purporting to exercise a  
20 power of the Board by virtue of a delegation under this  
21 section must, when required to do so, produce evidence  
22 of authority of the person or committee to exercise the  
23 power."

24          Section 17. The Code of the Federated States of Micronesia,  
25 as amended, is hereby further amended by enacting a new section

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1 231 to chapter 2 of title 27 as follows:

2 "Section 231. Appointment of Chief Executive Officer.

3 (1) The Board must appoint a Chief Executive Officer  
4 on such terms and conditions as the Board may determine.

5 (2) The CEO -

6 (a) shall serve at the pleasure of the Board;

7 (b) shall have had not less than five years

8 experience in the oil industry, or the equivalent

9 experience in a related profession;

10 (c) shall not engage in any other business

11 without the prior consent of the Board;

12 (d) shall be responsible for the day to day

13 operation of the Corporation;

14 (e) shall be responsible for the proper

15 administration and management of the functions and

16 affairs of the Corporation;

17 (f) shall be responsible for developing a five-

18 year plan and an annual plan describing the medium and

19 short term goals of the Corporation; and

20 (g) must perform such other functions and duties

21 as the Board may determine.

22 (3) The Board shall review the performance of the

23 Chief Executive Officer at least annually in light of

24 the Corporation's goals and objectives, and may

25 terminate the CEO at any time, for any reason.

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1           (4) If the CEO is temporarily absent from FSM, or  
2           temporarily unable to perform the duties of office, the  
3           Board may, appoint a person to act in the place of the  
4           CEO during that period."

5           Section 18. The Code of the Federated States of Micronesia,  
6 as amended, is hereby further amended by enacting a new section  
7 232 to chapter 2 of title 27 as follows:

8           "Section 232. Appointment of Chief Financial Officer.

9           The CEO shall appoint, with the concurrence of the  
10          Board, a Chief Financial Officer, for such term as shall  
11          be directed by the Board. He shall receive and disburse  
12          all funds of the Corporation. The Chief Financial  
13          Officer shall serve at all times under the direct  
14          supervision of the CEO."

15          Section 19. The Code of the Federated States of Micronesia,  
16 as amended, is hereby further amended by enacting a new section  
17 233 to chapter 2 of title 27 as follows:

18          "Section 233. Appointment of Health and Safety Officer.

19          The CEO shall appoint, with the concurrence of the  
20          Board, a Health and Safety Officer. The Health and  
21          Safety Officer, whose duties may be combined with those  
22          of another position, shall be responsible for ensuring  
23          compliance with all health, safety and environmental  
24          laws and for developing, with input from the Board and  
25          the Executive Council, health, safety and environmental

1 policies for the day-to-day operation of the  
2 Corporation."

3 Section 20. The Code of the Federated States of Micronesia,  
4 as amended, is hereby further amended by enacting a new section  
5 234 to chapter 2 of Title 27 as follows:

6 "Section 234. Appointment of Other Officers and Staff.  
7 To the extent consistent with this Title, the CEO may  
8 appoint, retain and terminate, on such terms and  
9 conditions as the Board may determine, such officers,  
10 employees, agents, or consultants as may be necessary or  
11 expedient for carrying out the functions and duties of  
12 the Corporation."

13 Section 21. The Code of the Federated States of Micronesia,  
14 as amended, is hereby further amended by enacting a new section  
15 241 to chapter 2 of title 27 as follows:

16 "Section 241. Functions of the Corporation. The  
17 functions of the Corporation are -

18 (1) to operate and manage the Works, either directly  
19 or through contracting out such management to third  
20 parties;

21 (2) to secure contracts with Product suppliers who  
22 will provide the required fuel Products at the lowest  
23 cost through competitive bidding to the extent  
24 practicable;

25 (3) to provide oil and gas distribution services on

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1           the basis of commercially accepted practices, treating  
2           all purchasers of Products on equitable terms in  
3           accordance with its published prices and requiring all  
4           users to pay for fuel purchased; provided that nothing  
5           in this subsection shall prevent the Corporation from  
6           using subsidies received from governmental,  
7           international or private sources to reduce the overall  
8           costs charged to users of public utilities services;

9           (4) to plan for the continued security of Product  
10          supply in the FSM;

11          (5) to maintain and operate the Works so as to  
12          minimize the likelihood of interruption of supply, and  
13          to handle the Product in a manner that protects the  
14          environment, the safety, and the health of employees and  
15          the public;

16          (6) to make safety, health and environmental  
17          considerations a priority in planning, and in the  
18          development of new Products and processes; to advise  
19          promptly, appropriate officials, employees, customers  
20          and the public of information on significant industry-  
21          related safety, health and environmental hazards, and to  
22          recommend protective measures;

23          (7) to invest surplus revenues of the Corporation in  
24          the maintenance, expansion and improvement of Product  
25          facilities and services;

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1           (8) to represent the Federated States of Micronesia  
2           with regard to regional fuel supply initiatives as  
3           requested by the Government of the Federated States of  
4           Micronesia; and

5           (9) to do all those things which shall be necessary or  
6           incidental to the performance of its functions under  
7           this Chapter."

8           Section 22. The Code of the Federated States of Micronesia,  
9           as amended, is hereby further amended by enacting a new section  
10          242 to chapter 2 of title 27 as follows:

11           "Section 242. Powers of the Corporation.

12           (1) In performing the functions authorized under this  
13           Chapter or under any other law of the Federated States  
14           of Micronesia, the Corporation shall have the capacity  
15           to exercise all powers normally exercised by a  
16           corporation, including, but not limited to, the  
17           following:

18                   (a) to adopt, alter, and use a corporate seal;

19                   (b) to adopt and amend bylaws governing the  
20           conduct of its business and the exercise of its powers;

21                   (c) to sue and be sued in its corporate name;

22                   (d) to acquire, in any lawful manner, real,  
23           personal, or mixed property, either tangible or  
24           intangible; to hold, maintain, use, and operate such  
25           property; and to sell, lease, or otherwise dispose of

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1           such property;

2                   (e) to, subject to Section 251 and the laws of  
3           the Federated States of Micronesia, borrow or raise any  
4           sum or sums of money and to issue corporate bonds on  
5           such security and upon such terms as may from time to  
6           time be deemed necessary for the expansion and  
7           improvement of the Works;

8                   (f) to retain and terminate the services of  
9           employees, agents, attorneys, auditors, and independent  
10          contractors upon such terms and conditions as it may  
11          deem appropriate; and

12                  (g) to do all such other things as may be deemed  
13          incidental to or conducive to the attainment of the  
14          responsibilities of the Corporation.

15          (2) Without limiting the generality of the powers  
16          given to it by subsection (1), and in addition to any  
17          other powers provide for by this Act, the Corporation  
18          shall have the following specific powers -

19                  (a) to acquire, lease, construct, maintain and  
20          operate facilities, plant, equipment and infrastructure  
21          associated with the supply of Product and the related  
22          activities of the Corporation; to erect Works, and  
23          install any necessary equipment, machinery and plant for  
24          any purpose related to the functions of the Corporation;

25                  (b) to acquire, lease and take over in any lawful



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1 manner the business, property, assets, and liabilities  
2 of any preexisting entity relating to fuel storage and  
3 distribution;

4 (c) to purchase, lease or otherwise acquire and  
5 maintain such personal and real property as the  
6 Corporation may from time to time deem necessary for the  
7 furtherance of its functions;

8 (d) to do all such things as it deems expedient  
9 to enter into any contract for the sale, lease or  
10 purchase of property related to the performance of its  
11 functions;

12 (e) to hire out plant or equipment of the  
13 Corporation and to enter into contracts for its  
14 operation and management;

15 (f) to fix, charge and recover rates and fees for  
16 the supply of Product and for any other service provided  
17 by the Corporation;

18 (g) to fix, charge and recover any surcharge on  
19 rates and fees for the supply of Product during any  
20 period when it may be reasonably anticipated that the  
21 supply of Product may be affected by a shortage of  
22 supply;

23 (h) to ration or differentially allocate the  
24 supply of Product during times of shortage;

25 (i) to recover the capital cost of supplying

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1 Product or providing other services to particular  
2 premises on such terms and conditions as the Corporation  
3 determines;

4 (j) to investigate any failure to comply with  
5 this Act, or any act that effects the ability of the  
6 Corporation to provide services under this Act, and to  
7 take such steps as it considers necessary to secure  
8 compliance with this Act or to prevent interference with  
9 the activities of the Corporation; and

10 (k) to set and to enforce standards for work done  
11 by contractors and tradesmen relating to the supply of  
12 Product and any other service provided by the  
13 Corporation."

14 Section 23. The Code of the Federated States of Micronesia,  
15 as amended, is hereby further amended by enacting a new section  
16 243 to chapter 2 of title 27 as follows:

17 "Section 243. Executive Council May Give Direction and  
18 Require Information. The powers, functions and  
19 discretion of the Corporation, its Board of Directors  
20 and its officers shall be subject to the right and power  
21 of the Executive Council to -

22 (1) request, and obtain from the Corporation, such  
23 returns, accounts, and other information as the  
24 Executive Council may, from time to time, require, and  
25 to institute any investigation, hearing, audit or other

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1 informational process as the Executive Council shall  
2 deem appropriate; and

3 (2) set the terms and timing of any subsequent  
4 divestment of the assets and operations of the  
5 Corporation or for the issuance of common shares of the  
6 Corporation; provided any such divestment must provide  
7 for the payment or satisfaction of all indebtedness  
8 incurred in the formation and operation of the  
9 Corporation for which the Government of the Federated  
10 States of Micronesia may be obligated or a full and  
11 complete release of the Government of the Federated  
12 States of Micronesia from liability for the repayment of  
13 such loans or indebtedness."

14 Section 24. The Code of the Federated States of Micronesia,  
15 as amended, is hereby further amended by enacting a new section  
16 251 to chapter 2 of title 27 as follows:

17 "Section 251. Debts and obligations of the Corporation.

18 (1) Unless otherwise expressly provided by law, the  
19 debts and obligations of the Corporation shall not be  
20 debts or obligations of the Government of the Federated  
21 States of Micronesia, nor shall the Government of the  
22 Federated States of Micronesia be responsible for any  
23 such debts or obligations.

24 (2) Unless an express assumption of liability shall be  
25 executed by the Corporation and approved by Resolution

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1 of Congress, the Corporation shall not assume, or be  
2 deemed to have assumed, the liability of any third party  
3 whose assets or operations are acquired by the  
4 Corporation, including, without limitation, liabilities  
5 arising from any breach of legal or contractual  
6 obligation or arising from violation of any law, rule,  
7 ordinance, regulation or decree.

8 (3) During such periods of time there remains  
9 outstanding any loans or obligations payable to the  
10 Government of the Federated States of Micronesia or any  
11 loans or obligations payable by the Corporation to any  
12 other party for which the Government of the Federated  
13 States of Micronesia may be a guarantor, borrower or  
14 otherwise obligated, no new loans or indebtedness  
15 (except credit extended pursuant to energy/fuel supply  
16 agreements) in excess of an aggregate amount of  
17 \$1,000,000 shall be incurred unless approved by  
18 Resolution of Congress."

19 Section 25. The Code of the Federated States of Micronesia,  
20 as amended, is hereby further amended by enacting a new section  
21 252 to chapter 2 of title 27 as follows:

22 "Section 252. Funds of the Corporation.

23 (1) The funds of the Corporation consist of -

24 (a) money appropriated from time to time by the  
25 FSM Congress and the State legislatures and paid to the

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1 Corporation;

2 (b) money derived from the disposal, lease, or  
3 hire of, or any other dealing with, any property vested  
4 in or acquired by the Corporation;

5 (c) money borrowed by the Corporation in  
6 accordance with subsection (2);

7 (d) income from interest referred to in  
8 subsection (3); and

9 (e) except as provided herein, any other moneys  
10 that may become payable to the Corporation in respect of  
11 the sale of Product or any matter incidental to its  
12 functions and powers.

13 (2) Subject to Section 251, the Corporation may borrow  
14 such sums as shall be required by the Corporation to  
15 meet any of its obligations or to perform any of its  
16 functions.

17 (3) The Corporation shall, to the extent practicable,  
18 maintain its funds in the form of liquid, interest  
19 bearing bank deposits or such other investments as shall  
20 be approved in writing by the Board.

21 (4) The Corporation shall conserve its funds by  
22 performing its functions and exercising its powers under  
23 this Chapter so as to ensure that the total revenues of  
24 the Corporation are sufficient to meet all sums properly  
25 chargeable to its revenue account including depreciation

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1           and interest on capital."

2           Section 26. The Code of the Federated States of Micronesia,  
3 as amended, is hereby further amended by enacting a new section  
4 253 to chapter 2 of title 27 as follows:

5           "Section 253. Annual Budget and Costs of  
6           Administration.

7           (1) At such time and in such manner as the Board may  
8 prescribe, the Chief Financial Officer shall submit to  
9 the Board and to the Executive Council a detailed budget  
10 for the next ensuing fiscal year which shall include:

11           (a) for the last completed fiscal year, audited  
12 accounts indicating the prevailing rates and charges  
13 applicable to the Product, the amount of gross income  
14 generated by the Corporation, and the amount of all  
15 capital and operational expenditures made by the  
16 Corporation, together with the closing balance of all  
17 bank accounts maintained by the Corporation;

18           (b) for the fiscal year in progress, a statement  
19 showing the estimated amount of gross income and the  
20 estimated amount of all capital and operational  
21 expenditures made by the Corporation, together with such  
22 summaries, schedules, and supporting data as the Board  
23 may deem necessary; and

24           (c) for the next ensuing fiscal year, a budget  
25 showing anticipated rates and charges for the Product,

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1 the estimated amounts of gross income of the Corporation  
2 and a statement of all estimated capital and operational  
3 expenditures anticipated by the Corporation.

4 (2) In the event the expenditures identified in  
5 subsection 1(c) are anticipated to exceed the estimated  
6 amount of gross income to be generated by the  
7 Corporation in the next ensuing fiscal year, plus  
8 appropriations, grants, loans or subsidies fully  
9 approved by the Congress of the Federated States of  
10 Micronesia and the amount of any funds, including the  
11 balance of any applicable capital expenditure sinking  
12 funds earmarked for the current year's expenditures,  
13 carried over from previous fiscal years, the proposed  
14 budget shall include a plan for financing the deficit.

15 (3) For any fiscal year during which the Corporation  
16 is expected to have outstanding loan balances owing to  
17 the Federated States of Micronesia or in which the  
18 Federated States of Micronesia continues to be obligated  
19 or liable for repayment of any portion of a loan or debt  
20 of the Corporation, or if the proposed plan to finance a  
21 budget deficit pursuant to subsection (2) above includes  
22 a grant, loan, guarantee or subsidy from the Federated  
23 States of Micronesia, the budget of the Corporation  
24 shall be submitted to Congress for approval and no  
25 further loans or indebtedness shall be incurred by the

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1 Corporation until the budget has been approved by  
2 Resolution of Congress."

3 Section 27. The Code of the Federated States of Micronesia,  
4 as amended, is hereby further amended by enacting a new section  
5 254 to chapter 2 of title 27 as follows:

6 "Section 254. Accounts, Annual Report, and Audit.

7 (1) The Board, the CEO and the Chief Financial Officer  
8 of the Corporation are jointly responsible for ensuring  
9 that the Corporation at all times keeps adequate  
10 accounts of its transactions and financial affairs, and  
11 must, without limitation, ensure that -

12 (a) all moneys received by the Corporation are  
13 properly brought to account;

14 (b) all payments by the Corporation are properly  
15 authorized;

16 (c) adequate control is maintained over the  
17 Corporation's property and the incurring of liabilities;  
18 and

19 (d) the accounts are kept in accordance with  
20 generally accepted accounting principles.

21 (2) Within three months after the end of each  
22 financial year, the Chief Financial Officer must prepare  
23 a report of the Corporation's activities during the  
24 financial year (referred to as the "Annual Report") and  
25 shall submit a copy of the Report to the Secretary, the



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1 Board and to the Executive Council.

2 (3) The Annual Report must contain, among other things

3 -

4 (a) a statement of financial performance, which  
5 shall include a balance sheet, operating statements, a  
6 statement of changes in financial position, and an  
7 analysis of changes in retained earnings;

8 (b) a statement summarizing the rates and charges  
9 prevailing throughout the prior year with respect to the  
10 Product and the outlook for such rates in the coming  
11 year;

12 (c) a statement concerning the condition of the  
13 Works and the capital expenditure plan of the  
14 Corporation;

15 (d) the CEO's one and five-year plans required  
16 pursuant to section 231 of this Chapter; and

17 (e) such other information as is required to give  
18 a true and fair view of the Corporation's financial and  
19 operational affairs.

20 (4) The annual accounts of the Corporation must be  
21 audited by the FSM Public Auditor. For this purpose, the  
22 Chief Financial Officer must, within three months after  
23 the end of each financial year submit to the Public  
24 Auditor -

25 (a) the statement of financial performance and

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1 accompanying accounts of the Corporation for the year;  
2 (b) the most recent budget prepared pursuant to  
3 section 253; and  
4 (c) the Annual Report for the year prepared in  
5 accordance with subsection (2)."

6 Section 28. The Code of the Federated States of Micronesia,  
7 as amended, is hereby further amended by enacting a new section  
8 255 to chapter 2 of title 27 as follows:

9 "Section 255. Tax liability. The Corporation shall not  
10 be exempt from any taxes or assessments. Nothing herein  
11 shall be deemed to exempt employees and independent  
12 contractors of the Corporation from tax liability for  
13 services rendered to the Corporation and the Corporation  
14 shall be liable for employee's contributions to the  
15 Social Security System of the Federated States of  
16 Micronesia in the manner provided by law."

17 Section 29. The Code of the Federated States of Micronesia,  
18 as amended, is hereby further amended by enacting a new section  
19 261 to chapter 2 of title 27 as follows:

20 "Section 261. Operating Standards. The Board, the CEO  
21 and the Health and Safety Officer of the Corporation  
22 shall be jointly responsible for developing and  
23 implementing written operational policies that shall set  
24 forth the manner in which the Corporation is to --

25 (1) manage its business with the goal of preventing

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1 incidents and of controlling emissions and wastes to  
2 below harmful levels, and to design, operate, and  
3 maintain facilities to this end and to respond quickly  
4 and effectively to incidents resulting from its  
5 operations;

6 (2) design and maintain facilities, establish  
7 management systems, provide training and conduct  
8 operations in a manner that safeguards people and  
9 property;

10 (3) identify and manage risks associated with its  
11 products and to ensure that Product is not manufactured  
12 or sold when it is not possible through proper design,  
13 procedures, and practices to provide an appropriate  
14 level of safety for people and the environment;

15 (4) specify precautions required in handling,  
16 transporting, using, and disposing of Product and to  
17 take reasonable steps to communicate those precautions  
18 to employees, customers, and others who might be  
19 affected;

20 (5) comply with all applicable environmental and  
21 industrial and product safety laws and regulations and  
22 to apply responsible standards where laws and  
23 regulations do not exist;

24 (6) furnish services that reliably meet responsible  
25 standards of performance, efficiency, and courtesy; to

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1 furnish accurate and sufficient information about its  
2 products and services, including details of guarantees  
3 and warranties, so that customers can make informed  
4 purchasing decisions; and where the Corporation's  
5 products reach the ultimate consumer through independent  
6 parties, such as service station dealers and  
7 distributors, to actively encourage such parties to  
8 achieve standards comparable to those which have been  
9 established for the Corporation's own performance; and  
10 (7) undertake appropriate reviews and evaluations of  
11 its operations to measure progress and to foster  
12 compliance with these policies."

13 Section 30. The Code of the Federated States of Micronesia,  
14 as amended, is hereby further amended by enacting a new section  
15 262 to chapter 2 of title 27 as follows:

16 "Section 262. Contracts.

17 (1) The purchase of all supplies and materials and the  
18 construction of all works by independent contractors,  
19 when the expenditure exceeds \$25,000, shall be, by  
20 contract, let to the lowest responsible bidder; provided  
21 that Product quality and reliability of Product supply  
22 shall be taken into account when evaluating fuel supply  
23 agreements; and provided further that any initial fuel  
24 supply agreement and facilities operation agreement  
25 executed as part of a transaction by which the

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1 Corporation acquires the Works shall be exempt from such  
2 requirement. Notice requesting bids shall be published  
3 at least ten days before bids are received. The Board  
4 may reject any and all bids and re-advertise at its  
5 discretion.

6 (2) If, after rejecting bids for materials and  
7 supplies, the Board determines that, in its opinion, the  
8 materials and supplies may be purchased at a lower price  
9 in the open market, the Board may authorize such  
10 purchases without further observance of the provisions  
11 requiring contracts, bids or notices.

12 (3) In case of major public calamity, or whenever it  
13 is in the interest of public safety or necessary to keep  
14 public utilities services operational, the Board may  
15 determine that the public interest and necessity demand  
16 the immediate expenditure of funds to keep the services  
17 operational or in a safe condition, and thereupon  
18 authorize the expenditure of such sums as may be needed  
19 without the observation of the provisions requiring  
20 contracts, bids or notices.

21 (4) Where reasonable, preference in the letting of  
22 contracts shall be given to local contractors.

23 (5) No director shall vote on any contract awarded by  
24 the Board in which the director has a direct or indirect  
25 financial interest."

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1 Section 31. The Code of the Federated States of Micronesia,  
2 as amended, is hereby further amended by enacting a new section  
3 263 to chapter 2 of title 27 as follows:

4 "Section 263. Power to discontinue or ration supplies.

5 (1) In addition to any other powers of the Corporation  
6 under this Act, the Corporation may, without notice,  
7 discontinue, ration or limit any supply of Product or  
8 other service provided by it if it considers it  
9 necessary or desirable to do so -

10 (a) by reason of a disruption of international  
11 supplies;

12 (b) by reason of any accident or emergency;

13 (c) to facilitate any work done or to be done by  
14 the Corporation;

15 (d) to avoid or limit pollution; or

16 (e) for the conservation of strategic product  
17 reserves.

18 (2) As soon as possible after it has taken any action  
19 under sub-section (1) the Corporation shall give notice  
20 of its action and indicate the likely duration of the  
21 discontinuance or rationing.

22 (3) The Corporation shall not be liable to any person  
23 for any loss or damage suffered by that person, and no  
24 person shall have a claim against the Corporation, where  
25 there is an increase, diminution or discontinuance in

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1 the supply of Product or any other service provided by  
2 the Corporation, or where there is a diminution in the  
3 quality of products, provided that such increase,  
4 diminution or discontinuance is caused by accident,  
5 other natural phenomenon or other unavoidable cause, by  
6 the Corporation acting in good faith in the proper  
7 exercise of its functions, or by the exercise by the  
8 Corporation of a power under this Act.

9 (4) Without limiting the foregoing, if any fees or  
10 charges in respect of any customer, including  
11 governments or governmental units of any type, remain  
12 unpaid thirty (30) calendar days after the date due for  
13 payment, the CEO may discontinue the supply of Product  
14 and services to that customer and may commence legal  
15 action to recover any rates, fees or charges that have  
16 fallen due for payment."

17 Section 32. The Code of the Federated States of Micronesia,  
18 as amended, is hereby further amended by enacting a new section  
19 264 to chapter 2 of title 27 as follows:

20 "Section 264. Transition; Employees. The Corporation  
21 may, at its discretion, undertake to hire employees in  
22 good standing of pre-existing entities involved in the  
23 business of oil and gas distribution in the FSM,  
24 provided that the Corporation shall be under no  
25 obligation to do so with respect to any particular

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1 employee, nor shall it be required to hire employees at  
2 the same salaries or to fill the same positions as they  
3 may have enjoyed previously. In the event employees of a  
4 pre-existing entity are employed by the Corporation, all  
5 accrued benefits, sick leave, annual leave and other  
6 contractual obligations owed by the pre-existing entity  
7 to its employees shall remain the obligations of that  
8 entity and shall not be assumed by the Corporation,  
9 except to the extent directed in writing by the Board."

10 Section 33. The Code of the Federated States of Micronesia,  
11 as amended, is hereby further amended by enacting a new section  
12 265 to chapter 2 of title 27 as follows:

13 "Section 265. Issuance of Shares; divestment.

14 (1) Upon the written instruction of the Executive  
15 Council, the Corporation may, through the filing of such  
16 documents as shall be required of privately-held  
17 corporations, including, without limitation, Articles of  
18 Incorporation, Bylaws and Share Affidavits, capitalize  
19 itself through the issuance of common shares and, in  
20 such event, the provisions of this Chapter shall be made  
21 subject to the terms of the Articles of Incorporation  
22 and Bylaws, and nothing in this Chapter shall be read as  
23 restricting the payment of dividends, the holding of  
24 annual shareholder's meetings, the conduct of audits for  
25 the benefit of shareholders, the election of Directors



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1 and such other corporate governance and shareholder's  
2 rights provisions as may be set out in the Articles of  
3 Incorporation and Bylaws and approved by the Executive  
4 Council.

5 (2) Upon the written instruction of the Executive  
6 Council, the Corporation shall, subject to the  
7 conditions set forth in Section 243, take all necessary  
8 steps to divest its assets and operations, in whole or  
9 in part, to such entity or entities as shall be directed  
10 by the Executive Council. The Board and officers of the  
11 Corporation shall take all necessary actions to  
12 effectuate such divestment, including the execution of  
13 documents and instruments, and the turnover of books,  
14 records and personal property as shall be necessary to  
15 transfer operations and assets of the Corporation to the  
16 entity or entities designated by the Executive Council.  
17 Upon written instruction of the Executive Council  
18 following such divestment, the Corporation shall wind up  
19 its affairs and cease operation."

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24  
25 Section 34. Effectiveness. This act shall become law upon

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1 approval by the President of the Federated States of Micronesia or  
2 upon its becoming law without such approval.

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4 Date: 7/05/07

Introduced by: /s/ Resio S. Moses

Joe N. Suka  
(by request)

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