

CHAPTER 12**FSM Airline Corporation****SECTIONS**

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§ 1225. Accounts and records.**§ 1201. Short title.**

This chapter may be cited as the "Federated States of Micronesia Airline Corporation Act of 1987."

Source: PL 4-101 § 1.

Editor's note: The title of this chapter has been shortened by replacing "Federated States of Micronesia" with "FSM".

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§ 1202. Establishment of Corporation.

The Federated States of Micronesia Airline Corporation is hereby established as a public corporation under the laws of the Federated States of Micronesia. It may be hereinafter referred to as the "the Corporation."

Source: PL 4-101 § 2.

§ 1203. Powers and responsibilities of the Corporation.

The Corporation has the following powers and responsibilities:

- (1) to be the flag carrier of the Federated States of Micronesia, providing air transportation services throughout the Nation;
- (2) to contract with domestic and foreign persons and corporations for the provisions of aircraft and services;
- (3) to operate international and domestic air transportation services;
- (4) to train citizens as pilots and for other related professions;
- (5) to act as a "Freely Associated State Air Carrier" within the meaning of the Federal Program and Services Agreement concluded pursuant to the Compact of Free Association;
- (6) to engage in support activities; including, but not limited to, freight terminal and delivery activities and passenger services; and
- (7) to enter into joint ventures with other entities in order to effectuate its operations.

Source: PL 4-101 § 3.

§ 1204. Legal capacity of the Corporation.

In performing the functions authorized by this chapter or other law of the Federated States of Micronesia, the Corporation shall have the capacity to exercise all powers normally exercised by a corporation, including, but not limited to, the following:

- (1) to adopt, alter, and use a corporate seal;
- (2) to adopt and amend bylaws governing the conduct of its business and the exercise of its powers;
- (3) to sue and be sued in its corporate name;
- (4) to acquire, in any lawful manner, real, personal, or mixed property, either tangible or intangible; to hold, maintain, use, and operate such property; and to sell, lease, or otherwise dispose of such property;
- (5) to acquire and take over in any lawful manner the business, property, assets, and liabilities of any entity;
- (6) to borrow or raise any sum or sums of money and to issue corporate bonds on such security and upon such terms as may from time to time be deemed necessary for the expansion and improvement of air transportation services;
- (7) to retain and terminate the services of employees, agents, attorneys, auditors, and independent contractors upon such terms and conditions as it may deem appropriate; and
- (8) to do all such other things as may be deemed incidental to or conducive to the attainment of the responsibilities of the Corporation.

Source: PL 4-101 § 4.

§ 1205. Debts and obligations of the Corporation.

Unless otherwise provided by law, the debts and obligations of the Corporation shall not be debts or obligations of the Government of the Federated States of Micronesia, nor shall the Government of the Federated States of Micronesia be responsible for any debts or obligations.

Source: PL 4-101 § 5.

Cross-reference: The statutory provisions on the President and the Executive are found in title 2 of this code.

§ 1206. Tax liability.

The Corporation shall exist and operate solely for the benefit of the public and shall be exempt from any taxes or assessments on any of its property, operations, or activities. Nothing in this chapter shall be deemed to exempt employees and independent contractors of the Corporation from tax liability for services rendered to the Corporation; and the Corporation shall be liable for employers' contributions to the Social Security System of the Federated States of Micronesia in the manner provided by law.

Source: PL 4-101 § 6.

Cross-reference: The statutory provisions on Taxation and Customs are found in title 54 of this code. The statutory provisions on Social Security and Prior Service Benefits are found in title 53 of this code.

§ 1207. Board of Directors—Establishment.

The affairs of the Corporation shall be managed and its corporate powers exercised by a Board of Directors, hereinafter referred as the "Board."

Source: PL 4-101 § 7; PL 5-25 § 1.

§ 1208. Board of Directors—Composition.

The Board shall be composed of five members. Five members shall be appointed by the President of the Federated States of Micronesia with the advice and consent of the Congress.

Source: PL 4-101 § 8; PL 8-108 § 1.

Cross-reference: The statutory provisions on the President and the Executive are found in title 2 of this code. The statutory provisions on the FSM Congress are found in title 3 of this code.

§ 1209. Board of Directors—Organizational meeting.

(1) Within 60 days of the confirmation of all members of the Board, as set forth in section 208 of this chapter, and annually thereafter on such dates as are set by the Board, the Board shall meet to select its officers and to conduct such other business as it shall deem advisable.

(2) At the first such meeting, the appointed members of the Board shall determine by lot of the length of their initial terms, with two members serving initial terms of one year, two serving initial terms of two years, and two serving initial terms of three years.

Source: PL 4-101 § 9, modified.

§ 1210. Board of Directors—Terms of office.

Terms of office shall be for a period of three years, except that the initial terms of office and the filling of vacancies shall be as provided by this chapter. The terms of office shall commence on the date of the organizational meeting of the Board.

Source: PL 4-101 § 10.

§ 1211. Board of Directors—Vacancies.

(1) Each vacancy on the Board shall be filled for the unexpired portion of the term in the same manner as originally filled. Upon determination that a vacancy exists, the chairman or, in his absence, the presiding officer of the Board shall issue a notice of vacancy to all members of the Board and the parties responsible for filling the vacancy.

(2) Any vacancy occasioned by failure to make a nomination to the Congress or a State legislature prior to the expiration of the previous term, or by failure to submit a nomination within 60 days of receipt of notice that a vacancy exists, or within ten days of receipt of notice of rejection of a nomination, shall be filled by nomination of the Speaker of the Congress or the Speaker of the State legislature, subject to advice and consent of the Congress or the legislature or an authorized committee thereof. The nomination of the President or the Governor shall be entitled to consideration if such nomination is made prior to that of the Speaker.

Source: PL 4-101 § 11, modified.

Cross-reference: The statutory provisions on the President and the Executive are found in title 2 of this code. The statutory provisions on the FSM Congress are found in title 3 of this code.

The official website of the Congress of the Federated States of Micronesia contains the public laws enacted by the Congress, sessions, committee hearings, rules, and other Congressional information at <http://www.fsmcongress.fm/>.

§ 1212. Board of Directors—Removal.

(1) Members of the Board may be removed from the Board for failure to attend three consecutive meetings of the Board.

(2) A member may be removed by a majority vote of all other members of the Board for neglect of duty or malfeasance in office. Notification of intent to call for removal pursuant to this subsection shall be made at least 30 days in advance, by means which shall be described in the bylaws of the Corporation, and shall include a summary of the basis of the charges against the member and identification of the witness to be called and evidence to be used.

(3) The Supreme Court of the Federated States of Micronesia shall have jurisdiction to hear claims of wrongful removal.

Source: PL 4-101 § 12, modified.

§ 1213. Board of Directors—Officers.

The Board shall elect from among its members a chairman, vice chairman, and secretary-treasurer. The chairman shall ordinarily preside at Board meetings. In his absence the vice chairman shall preside. The bylaws shall provide for determination of the presiding officer in the absence of these officers.

Source: PL 4-101 § 13.

§ 1214. Board of Directors—Regular meetings.

Regular meetings shall be held not less than once per calendar quarter, at such times and place or places as shall be determined in the bylaws.

Source: PL 4-101 § 14.

§ 1215. Board of Directors—Special meetings.

Special meetings shall be called by the chairman on his own initiative, or by petition of two of the members, pursuant to notice as shall be provided by the bylaws.

Source: PL 4-101 § 15.

§ 1216. Board of Directors—Quorum.

A quorum of all regular business of the Board shall be four members.

Source: PL 4-101 § 16.

§ 1217. Board of Directors—Executive committee—Establishment; Meetings.

There shall be an executive committee of the Board composed of the chairman, vice chairman, and secretary-treasurer, or their individually designated substitutes chosen from among the membership of the Board. The executive committee shall meet with the chief executive officer at least once per calendar quarter at such times and places as shall be determined by the bylaws.

Source: PL 4-101 § 17.

§ 1218. Board of Directors—Executive committee—Powers.

The executive committee shall be empowered to conduct all business of the Board, except that the executive committee shall not have the authority to terminate the services of the chief executive officer, to retain the services of a new chief executive officer, to alter the senior levels of the administrative structure of the Corporation, to approve the budget of the Corporation, or to increase the indebtedness of the Corporation beyond such limits as are provided in the bylaws, without the concurrence of the Board.

Source: PL 4-101 § 18.

§ 1219. Board of Directors—Record of meetings.

The secretary-treasurer, or in his absence another member designated by the bylaws, shall keep full and accurate minutes of all meetings.

Source: PL 4-101 § 19.

§ 1220. Board of Directors—Compensation of directors.

Directors who are employees or officials of the National Government or a State government of the Federated States of Micronesia shall receive no additional compensation for their service as members of the Board. The compensation of members who are not Government employees or officials shall be determined by the Board. All members of the Board shall be entitled to compensation for travel and per diem at established Federated States of Micronesia Government rates when serving the Corporation.

Source: PL 4-101 § 20.

§ 1221. Management.

There shall be a chief executive officer of the Corporation, whose compensation, title, and term of office shall be determined by the Board. The chief executive officer shall be responsible for the management of the operations of the Corporation, and shall, in accordance with the policies established by the Board, retain, direct, and terminate the services of employees. Subject to the Board's approval, in the event that the chief executive officer is not a citizen of the Federated States of Micronesia, the chief executive officer shall select and train a citizen of the Federated States of Micronesia to take over the responsibilities of the chief executive officer as soon as feasible.

Source: PL 4-101 § 21.

§ 1222. Budget and finance officer.

The chief executive officer shall appoint, with the concurrence of the Board, a budget and finance officer, for such term as shall be provided in the bylaws of the Corporation. The budget and finance officer shall receive and disburse all funds of the Corporation. The Board may require that the budget and finance officer shall execute, at the expense of the Corporation, a good and sufficient bond with sureties authorized to do business in the Federated States of Micronesia. The budget and finance officer shall serve at all times under the direct supervision of the chief executive officer.

Source: PL 4-101 § 22.

§ 1223. Budget preparation.

The budget and finance officer shall prepare in advance of each fiscal year, under the supervision of the chief executive officer, an annual budget for the Corporation, taking into consideration anticipated capital and operational expenditures and anticipated revenues. The Corporation shall use the same fiscal calendar as that of the Government of the Federated States of Micronesia. The budget shall indicate the operational, capital, and maintenance requirements of the Corporation that will be met with the anticipated revenues of the Corporation, and such essential requirements as cannot be met without increase in the rate of revenues or outside financial assistance.

Source: PL 4-101 § 23.

§ 1224. Supplemental budget requests.

To the extent that the Corporation deems it necessary and advisable, the Corporation is authorized to seek appropriations from the Congress of the Federated States of Micronesia, and, to the extent approved by the President of the Federated States of Micronesia, grants from sources outside of the Federated States of Micronesia, of such funds as are necessary to supplement revenues to provide for the operations, maintenance, and expansion of the air transportation system of the Corporation.

Source: PL 4-101 § 24.

Cross-reference: The statutory provisions on the President and the Executive are found in title 2 of this code. The statutory provisions on the FSM Congress are found in title 3 of this code.

§ 1225. Accounts and records.

(1) The Board and the chief executive officer shall be jointly responsible to ensure that the budget and finance officer establishes and maintains a complete set of accounting records consistent with generally accepted accounting principles pertinent to the nature of the Corporation and its operations.

(2) The Board, not later than 90 days after the close of each governmental fiscal year, shall submit to the

President, the Congress, and the Governor and legislature of each State a complete report, including financial statements, prepared in accordance with generally accepted accounting principles and standards, showing the activities of the Corporation during the fiscal year, the present condition of the Corporation, and such other matters as the Board shall deem appropriate. Financial statements shall include at least a balance sheet, income statement, statement of changes in financial position, and statement of changes in capital.

(3) The financial statements of the Corporation shall be audited no less frequently than annually by either the Public Auditor or a certified public accountant selected by the Board of Directors.

Source: PL 4-101 § 25.

Cross-reference: The statutory provisions on the President and the Executive are found in title 2 of this code. The statutory provisions on the FSM Congress are found in title 3 of this code.