

AN ACT

To further amend sections 403, 407, 421, 423 and 425 of title 30 of the Code of the Federated States of Micronesia, as enacted by Public Law No. 15-29, by increasing and setting a ceiling for corporate income tax to be invested in a FSM venture funds, decrease percentages of income tax invested into a FSM venture fund, change the duration and the expiration date of both new investments and new venture funds, and for other purposes.

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

1 Section 1. Section 403 of title 30 of the Code of the
2 Federated States of Micronesia, as enacted by Public Law No.
3 15-29, is hereby amended to read as follows:

4 "Section 403. Creation.

5 (1) Any Major Corporation that pays corporate income
6 tax to the FSM exceeding \$100,000,000 but not exceeding
7 \$500,000,000 in any one calendar year may require that
8 an amount equivalent to up to 50% of the amount of
9 income taxes it paid will be invested by the FSM into a
10 FSM Venture Fund, and that the Major Corporation may
11 also select the Fund Manager for this Fund.

12 (2) Any Major Corporation that pays corporate income
13 tax to the FSM exceeding \$500,000,000 in any one
14 calendar year may require that an amount equivalent to
15 up to 50% of \$500,000,000 and up to 75% of the amount in
16 excess of \$500,000,000 of income taxes it paid will be
17 invested by the FSM into a FSM Venture Fund, and that

1 the Major Corporation may also select the Fund Manager
2 for this Fund.

3 (3) These FSM Venture Funds, hereinafter each referred
4 to as a 'Fund', will invest in new industries that may
5 include software development, development of new drugs,
6 medicines, and medical devices and procedures,
7 entertainment, Internet content and distribution,
8 telecommunication devices and access, high growth
9 technology businesses benefiting from the rapid adoption
10 and deployment of broadband and mobile technologies,
11 development of new and improved materials, new forms of
12 energy and other types of investments that that Fund
13 Manager may deem worthy."

14 Section 2. Section 407 of title 30 of the Code of the
15 Federated States of Micronesia, as enacted by Public Law No.
16 15-29, is hereby amended to read as follows:

17 "Section 407. Duration of funds. Each Fund will end on
18 the date that is the earlier of 10 years from the date
19 the Fund was created, or December 31, 2032. At the end
20 of the life of a Fund, the following amounts must be
21 paid to investors: (1) the original capital amount
22 invested in the funds by that investor; and (2) 20% of
23 any amount remaining in the Fund after repayment of the
24 original capital amount and all interest payments are
25 made to investors. Each investor's share of the 20% of

1 any amount remaining in the Fund after repayment of the
2 original capital amount and all interest payments are
3 made to investors will be in proportion to each
4 investor's original investment in the Fund.
5 Notwithstanding the preceding sentence, beginning in
6 2023, all Funds must begin returning the original
7 capital amount to the investors, by making equal
8 payments each year so that the entire payment of the
9 original capital amount to the investors is made by the
10 earlier of 10 years from the creation of the Fund, or
11 December 31, 2032. Any installment payment of the
12 original capital amount will be paid to the investors
13 within [0]30 days of the end of each fiscal year, except
14 for payments for the final year of the Fund.
15 Furthermore, interest at the rate of 3% per annum of any
16 Capital amount in the Fund at the beginning of the
17 fiscal year will also be paid to the investors within 30
18 days of the end of each fiscal year, except for the
19 final year of the Fund. Any payments due to the
20 investors for the final year of the Fund will be due on
21 the earlier of the last day for the fiscal year of the
22 Fund, or December 31, 2032."

23 Section 3. Section 421 of title 30 of the Code of the
24 Federated States of Micronesia, as enacted by Public Law No. 15-29,
25 is hereby repealed in its entirety.

1 Section 4. Section 423 of title 30 of the Code of the
2 Federated States of Micronesia, as enacted by Public Law No.
3 15-29, is hereby amended to read as follows:

4 "Section 423. Appraiser's annual report. Ninety days
5 before the end of the final year of the Fund, an
6 independent appraiser qualified in the valuation of
7 companies will value each of the holdings in the Fund,
8 and the overall Fund. The appraiser will issue a report
9 detailing the current value of each investment, and the
10 methodology for determining each investment's valuation.
11 The report will be signed by the appraiser and sent
12 directly to each investor 30 days before the end of the
13 final year of the Fund. The cost of the appraiser will
14 be an appropriate expense of the Fund. Six months
15 before the end of the final year of the Fund, the Fund
16 Manager will recommend an appraiser to the President of
17 the Federated States of Micronesia Development Bank. If
18 the Board of Directors of the Federated States of
19 Micronesia Development Bank approves the recommendation,
20 the appraiser will be hired. If it does not, the matter
21 will be decided by the arbitration panel described in
22 the contract between the Investors and the Fund
23 Manager."

24 Section 5. Section 425 of title 30 of the Code of the
25 Federated States of Micronesia, as enacted by Public Law No.

