CORPORATIONS, PARTNERSHIPS AND ASSOCIATIONS
CHAPTER 1

PART 1. GENERAL PROVISIONS

1.1. Authority. These regulations have been promulgated and issued by the Registrar of Corporations and approved by the Attorney General and the President of the Republic of Palau in accordance with Title 12, Chapter 1 of the Palau National Code and any amendments thereto and shall have the force and effect of law.

1.2. Definitions. As used in these regulations unless the context otherwise requires, the term:

a. "Capital surplus" means the entire surplus of a corporation other than its earned surplus.

b. "Charter" means an order of the President of the Republic of Palau granting a corporation a right to conduct business in the Republic, together with the articles of incorporation and bylaws which comply with the requirements of law. It includes the original charter issued by the President of the Republic and all amendments thereto.

c. "Corporation" or "domestic corporation" means a corporation authorized by law to issue stock, organized under the laws of the Republic.

d. "Earned Surplus" means the portion of the surplus of a corporation equal to the balance of its net profits from the date of incorporation, or from the latest date when a deficit was eliminated by reduction of its capital surplus or stated capital or otherwise, after deducting subsequent distributions to stockholders and transfers to stated capital and capital surplus to the extent such distributions and transfers are made out of earned surplus. Earned surplus shall also include any portion of surplus allocated to earned surplus in mergers, consolidations or acquisitions of all or substantially all of the outstanding shares or of the property and assets of another corporation, domestic of foreign.

e. "Foreign corporation" means a corporation authorized by law to issue stock, organized under laws other than the laws of the Republic for a purpose for which a corporation may be organized under the laws of the Republic.

f. "Foreign Investment Board" means the Foreign Investment Board (FIB) of the Republic of Palau, established pursuant to Title 28 Chapter 1 of the Palau National Code.

g. "Insolvent" means inability of a corporation to pay its debts as they become due in the usual course of its business.

h. "President" means the President of the Republic of Palau.

i. "Registrar" means the Registrar of Corporations.

j. "Republic" means the Republic of Palau.

k. "Stated capital" means, at any particular time, the sum of (1) the amount of the consideration received by the corporation for all shares of the corporation having a par value that have been issued, except that any excess of such consideration over the par value of shares issued otherwise than in conversion or exchange shall be excluded, (2) the amount of the consideration received by the corporation for all shares of the corporation without par value that have been issued.

l. "Surplus" means the excess of the net assets of corporation over its stated capital.

m. "Treasury shares" means shares of a corporation which have been issued, have subsequently reacquired and belong to the corporation, and have not been effectively cancelled by the issuance of a certificate of reduction by the Registrar. Treasury shares shall be deemed to be "issued" shares, but not "outstanding" shares, and shall not be considered assets.

n. "Vice-President" means the Vice-President of the Republic of Palau.

1.3. Incorporation of Corporations.

a. A corporation for profit may be organized as provided in subparts 2.1, 2.4 to 2.7, of chapter 1, for any purpose or purposes for which individuals may lawfully associate themselves, other than for any purpose or purposes for which any corporation is now or may hereafter be required to be organized pursuant to any other chapter. A nonprofit corporation may be organized as provided in subparts 2.10 and 2.11 of chapter 1 and chapter 4 of these regulations. The terms "joint-stock company" and "joint-stock companies", as used in other parts of this chapter, mean a corporation or corporations for profit.

b. In addition to above, persons seeking a charter for corporation shall submit for approval of the President proposed bylaws governing the operation of the corporation.

1.4. Provisions Applicable to Corporations. Subparts 2.10 and 2.11 of this chapter and chapter 4 of these regulations shall not apply to corporations for profit; all other provisions of this chapter, not inapplicable and not inconsistent with subparts 2.1, 2.4 to 2.7, of chapter 1, shall apply to corporations for profit. Subparts 2.1, 2.4 to 2.7 of chapter 1, shall not apply to nonprofit corporations; all other provisions of this chapter not inapplicable and not inconsistent with subpart 2.10 and 2.11 of chapter 1 and chapter 4 of these regulations shall apply to nonprofit corporations.

1.5. Directors. The directors of every corporation shall be not less than three in number.

1.6. Incorporators. The incorporators of every corporation shall be not less than three in number.

1.7. Filing Fees. Upon submitting the documents for incorporation, the incorporators of each partnership, corporation, whether profit or non-profit, association, cooperative, and credit union shall submit a filing fee in the sum of $250.00. Such payment shall be payable in the form of a money order or check, made payable to the National Treasury of the Republic of Palau.

1.8. Requests for Information. Requests from interested parties concerning registered corporations will be honored only in the manner herein described:

a. A party may request copies of the Articles of Incorporation, Bylaws, Stock Affidavit of the Officers, and Certificate of Status of any corporation duly registered in the Republic.

b. A party may request copies of the Annual Reports only if the party is one authorized to do so under Part 5, Section 5.4 of these regulations.

1) Should the Registrar decline to provide copies of annual reports as requested, the party may file an action in the Supreme Court to compel disclosure of those records.

c. All requests for copies of documents shall be in writing, addressed to the Registrar of Corporations, P.O. Box 1365, Koror, Palau 96940. No oral requests for copies will be honored.

d. The Registrar will copy those documents he determines may be provided to the requesting party.

e. The fee for copying all documents will be Twenty Dollars ($20.00) plus One Dollar ($1.00) per page, to be paid by check or money order only and payable to the National Treasury of the Republic of Palau. Payments must be made when the copies are

provided to the requesting party.

PART 2. ORGANIZATION; POWERS

2.1. Articles of Incorporation. Any number of persons not less than three desiring to form a corporation shall execute articles of incorporation and acknowledge the same before a Clerk of the Supreme Court of the Republic or a notary public. The articles shall contain the following particulars:

a. The name of the corporation, which shall include as the last word thereof the word "Limited", "Incorporated", or "Corporation" or the abbreviation "Ltd.", "Inc." or "Corp.";

b. The place of its principal office or place of business in the Republic and also the street or mailing address of the initial office.

c. The purposes and powers of the corporation;

d. The number of shares of each class of stock that the corporation is authorized to issue, the aggregate par value, if any, of each class of stock, and the par value of each share or that the shares are without par value.

e. The number of directors, which shall be not less than three, and the names, citizenship and street or mailing addresses of the initial officers and directors;

f. If the corporation is to issue initially more than one class of stock, the preferences, privileges, powers, rights, and qualifications of the shares other than common shares having full voting rights;

g. Proposed duration;

h. Names, citizenship and street or mailing addresses of incorporators;

i. Provision for voting by stockholders;

j. Disposition of financial surplus;

k. Provisions for liquidation;

l. Provisions for amendment of articles of incorporation;

m. Whether ownership of the shares of stock is to be limited to Republic of Palau citizens only;

n. If ownership of the stock is not to be limited to Republic of Palau citizen only, what percentage of the stock will be available for the Republic of Palau citizen to purchase.

o. Any other lawful provisions which may be desired by the corporation for the purpose of defining, limiting, or regulating the powers of the corporation and the powers and duties of its board of directors.

2.2. Name. No corporation shall take a name (whether of a person or not) identical with the name of any corporation or copartnership previously authorized to do business and doing business under the laws of the Republic or with any trade name previously registered under the laws of the Republic or so nearly similar thereto as to lead to confusion and uncertainty.

2.3. Reservation of Name. The exclusive right to the use of a corporate name may be reserved by any person intending to organize a corporation under this chapter by any domestic corporation intending to change its name, by any foreign corporation intending to do or carry on any business in the Republic or to take, hold, sell, demise or convey real estate or any other property therein, by any foreign corporation authorized to do or carry on any business in the Republic or to take, hold, sell, demise, or convey real estate on any other property therein and intending to change its name, or by any person intending to organize a foreign corporation and intending to have the corporation authorized to do or carry on any business in the Republic or to take, hold, sell, demise, or convey real estate or any other property therein. Reservation shall be made by filing with the Registrar an application in such form as the Registrar may prescribe to reserve a specified corporate name. If the Registrar finds that the name is available for corporate use, he shall reserve the name for the exclusive use of the applicant for a period of thirty days. The right to exclusive use of a specified corporate name so reserved may be transferred to any other person or corporation by filing in the office of the Registrar a notice of the transfer executed by the applicant for whom the name was reserved and specifying the name and address of the transferee.

2.4. Articles of Incorporation, Charters, Amendments, Filed and Recorded Where. The articles of incorporation and charter, and any subsequent amendments thereto, shall be filed with the Registrar and, if in compliance with the requirements of these regulations and the statute, shall be accepted for record.

2.5. Affidavit. An affidavit sworn to under penalty of perjury by the president, secretary and treasurer of the corporation as named in the articles of incorporation at the time of filing the article shall be filed in the office of the Registrar. The affidavit shall set forth the following information:

a. The number of authorized shares of the stock of each class of the proposed corporation;

b. The par value of such shares as have par value;

c. The names of the subscribers for shares of each class;

d. The number of shares of each class subscribed for by each subscriber;

e. The subscription price or prices for the shares of each class subscribed for by each subscriber, and if it is to be paid in other than cash, the consideration in which it is to be paid.

f. The amount of capital and paid-in surplus, if any, paid in by each subscriber, separately stating the amount paid in cash and in property.

If it appears from the affidavit that more than fifty percent of the aggregate authorized capital stock of the corporation upon its incorporation is to be issued for a consideration other than cash, or for the acquisition of the assets and business of any existing enterprise, the affidavit shall also contain a summary description of the consideration or the assets and business to be acquired as the case may be, and net valuation thereof.

2.6. Proof of Paid-In Capital. Bank statement, receipts, or other documentation of amount paid into the corporation as paid-in capital.

2.7. Powers and Liabilities. On the filing of the articles of incorporation and the affidavit required to be filed concurrently therewith, the persons who have subscribed the articles, their associates, successors, and assigns, shall thereafter be deemed to be and be a body corporate by the name and style provided in the articles and shall have succession and corporate existence for such period of duration as agreed upon, which may be perpetual; shall have all of the powers and be subject to all of the liabilities provided by law for corporations; and shall be subject to all laws then in effect thereafter enacted in regard to corporations.

2.8. Capital Necessary to Engage in Business; Liability of Directors. No corporation for profit shall upon the incorporation thereof engage in business in the Republic until three-fourths of its authorized capital stock has been subscribed for nor until ten percent of its authorized capital stock has been paid in by the acquisition of cash or by the acquisition of property of a value equal to ten percent of the authorized capital stock nor until the affidavit or affidavits required by subpart 2.5 of chapter l, have been filed, provided that in no case shall any corporation for profit upon the incorporation thereof engage in business in the Republic until not less than $1,000 of its

authorized capital stock has been paid in by the acquisition of cash or by the acquisition of property of a net value of not less than $1,000. In case of any violation of this section by any corporation, the incorporators and the directors thereof at the time the corporation commences to engage in business shall in their individual and private capacities be jointly and severally liable to the corporation and the stockholders and creditors thereof in the event of its bankruptcy or insolvency or in the event of its dissolution for any loss suffered by the corporation or its stockholders or creditors.

2.9. Officers. The officers of a corporation for profit shall consist of a president, one or more vice-presidents as may be prescribed by the bylaws, a secretary, and a treasurer, each of whom shall be elected or appointed by the board of directors at such time and in such manner as may be prescribed by the bylaws. Such other officers and assistant officers and agents as may be deemed necessary may be elected or appointed by the board of directors or chosen in such other manner as may be prescribed by the bylaws. Any two or more offices, except those of president and secretary, may be held by the same person.

All officers and agents of the corporation, as between themselves and the corporation, shall have such authority and perform such duties in the management of the corporation as may be provided in the bylaws, or as may be determined by resolution of the board of directors not inconsistent with the bylaws.

2.10. Nonprofit Corporations; Charter Grant of. The Registrar may grant to all applicants who file petitions in conformity with part 2.11 of chapter 1, charters of incorporation for the establishment and conduct of any lawful purpose, except the carrying on of a business, trade, avocation, or profession for profit. A non-profit corporation for the purposes of these regulations is a corporation, association, club, society, trust, league, or other such organization not organized for profit and no part of the net earnings of which inures, directly or indirectly, to the benefit of any shareholder or individual, and shall include any entities considered to be non-profit for the purposes of the Foreign Investment Act of Title 28 of the Palau National Code. Any entity holding a corporate charter as a non-profit organization shall be required to acquire all necessary permits and pay certain fees and taxes as required by appropriate governmental agencies, including but not limited to the Bureau of Revenue, Customs and Taxation. Any charter granted or corporation created under authority of this part shall be subject to all general laws enacted in regard to corporations, and shall file with the Registrar from time to time, whenever changes occur, the names and addresses of the officers of the corporation.

2.11. Nonprofit corporations; Petition for Charter. Any number of persons not less than three, a majority of whom are residents of the Republic, desiring to obtain a charter of incorporation for the purposes set forth in subpart 2.10 of chapter 1, shall sign, verify, and file a petition with the Registrar. The petition shall be accompanied by the proposed form of charter of incorporation

which shall contain the following particulars:

a. The name of the corporation;

b. The location of the proposed corporation and specific address of its initial office.

c. The purpose or purposes for which the corporation is organized;

d. The period of duration, which may be perpetual;

e. The number, names, citizenship, and residence addresses of the initial officers and directors, or similar officers;

f. Any provisions, not inconsistent with law, which the petitioners elect to set forth in the charter of incorporation for the regulation of the internal affairs of the corporation including any provisions for the distribution of assets on dissolution of final liquidation;

g. That the corporation is not organized for profit and that it will not issue any stock, and no part of its assets, income, or earnings shall be distributed to its members, directors, or officers, except for services actually rendered to the corporation, and except upon liquidation of its property in case of corporate dissolution.

2.12. Extension and Renewals of Charters and Articles. The Registrar shall at any time not more than fifteen years before the expiration of any articles of incorporation or charter of any corporation extend the duration of the same, and shall at any time not more than five years after the expiration of any articles of incorporation or charter renew the same, in each case for such period of extension or renewal as is agreed upon, which may be perpetual, and in each case on application to him for that purpose, upon the filing in his office of a verified certificate signed by any two authorized officers of the corporation, showing that the proposed extension or renewal has been approved by the vote of the holders of not less than two-thirds of all its issued and outstanding shares of stock, voting without regard to class, at a meeting duly called and held for the purpose, or, in the case of a nonstock corporation, by the vote of not less than two-thirds of the members present at a duly called meeting thereof; provided, that no extension of the charter of a nonprofit corporation shall become effective until the same is allowed by the Registrar.

2.13. Amendments of Articles. Subject to the provisions set forth in this part, the articles of incorporation or charter of any corporation may be amended by the vote of the holders of not less than two-thirds of all of its stock issued and outstanding and having voting power, or by such larger vote as may be required by the articles of incorporation or charter at a meeting duly called and held for the purpose, or, in case of nonstock corporation, by the vote of not less than

two-thirds of the members present at a meeting duly called and held for the purpose. No amendment shall be effective unless there is filed in the office of the Registrar a verified certificate, signed by any two authorized officers of the corporation, setting forth the amendment by stating that the articles of incorporation or charter has been amended to read as set forth in the certificate in full or by stating that any provision of the articles of incorporation or charter, which shall be identified by the numerical or other designation thereof in the articles of incorporation or charter or by stating the wording thereof, has been amended to read as set forth in the certificate, and certifying that the amendment was adopted by the required vote as aforesaid at a meeting duly called and held for the purpose. Any amendment so adopted shall become effective and the articles of incorporation shall be amended on the date of filing of the certificate of amendment or on such later date as specified in the certificate of amendment. Any provision of this part to the apparent contrary notwithstanding, (1) no amendment shall confer any other or greater powers or privileges than could lawfully be conferred or obtained in the original articles of incorporation or charter, (2) no amendment changing the name of the corporation shall become effective until the Registrar has determined that the amendment is not in conflict with subpart 2.2 of chapter 1, (3) no amendment to the charter of a nonprofit corporation shall become effective until the same is allowed by the Registrar, and (4) if an amendment would make any change which would adversely affect the rights of the holders of shares of any class, then the holders of each class of shares so affected by the amendment shall be entitled to vote as a class upon the amendment, regardless of other limitations or restrictions on the voting power of the class, and in addition to the vote otherwise required, a vote of the holders of two-thirds of each class so affected by the amendment shall be necessary to the adoption thereof. There may be filed in the office of the Registrar at any time a copy, verified by any two officers of the corporation by authority of its board of directors, of the articles of incorporation or charter of the corporation restated to include all amendments to and including the date of the verification and upon filing the restated articles of incorporation shall be and become the articles of incorporation or charter of the corporation.

2.14. Same Preemptive Rights. The articles of incorporation of any corporation for profit may deny, limit, or restrict, or may be amended so as to deny, limit, or restrict, the right of the stockholders of the corporation, which may exist by virtue of the common law or by virtue of provisions in the existing articles of incorporation or charter, to subscribe for additional shares of stock, whether then or thereafter authorized; provided, that the amendment of the articles of incorporation or charter of the corporation shall be made in accordance with subpart 2.13 of chapter 1. No amendment authorized by this part shall be construed as a limitation or restriction on any other amendment or amendments that might otherwise be permitted by law.

2.15. Implied Powers. Every corporation created under this chapter may possess and exercise any and all powers, not inconsistent with any existing law, set forth in its articles of incorporation or charter or reasonably incidental to the fulfillment of its purposes set forth in its articles of incorporation or charter or reasonably incidental to the exercise of its powers as set forth therein.

Part 2 CORPORATION REGULATIONS
Chapter 1

2.16. Power to Hold Title To Land. Only corporations wholly owned by citizens of the Republic of Palau may hold title to land in the Republic.

2.17. Power of Corporations to Acquire Hold and Dispose of Their Own Shares. A corporation may purchase shares of stock issued by it under any or all of the following circumstances:

a. To collect or compromise in good faith a debt, claim, or controversy with any stockholder of the corporation; or

b. From a stockholder or stockholders of the corporation who, by reason of dissent from any proposed corporate action, is or are entitled pursuant to statutory provisions to receive the value of the shares; or

c. From officers or employees of the corporation who have purchased shares from the corporation under agreements reserving to the corporation the option to repurchase or obligating it to repurchase the shares; provided, that no purchase shall be made when the value of the assets of the corporation is less than the amount of its debts or when the effect of the purchase would be to reduce the value of the assets of the corporation to less than the amount of its debts. A corporation may also purchase shares of stock issued by it by the use of any surplus of the corporation, including paid-in surplus and surplus created by a reduction of capital stock. A corporation shall not purchase, directly or indirectly, any shares of stock issued by it, except as permitted by this part. Nothing in this part shall be construed to prohibit shares being forfeited to a corporation for delinquent assessments or nonpayment of the subscription price therefor or to prohibit a corporation from acquiring shares of its own stock by gift or bequest or upon a merger or consolidation with or by distribution of the assets of another corporation or to prohibit a corporation by provisions in its charter or articles of incorporation or bylaws from setting forth additional legal restrictions on its power to purchase shares of stock issued by it.

Shares of its own stock acquired by a corporation shall be carried as treasury stock unless or until the shares are retired upon reduction of capital pursuant to subpart 3.14 of chapter 1. The shares, while held by the corporation, shall not carry voting or dividend rights and shall not be counted as outstanding shares for the purpose of determining any quorum or vote or for any other purpose and shall not be counted as assets for the purpose of computing a surplus available for dividends or the purchase of charges of stock issued by the corporation or the making of any other distributions to the stockholders.

Subject to any restrictions which may be set forth in its charter or articles of incorporation or bylaws, any shares of its own stock held by a corporation may be sold from time to time to such person or persons and for such consideration and upon such terms and

conditions as may be determined from time to time by the board of directors.

2.18. [sic] Except as otherwise provided, no corporation shall be deemed to possess the power of discounting bills, notes or other evidence of debt, or receiving deposits, or buying gold, silver, bullion, or foreign coin, buying and selling exchange, or issuing notes or other evidence of debt, except so far as the exigencies of the particular business for which it was incorporated require. Nor shall any corporation, unless authorized by express enactment of law, issue bills or other evidences of debt for circulation as money.

2.19. Power Prohibited: Pledge of Stock. No corporation created under the laws of the Republic shall pledge or hypothecate any of the charges of its unissued capital stock or in any manner dispose of the same as collateral security. Any attempted pledge, hypothecation, or disposition shall be void.

2.20. Voluntary Transfer of Corporate Assets: Notice to Stockholders. A voluntary sale, lease, or exchange of all or substantially all of the property and assets of any domestic corporation, including its good will, may be authorized by it upon such terms and conditions and for such consideration (which may be in whole or in part shares of stock in or other securities of, any other corporation or corporations, domestic or foreign) as its board of directors deems expedient and for the best interests of the corporation, when an as authorized or approved by the affirmative vote or consent of the holders of not less than three-fourths of all stock issued and outstanding and having voting power, or if it be a nonstock corporation, the affirmative vote or consent of three-fourths of its members. The authorization or approval of the stockholders may be given before or after the adoption of the resolution by the board of directors. The articles of incorporation or charter may require the authorization or approval of a larger proportion of the stockholders or members or the separate authorization and approval of three-fourths or a larger proportion of any class or classes of stockholders, and in that case the authorization or approval of the larger number of stockholders or members shall be required as provided in the articles of incorporation or charter.

Such sale, lease or exchange shall require the prior approval of the Registrar, to be evidenced by his certificate of approval. Notice of the meeting of stockholders or members called for the purpose of giving the authorization or approval shall be mailed to all of the stockholders or members of record of the corporation on the date of the call, whether or not they are entitled to vote thereat.

[sic] Enforcement; scope of application. No action or suit to set aside a sale, lease, or exchange by a corporation on the ground that this part has not been complied with, or upon any other ground, shall be brought more than ninety days after the issuance by the Registrar of the certificate of approval. Nothing in this part shall be deemed to require the approval of the

stockholders except as may be required by the articles of incorporation or bylaws to enable a corporation to make a mortgage, pledge, assignment, or transfer of all or any part of its assets as security for any obligation or liability of any kind or nature or to make a transfer to satisfy or partially satisfy any obligation or liability.

2.21. Accounts and Records. Every corporation shall keep correct and complete books and records of account and shall keep and maintain at its principal office, or such other place as its board of directors may order, minutes of the proceedings of its members or shareholders and board of directors, the books and records of account receipts, disbursements, gains, losses, capital, and surplus. The minutes of the proceedings of the shareholders or members and board of directors of the corporation shall show, as to each meeting of the shareholders, members, or the board of directors, the time and place thereof whether regular or special, whether notice thereof was given, and if so in what manner, the names of those present at directors' meetings, the number of shares or members present or represented at stockholders' or membership meetings, and the proceedings of each meeting.

PART 3. CAPITAL STOCK

3.1. Stock Book; Contents, Examination of, Evidence. In every joint-stock company incorporated under this chapter, the trustees, as managers or directors of the company, shall cause a book to be kept for registering the names of all persons who are or shall become stockholders of the corporation, showing the number of shares of stock held by them respectively, and the time when they respectively became the owners of the shares. The book shall be open at all reasonable time for the inspection of the stockholders. The secretary or the person having the charge thereof shall give a certified transcript of anything therein contained to any stockholder applying therefor provided that the stockholder pays a reasonable charge for the preparation of the certified transcript. The transcript shall be legal evidence of the facts therein set forth in any suit by or against the corporation.

3.2. Certificate; Form. Every certificate of stock issued by any corporation shall plainly state: (1) the name of the record holder of the shares represented thereby; (2) the number, designation, if any, and class or series of shares represented thereby; (3) the par value, if any, of the shares represented thereby, or a statement that the shares are without par value; (4) if the corporation has issued shares of preferred stock in addition to shares of common stock, a summary of the preferred stock or a statement of the place or places where the information may be obtained; (5) restriction on sale of shares of stock to non-citizens of the Republic, if the corporation is to be a wholly Republic citizen owned corporation.

3.3. Issuance of Certificates of Stock. A certificate of stock shall not be issued until the shares

represented thereby have been fully paid for.

3.4. Certificate, Execution of. Every certificate of stock issued by any corporation shall be executed by being sealed with the corporate seal and by being signed on behalf of the corporation by the president or a vice-president and by the secretary or the treasurer or an assistant secretary or an assistant treasurer of the corporation.

3.5. Delinquent Assessments, Sale For. The directors of any incorporated company may sell at public auction a sufficient number of shares of any stockholder who neglects to pay any assessment duly levied upon the shares, until the whole par value has been paid in. Before making the sale, a notice of ten days shall be given to delinquent stockholders residing in the Republic, and a notice of intention to sell published for three weeks in the case of delinquent stockholders residing outside of the Republic.

3.6. Consideration of Shares. No corporation shall issue any share of stock whether with or without par value, except in consideration of any one or any combination of more than one of the following:

a. Money paid;

b. Labor done;

c. Services actually rendered;

d. Debts or securities cancelled;

e. Tangible or intangible property actually received;

f. Amounts transferred to capital from any surplus of the corporation upon the issue of shares as a stock dividend.

Nothing in this part shall be construed to limit the power of any corporation to split up or subdivide or redivide its shares into a greater of lesser number of shares without transferring surplus to stated capital.

3.7. Consideration for Shares Having Par Value. No corporation shall issue any share of stock having a par value, other than as a stock dividend of as a result of a stock split or in respect of a convertible security, for any consideration, whether cash, labor done, services actually rendered, debts or services cancelled, or tangible or intangible property actually received, the value of which is less than the par value of the share. Nothing in this part shall prevent any corporation

from making or paying bona fide underwriting discount or commission or otherwise assuming and paying the cost of the issue and distribution of any share or shares of stock.

3.8. Stock, Classes. Any corporation incorporated under the laws of the Republic with power to issue stock may issue two or more classes of stock with such terms, preferences, voting powers, restrictions, and qualifications thereof as shall be fixed in its articles of incorporation or charter (either as originally executed by the incorporators or as from time to time amended) or as shall be fixed by a resolution authorizing the issue thereof adopted by the affirmative vote of the holders of two-thirds of all if its stock or, if two or more classes of stock have been issued, of the holders of two-thirds of each class of stock outstanding and entitled to vote. The articles of incorporation or charter (either as originally executed by the incorporators or as from time to time amended) may authorize the board of directors to issue authorized and unissued shares of any class and to divide authorized and unissued shares of any class into series and issue any such series and to fix the terms, preferences, voting powers, restrictions, and qualifications of any class or series of any class. Whenever the terms, preferences, voting powers, restrictions, and qualifications are fixed by resolution of the board of directors or stockholders without amendment to the articles of incorporation or charter, a certified copy of the resolution shall be filed in the office of the Registrar. The corporation may provide, by its articles of incorporation or by the affirmative vote of the holders of two-thirds of all of its stock or, if two or more classes of stock have been issued, of two-thirds of each class of stock outstanding and entitled to vote, that any of its authorized shares, issued or unissued, with or without par value, shall be convertible at the option of the holders thereof into shares with or without par value of any other class or classes or of any other series of the same class upon such terms and conditions and with such limitations as may be fixed in the articles of incorporation or in the resolution or, if the articles of incorporation or the resolution authorizes the board of directors, to fix before issuance the terms and conditions with or without limitations on which any class of stock or any series of any class of stock which may be issued in series shall be so convertible, then upon such terms and conditions and with such limitations as may be fixed by the board of directors; provided, that no convertible shares so authorized shall be issued nor shall issued shares be changed into convertible shares nor shall the conversion privileges of issued convertible shares b exchanged unless, at the time of the issuance or the change in issued shares, the capital represented by the convertible shares plus the additional value, if any, which must be paid upon conversion, is at least equal to the consideration required by law for the shares to be issued pursuant to the conversion.

3.9. Shares Without Par Value.

a. Any corporation organized under the laws of the Republic, may issue shares of stock with par value or shares of stock without par value or both, of any class or classes, to the extent that the articles of incorporation so permit; provided, that no corporation may have shares of a class with par value and also shares of the same class without par value. In

case of the issue of two or more classes of stock, if any or all thereof are without par value, then the preferences, voting powers, restrictions, and qualifications thereof shall be set forth in the articles of incorporation or shall be determined as provided in subpart 3.7 of chapter 1. Where the articles of incorporation permit the issuance of shares without par value, the statement in the articles of incorporation of the amount of the capital stock of the corporation and of the limit of the extension thereof shall state the number of shares of stock without par value and the limit of the extension of the number of shares, and may not but need not, contain provisions relating to the consideration or considerations for which shares without par value may be issued and relating to the capital to be attributable to shares without par value.

b. Amendment of articles. Any corporation may, by amendment to its articles of incorporation, change the shares of any class with par value, whether totally issued or partly unissued, into the same or a different number of shares without par value, and likewise may change the shares of any class without par value, whether totally issued or partly unissued, into the same or a different number of shares with par value; provided that in connection with any such change the capital of the corporation shall not be reduced without complying with subpart 3.14 of chapter 1.

c. Issuance. Subject to any restrictions in the articles of incorporation authorized but unissued shares without par value (whether originally authorized as such or whether changed from unissued shares with par value) may be issued from time to time for such consideration or considerations as may have been approved at a meeting duly called and held for the purpose by the holders of a majority of the then issued and outstanding shares of each class of the corporation, or as may have been approved by the board of directors, either when acting under authority granted at any such meeting by the holders of a majority of the then issued and outstanding shares of each class or when acting under authority granted in the articles of incorporation; provided, that shares without par value issued upon the incorporation of a corporation may be issued for such consideration as may be approved by the incorporators prior to the filing of the articles of incorporation; provided, further, that the total consideration received for all the shares without par value issued upon the incorporation of a corporation shall include not less than $1,000 in cash.

d. Consideration for; capital or paid-in surplus; statement to be filed. Whenever shares of stock without par value are issued by any corporation, the consideration received and to be received by the corporation for the issuance thereof shall constitute capital of the corporation; provided, that if the articles of incorporation, or the stockholders at a meeting and by the vote specified in subpart (c) of this part of the board of directors either when acting pursuant to authority granted by the stockholders at such meeting and by such vote or when acting pursuant to authority granted in the articles of incorporation,

provides or determines that a portion of such consideration shall be treated as paid-in surplus, then the portion so provided or determined shall be paid-in surplus and the remainder only shall constitute capital as aforesaid. The total capital attributable to all the shares without par value issued upon the incorporation of a corporation shall not be less than $1,000. Whenever shares of stock without par value are issued for consideration other than cash, the authority (stockholders or board of directors or incorporators) which provides for the issuance of the shares shall determine the value of consideration, and the value so determined shall constitute capital with respect to the shares except to the extent that any portion thereof may be determined to be paid-in surplus as above provided. In case the value of the consideration has not been honestly and reasonably determined and in case the actual value thereof was less than the determined value, then the shares issued for such consideration shall not be fully paid until the corporation receives, in addition to such consideration, the difference between the actual value thereof and the determined value thereof. Whenever issued shares with par value are changed into shares without par value pursuant to subpart (b) of this part, the total par value of the shares so changed shall constitute capital of the corporation, attributable to the shares without par value into which they are changed. In case a corporation pays a stock dividend, in shares of its stock without par value, the board of directors shall, in connection with the declaration of the stock dividend, determined the amount and type of the surplus of the corporation which is capitalized by the issuance of the stock dividend subject however to any restrictions in the articles of incorporation. The board of directors, subject to any restrictions in the articles of incorporation, may b resolution at any time and from time to time increase the capital attributable to shares without par value by transferring to capital any surplus, however acquired or accumulated, in such amount and type as the board of directors shall determine, and in any case the amount of surplus so transferred shall then and thereafter be added to and constitute a part of the capital of the corporation attributable to its shares of stock without par value. The capital of a corporation attributable to shares of its stock without par value, determined as aforesaid, may be reduced in the manner and with the effect provided in subpart 3.14 of chapter 1.

Whenever a corporation issues shares without par value it shall within thirty days after the issuance thereof file a statement in the office of the Registrar showing the consideration received upon the issuance thereof in such detail as is required by the Registrar, and showing the portion, if any, of the consideration which constitutes paid-in surplus. Any corporation with shares without par value outstanding shall within sixty days after the close of each fiscal year file in the office of the Registrar, in addition to the annual exhibit required by subpart 5.5, a balance sheet which shall disclose, in such detail as is required by the Registrar, the assets and the liabilities of the corporation and the amount of the capital and the amount of the paid-in surplus of the corporation as of the close of the fiscal year. Each statement and balance sheet filed pursuant to the foregoing provisions

shall be sworn to by an officer of the corporation. The statements and balance sheets in the office of the Registrar shall be available for examination by the public.

e. Rights in dividends and assets, etc. All fully paid shares of stock without par value of the same class shall be entitled to the same dividends and to the same assets upon dissolution and shall have the same preferences, voting powers, restrictions and qualifications, notwithstanding that some of the shares may have been issued for different consideration than others.

f. Rights, if consideration is not fully paid in. When the total amount of the consideration for which a share of stock without par value is issued has been received by the corporation, or is in the possession of the corporation when the share is issued as a stock dividend or upon a change of shares, the share shall be fully paid and nonassessable, except as provided in the subpart (d) of chapter 1. Until any share of stock without par value is fully paid, the corporation and the creditors thereof shall have the same full rights to enforce the payment thereof and other remedies in connection therewith as in the case of par value shares.

g. Content of certificate. Every certificate representing shares without par value shall state that the shares represented thereby are without par value. In case of an increase in the capital of a corporation with or by the issuance of shares without par value, the certificate of increase provided for in part 3.13 of chapter 1, need not show the matters required by item (4) in that part. All other provisions of this chapter shall apply to corporations with shares without par value to the same extent that they apply to corporations with only par value shares.

3.10. Shares are Personal Property. The shares of the several members in the stock of any incorporated company, whether owning real estate or otherwise, shall be deemed personal property.

3.11. Transfers of Stock Sold. Pledged, Assigned, or Hypothecated Prior to Attachment or Execution. No attachment or execution laid or levied upon the shares of any defendant in the capital stock of a corporation standing on its books in his name shall in any way affect the right, title or interest therein which has therefore been acquired by any bona fide purchaser to whom or to whose agent the certificate therefor has been delivered prior to the laying of levying of the attachment or execution, or by any bona fide pledgee to whom or to whose agent the certificate therefor has been delivered prior to the laying or levying of the attachment or execution: and in case, prior to the laying or levying of the attachment of execution, the shares have been pledge with and the certificate therefor has been delivered as aforesaid to a bona fide pledgee and the shares also have been assigned or hypothecated to a bona fide assignee, subject to the pledge,

then the attachment or execution shall not in any way affect the right, title, or interested therein of the benefit assignee. The lien of any attachment or execution upon the shares of any defendant in the capital stock of the corporation standing on its books in his name shall be superior to the rights of any purchaser from or creditor of the defendant, except as is otherwise expressly provided in this parts.

Purchaser. A bona fide purchaser, upon filing with the corporation an affidavit stating the date or dates of the payment of the purchase price therefor, the terms and conditions under which the stock was purchased, the balance of the amount, if any, owed upon the same at the exact time the attachment or execution was laid or levied upon the stock, and stating that the certificate therefor was delivered to him or his agent properly indorsed prior to the day, hour, and minute that the attachment or execution was laid or levied, and certifying that a true and correct copy of the affidavit has been served upon the plaintiff or his attorney of record prior to filing the same with the corporation, giving exact time and place of the service and stating the name or names of the person or persons upon whom the same was served, shall be entitled to a transfer into his name or the name of his nominee of the shares of stock so purchased and indorsed and delivered to him; provided, that if any amount is due on account of the purchase price of the stock at the time the attachment or execution was laid or levied, the lien of the attachment or execution shall extend to and continue upon the balance of the purchase price. The balance of the purchase price, or such portion thereof as may be necessary to pay and satisfy the judgment, shall be withheld and paid to the levying officer on the levy of execution in the action if then due, and if not then due shall be paid to the levying officer when the same thereafter becomes due.

Pledgee. A benefit pledgee, upon filing with the corporation an affidavit that the certificate representing the stock was delivered to him or his agent properly indorsed prior to the day, hour and minute of the attachment or execution as security for a debt or other obligation owed by the defendant to the pledgee and stating the nature of the obligation and, if the same is a debt, the amount thereof, and certifying that a true and correct copy of the affidavit has been served upon the plaintiff or his attorney of record prior to filing the same with the corporation, giving the exact time and place of the service and stating the name or names of the person or persons upon whom the same was served, shall be entitled to a transfer of the shares of stock into his name as pledgee or to his nominee or into the name of a purchaser from the pledgee. The transfer made to a pledgee shall not operate to defeat the lien or levy of the attachment or execution upon the equity or interest of the defendant in the stock or its proceeds, but the lien shall continue and the plaintiff shall have the right, upon the payment to the pledgee when due of the amount for which he is holding the stock as security and also upon the payment to any junior assignee entitled to the protection of the next succeeding paragraph hereof of the amount when due for which the stock has been assigned or hypothecated to the junior assignee, to secure the delivery of the stock and at the sale thereof under execution to reimburse himself out of the net proceeds thereof, first, for the amount paid to the pledgee, next, for the amount paid to any junior

assignee pursuant to the next succeeding paragraph hereof, and next for the debt, principal, and interest, for which the execution was levied; and, in the event that the plaintiff does not elect to pay the amount or amounts as aforesaid, then the equity or interest of the defendant in the stock or its proceeds may be sold upon execution.

Junior assignee. In case, prior to the laying or levying of the attachment or execution, the shares have been pledged with and the certificate therefor has been delivered to a bona fide pledgee and the shares also have been assigned or hypothecated to a bona fide assignee subject to the pledge as security for any debt or obligation junior to the pledge, then the bona fide assignee, upon filing with the corporation an affidavit that the stock was so assigned or hypothecated, subject to the pledge, prior to the day, hour, and minute of the attachment or execution as security for a debt or other obligation owed by the defendant to the assignee and stating the nature of the obligation and if the same is a debt, the amount thereof, and certifying that a true and correct copy of the affidavit has been served upon the plaintiff or his attorney of record prior to filing the same with the corporation, giving the exact time and place of the service and stating the name or names of the person or persons upon whom the same was served, shall be entitled to the protection of his junior lien upon such stock as herein provided.

Liability. The corporation making the transfer shall be free from all liability on account of any such transfer. The liability, if any, if the transfer has been improperly made shall be against the defendant, purchaser, pledgee, or indorsee, as the case may be, securing the issuance of a new certificate thereon.

3.12. Increase of Capital. Authorization: Certificate to be Filed with Registrar. No increase or extension of the capital stock of any corporation organized under the laws of the Republic, having authority under its articles of incorporation or charter to increase its capital stock, shall be legal and effective unless the increase or extension has been authorized by a vote of not less than two-thirds of all of the shares of stock, or if two or more classes of stock have been issued, of two-thirds of each class of stock, outstanding and entitled to vote at any meeting duly called and held for the purpose; and unless a verified certificate has first been filed with the Registrar, signed by any two authorized officers of the corporation, showing that the meeting had been properly called and held; that the increase or extension had been authorized by the required vote; and showing also (1) the present authorized capital stock of the corporation; (2) the amount to which the capital stock thereof may be increased or extended under its articles of incorporation or charter; (3) the amount of increase or extension of the capital stock duly authorized by its stockholders; and (4) in the case of stock having a par value, that not less than ten percent of the total authorized stock as increased has been paid in cash or property or that the corporation holds cash or property of a value equal to ten percent of the total authorized stock as increased. The increase of capital shall become effective and the capital of the corporation shall be and become effective and the capital of the corporation shall be and become increased on the date of filing of

the certificate prescribed by this part or on such later date as shall be specified in the certificate.

3.13. Reduction of Capital.

a. How made. Any corporation (other than banking, trust, and insurance companies) upon complying with the applicable requirements of this part, may effect a reduction of its capital or capital stock by reducing the authorized capital stock of the corporation or by retiring any shares of stock of any class or classes, or by reducing the par value of the shares of stock of any class or classes, or by the conversion of all of the shares of any class convertible stock into shares of another class or by releasing or cancelling subscriptions to its stock of any class or classes; provided, that no reduction of the capital or capital stock of any corporation shall be made in violation of the rights of the holders of stock of any class of the corporation as set forth in the charter or articles of incorporation or in a resolution, a certified copy of which is filed in the office of the Registrar, pursuant to subpart 3.8 of chapter 1; and provided further that no reduction of the capital or capital stock of any corporation shall be made by the release or cancellation of subscriptions to any class or classes of its stock unless the assets of the corporation remaining after the release or cancellation, equal in value to the total par value of the remaining capital stock of the corporation and unless the assets then equal in value twice the amount of indebtedness of the corporation.

b. What vote necessary. Any reduction of capital or capital stock shall require the affirmative vote of the holders of not less than two-thirds of all of the shares of stock of the corporation issued and outstanding or if two or more classes are issued and outstanding, then of the holders of two-thirds of the shares of each class of stock outstanding and entitled to vote, which vote shall be given at any meeting duly called and held for the purpose; provided, that in case shares of any class of stock of a corporation are subject to redemption or are convertible into shares of any other class of stock of the corporation, pursuant to the charter or articles of incorporation of the corporation or in a resolution, a certified copy of which is filed in the office of the Registrar pursuant to subpart 3.8 of chapter 1, and if the provisions specify that all or any part of the shares of the class may be redeemed or converted pursuant to the determination other than by vote of stockholders as aforesaid, whether by the board of directors or by the vote of any different percentage of stockholders or of any class or classes thereof or as fixed in the charter or articles of incorporation or in the resolution authorizing the issue of the stock, then any reduction of the capital or capital stock of the corporation by the redemption of all or any part or by the conversion of all of the shares of such class shall not require the vote of stockholders as aforesaid, but may be effected pursuant to determination made or fixed as specified in such provisions. Any reduction of the capital or capital stock of a corporation pursuant to this subsection shall be subject to subpart (g).

c. Certificates. A verified certificate shall be signed by any two authorized officers of the corporation and shall be presented to the Registrar setting forth therein facts showing that the required vote or other determination pursuant to this part of the proposed reduction of capital or capital stock has been obtained or made, and certifying that no distribution of assets representing the surplus created by the reduction will be made at any time unless the remaining assets of the corporation then equal in value the total par value of the remaining capital stock of the corporation, and unless the remaining assets of the corporation then equal in value twice the amount of indebtedness of the corporation and, in the case of a reduction of capital or capital stock by release or cancellation of subscriptions to stock, certifying that the remaining assets of the corporation, upon the reduction, will equal in value the total par value of the remaining capital stock of the corporation and will then equal in value twice the amount of the indebtedness of the corporation.

d. Notice not required, when. In case the reduction involves only a reduction in the authorized but unissued capital stock of the corporation, or the retirement of shares of stock of any class or classes acquired by the corporation in accordance with the provisions of law, or which have been surrendered pursuant to any right of conversion and in respect of which shares or securities of any other class or classes have been issued, and does not involve the retirement or reduction in par value of any shares which are issued and outstanding, then the Registrar shall enter the reduction of record in his office upon the filing of the verified certificate referred to in subpart (c) and upon payment of the fee required by law.

e. Notice required, when; Registrar's power. In case the reduction involves the retirement or the reduction in the par value of any shares which are issued and outstanding, or the release or cancellation of any stock subscription, then the Registrar, after the receipt of the verified certificate, shall publish a notice of the proposed reduction in a newspaper of general circulation in the Republic at least once a week for four successive weeks (four insertions) the first publication to be not more than ten days after receipt of the certificate.

Upon the expiration of thirty days after the first publication of the notice, if no protest or objections to the proposed reduction have been filed in the office of the Registrar by any person claiming to be a stockholder or creditor of the corporation, the Registrar shall enter the reduction of record. Otherwise, the Registrar shall proceed to consider any objections made and if he thereupon is satisfied that the required vote or other determination has been obtained or made, he shall enter the reduction or record.

f. Effective date. Upon the entry of record by the Registrar of any reduction of the

capital or capital stock of the corporation, the reduction shall stand effective as of the date of the original filing of the certificate, unless the corporation at the time of the filing of the certificate has requested that the reduction become effective on or as of some subsequent date, in which case the reduction shall become effective on or as of the requested date.

g. Distribution of surplus. A corporation may at any time or from time to time after the entry of record of a reduction of its capital or capital stock or after the effective date of the reduction, whichever is the later, distribute among its stockholders any or all of the assets representing the surplus created by the reduction; provided, that no distribution shall be made at any time unless the remaining assets of the corporation than equal in value the total par value of the remaining capital stock of the corporation and unless the remaining assets of the corporation then equal in value twice the amount of the indebtedness of the corporation.

h. Retiring of stock, method. In case any reduction pursuant to this part is made by retiring any shares of stock of any class or classes, the reduction may be made by retiring the shares of stock owned by the corporation without the necessity of retiring any shares of stock issued and outstanding in the hands of stockholders of the corporation. In case any reduction pursuant to this part is made by retiring any shares of stock of any class or classes issued and outstanding in the hands of stockholders of the corporation, then unless the charter or articles of incorporation of the corporation or the resolution creating the class of stock otherwise provides or unless the vote or other determination providing for the reduction with the consent of all of the stockholders or the subsequent approval of the Registrar specifies the particular shares to be retired, each of the stockholders owning shares of the class or classes of which shares are to be retired shall be entitled to participate pro rata in the surrender of shares of stock of the class or classes for cancellation or retirement; provided that, insofar as the pro rata distribution is impossible without the retirement of fractional shares, the shares to be retired in order to eliminate the retirement of fractional shares may be chosen by lot in such manner as is approved by the stockholders or board of directors of the corporation. If any stockholder fails to exercise his option to participate pro rata as aforesaid within thirty days after notice mailed to him by the treasurer or other authorized officer of the corporation, the corporation may accept any other shares in lieu thereof and retire the same.

Observance of stockholders' rights. Nothing in this section shall be deemed or interpreted to permit any distribution to stockholders of any class in violation of the equal or prior rights of stockholders of another class, as set forth in the charter or articles of corporation or in a resolution in certified copy of which is filed in the office of the Registrar pursuant to subpart 3.8 of chapter 1.

PART 4. MEETING AND BYLAWS

4.1. Voting at Meetings. At any meeting of any corporation, it shall be lawful for the members in the transaction of business, to vote either in person or by proxy. No proxy hereafter given shall be valid after eleven months from the date of its execution unless otherwise provided in the proxy. Nothing in this part shall be construed to restrain the power of any corporation to prescribe by its bylaws the mode of voting at meetings of its trustees, directors, or board of managers.

4.2. Annual Meetings. Unless otherwise provided in the articles of incorporation or bylaws the annual meeting of the stockholders or members of every corporation, for the election of directors and the consideration of such other business as may come before the meeting, shall be held on the first Monday of April in each year, if not a legal holiday, and if a legal holiday, on the next secular day following.

4.3. Special Meetings for Election of Directors. Whenever the annual meeting of the stockholders or members of a corporation is not held as provided in the articles of incorporation or bylaws or as provided in subpart 4.2, or whenever the annual meeting is held but directors are not elected thereat, the directors who might have been elected at the annual meeting may be elected at a special meeting called and held for that purpose upon demand for a special meeting made in writing by any stockholder or stockholders or member or members of the corporation and delivered to the president, vice-president, secretary, or treasurer of the corporation. Within fifteen days after the demand, a special meeting of the stockholders or members shall be called for the election of the directors who might have been elected at the annual meeting. In case the duly authorized officer or officers of the corporation fail to call the special meeting then the special meeting may be called by the stockholder or stockholders or member or members who made the demand, by giving notice in the method provided by the articles of incorporation or bylaws of the corporation. If the articles of incorporation or bylaws provide that the number of directors shall be determined at the annual meeting, then the number thereof may be determined at the special meeting held as provided in this part.

4.4. Cumulative Voting. If, not less than forty-eight hours prior to the time fixed for any annual meeting, or prior to the time fixed for any special meeting to be held as provided in subpart 4.3 of chapter 1, or prior to the time fixed for any other special meeting to be held in lieu of the annual meeting for the election of directors, any stockholder or stockholders or members of the corporation deliver to the president, vice-president, secretary, or treasurer of the corporation a request that the election of directors to be elected at the meeting be by cumulative voting, then the directors to be elected at the meeting shall be chosen as follows: each stockholder present in person or represent in person or represented by proxy at the meeting shall have a number of votes equal to the number of shares of capital stock owned by the stockholder or member multiplied by

the number of directors to be elected at the meeting, or in the case of a nonprofit corporation each member shall have a number of votes equal to the number of directors to be elected at the meeting; each stockholder or member shall be entitled to cumulate his votes and give all thereof to one nominee or to distribute his votes in such manner as the stockholder or member determines among any or all of the nominees receiving the highest number of votes on the foregoing basis, up to the total number of directors to be elected at the meeting, shall be the successful nominees. The right to have directors elected by cumulative voting aforesaid shall exist notwithstanding that provision therefor is not included in the articles of incorporation or bylaws, and this right shall not be restricted or qualified by any provisions of the articles of incorporation or bylaws. This part shall not prevent the filing of vacancies in the directors, which vacancies may be filled in such manner as may be provided in the articles of incorporation or bylaws.

a. Two or more persons owning stock in any corporation for profit organized under the laws of the Republic, including persons owning stock as trustees for another, may enter into a written agreement for the purpose of vesting in one or more persons as trustee or trustees, the authority to exercise the voting power of any or all of the stock for period not exceeding ten years and upon the terms and conditions stated in the agreement. The agreement may provide for the method of appointment or election of the trustee or trustees and may designate a successor trustee or successor trustees. The trustee or trustee may vote in person or by proxy unless otherwise provided in the agreement. Any action by the trustee or trustees contrary to the terms and conditions of the agreement shall not effect the validity of any election, resolution, or other action of the stockholders of the corporation and the sole remedy in that case shall be against the defaulting trustee or trustees. All the agreement shall be recorded in the minute book of the corporation. Each stock certificate representing stock which is subject to any such agreement shall be delivered to the secretary of the corporation who shall note on each certificate:

"This certificate, subject to the provisions of a voting agreement dated _____, record in the Minute Book of this corporation.

_____
Secretary [sic]

The endorsement shall constitute sufficient notice of the existence of the agreement and any purchaser acquiring any stock certificate with the above notation thereon shall be bound by the terms of the agreement. The secretary of the corporation, upon production of satisfactory proof of the cancellation of the agreement or upon the expiration of any agreement by its own terms, shall make an appropriate notation in the minute book and upon any stock certificate subject to the cancelled or expired agreement indicating the

cancellation or expiration, or shall issue, upon request and upon surrender of the original certificate, a substitute certificate and shall cancel the original certificate. Any trustee or trustees under the terms of any agreement entered into under this part shall not acquire the legal title to the stock subject to the agreement but shall be vested only with the legal right and title to the voting power which is incident to the ownership of the stock.

b. Two or more persons owning stock in any corporation for profit organized under the laws of the Republic, including persons owning stock as trustees for another, may transfer any or all of the stock to any person or persons for the purpose of vesting in such person or persons, as trustee or trustees, all voting or other rights pertaining to the stock for a period not exceeding ten years and upon the terms and conditions stated in the agreement. The agreement may provide for the method of appointment or election of the trustee or trustees and may designate a successor trustee or successor trustees. The trustee or trustees may vote in person or by proxy unless otherwise provided in the agreement. Any action by the trustee or trustees contrary to the terms and conditions of the agreement shall not affect the validity of any election, resolution, or other action of the stockholders of the corporation and the sole remedy in that case shall be against the defaulting trustee or trustees. All the agreement shall be recorded in the minute book of the corporation. The certificates of stock so transferred shall be surrendered and cancelled and new certificates therefor issued to such person or persons as trustee or trustees in which new certificates it shall appear that they are issued pursuant to the agreement. In the entry of transfer on the books of the corporation it shall also be noted that the transfer is made pursuant to the agreement. The trustee or trustees shall execute and deliver to the transferors voting trust certificates. The trustee or trustees shall possess all voting and other parts pertaining to the stock so transferred and registered in his or their names subject to the terms and conditions of, and for the period specified in the agreement.

4.6. Voting of Stock by Trustees, etc. An executor, administrator, guardian, or trustee, may vote, in person or by proxy, the stock of any corporation held by him in such capacity at all meetings of the corporation whether or not the stock has been transferred into his name on the books of the corporation; but, in case the stock has been so transferred into his name, he shall, as a prerequisite to so voting, if the corporation so requires, file with the corporation a certified copy of his letters as such executor, administrator, or guardian or his appointment or authority as trustee. In case there are two or more executors, administrators, guardians, or trustees, all or a majority of them may vote the stock in person or by proxy.

4.7. Irregular Meeting, How Validated. Subject to such limitations, if any, as may expressly be contained in the articles of incorporation or charter or in the bylaws of any corporation, or as may expressly be contained in any statutory provisions applicable to any particular action, when three-fourths of the stockholders or members entitled to vote at any meeting sign by themselves

or their proxies or other authorized representatives a written consent or approval on the record of the meeting, the doings of the meeting, however called or notified, shall be valid.

4.8. Consent of Stockholders in Lieu of Meeting. Whenever the vote of stockholders at a meeting thereof is required or permitted to be taken in connection with any corporate action permitted by any part of this chapter 2, the meeting and vote of stockholders may be dispensed with if all of the stockholders who would have been entitled to bote [sic] upon the action if the meeting were held, consent in writing to the corporate action being taken. If the action which is consented to is such as would have required the filing of a certificate under any part of this chapter or of chapter 2 if the action had been voted upon by the stockholders at a meeting thereof, the certificate filed under such part shall state that written consent has been given in lieu of stating that the stockholders have voted upon the corporate action in question if the last mentioned statement is required in the certificate.

4.9. Bylaws: Corporation Procedure. The bylaws of a corporation may be adopted, amended, or repealed by the vote of the holders of not less than a majority of all of the shares of stock outstanding, or if two or more classes of stock have been issued of a majority of each class of stock outstanding and entitled to vote, or in case of nonstock corporation, the majority of its members present at any meeting duly called and held, the notice of which shall have stated that a purpose of the meeting is to consider the adoption, amendment, or repeal of the bylaws, provided, that bylaws may be adopted at the incorporation of a corporation by the signers of the articles of incorporation, and in case of a nonstock corporation, by the signers of the petition for a charter of incorporation within thirty days, after the granting of the charter; provide further, that the articles of incorporation or charter or bylaws of any corporation may require the authorization or approval of a larger proportion of the stockholders or members, or of any class or classes thereof for the adoption, amendment or repeal of bylaws of the corporation, and also may impose any other restrictions on the adoption, amendment, or repeal of bylaws and, in that case, such provisions of the articles of incorporation or charter or bylaws shall be complied with in order to effect the adoption, amendment, or repeal.

Every corporation shall keep in its principal office for the transaction of its business in the Republic the original or a copy of the bylaws as amended or otherwise altered to date, certified by the secretary or other proper officer, which shall be open to inspection by the stockholders or members at all reasonable times during office hours.

4.10. Scope of the Bylaws. The bylaws of a corporation may include any provisions not in conflict with law or the articles of incorporation or charter for the management of its property, the election and removal of its directors and officers, the regulation of its affairs and the transfer of its stock; provisions in respect to the manner of execution, revocation, use, and disposition of proxies; the manner of closing the stock transfer books or the fixing of the date for the

determination of stockholders entitled to notice of and to vote at any meeting and any adjournment thereof and entitled to receive payment of any dividend or to any allotment of rights, or to exercise the right with respect to any change, conversion, or exchange of capital stock, or to give any consent in any matter requiring the consent of stockholders; the number, manner of fixing or changing the number, classification, tenure of office, causes for and manner of removal, and compensation of directors, alternate directors, and substitute directors; the manner of approving the acts and doings of the directors, officers, and agents by the stockholders and members, the appointment of an executive committee and other committees of the board of directors and the manner of prescribing the authority for each committee or committees; the manner of levying and collecting assessments on shares not fully paid, the transfer, forfeiture, and termination of membership in nonprofit corporations and whether the property interest of members shall cease at their death, and the vote ascertaining the property interest, if any, at death or termination of membership; the manner of signing, sealing, executing, and delivering corporate documents and instruments, including the manner of using facsimile signatures; and any other provisions not in conflict with law or the articles of incorporation or charter.

4.11. Meeting Called by the Registrar When. Whenever, by reason of the death, absence, or other legal impediment of officers of any corporation, there is no person duly authorized to call or preside at a legal meeting therefor, the Registrar may, on written application of four or more of the members or stockholders thereof, issue an order to any of the members or stockholders, directing him to call a meeting of the corporation, by giving such notice as is required by the bylaws of the corporation. The Registrar may, in the same order direct one of the members or stockholders to preside at the meeting, and any meeting held pursuant to the order shall be valid.

PART 5. RIGHTS, DUTIES AND LIABILITIES.

5.1. Of Directors: Dividends. The directors or managers of any corporation may authorize the payment of dividends in cash and earned surplus of the corporation and only when the corporation does not have and the payment of a dividend would not create a capital deficit; provided that the foregoing shall not be interpreted to prohibit any distribution of assets permitted by subpart 3.14 of chapter 1, upon the reduction of the capital stock of a corporation, or to prohibit a distribution and division of the balance of the assets of the corporation in accordance with law, upon the dissolution of a corporation or the expiration of its charter. The directors or managers of any corporation may authorize the payment of dividends in shares of the authorized capital stock of the corporation only from the earned surplus or paid-in or contributed surplus or other surplus of the corporation, and the shares issued by the stock dividend shall be fully paid and nonassessable to the extent of the amount of surplus capitalized by the issuance thereof; provided that no stock dividend shall be paid by a fiduciary company without the approval of the Registrar. In case of any dividend payment or other distribution of assets in violation of this part, the directors or managers, under whose administration the same may have

taken place and who have authorized the same, shall in their individual and private capacities be jointly and severally liable to the corporation and the creditors thereof, in the event of its bankruptcy or insolvency, or in the event of its dissolution, for the loss suffered by reason of the payment or other distribution in an amount not exceeding the amount so paid or distributed.

5.2. Of Subscribers and Stockholders; Assessments; Liability to Corporation and Creditors. Every subscriber to shares whose subscription has not been released or cancelled pursuant to subpart 3.14 of chapter 1, and except as otherwise in this part provided, every other person to whom shares were originally issued shall be liable to the corporation for the unpaid portion of the full consideration agreed to be paid for the shares, but in any event for not less than the unpaid portion of the amount of capital of the corporation attributable to the shares.

Any transferee of shares who has acquired in good faith without knowledge that they were not paid in full or to the extent stated in the certificate for the shares, shall not be liable for any amount beyond that shown by the certificate to be unpaid on the shares represented thereby; and any holder who derives his title through such a transferee and who is not himself a party to any fraud affecting the issuance of the shares shall have all the rights of his transferor.

Every transferee of partly paid shares who acquired them under a certificate showing the fact of part payment on the shares, and every transferee of the shares (other than a transferee who derives title from a holder in good faith without knowledge and who is not a party to any fraud affecting the issuance of the shares) who acquired them with actual knowledge that the shares were paid in full or to the extent stated in the certificate therefor shall be personally liable to the corporation for calls made or for installments of the amount unpaid becoming due until he transfers them to one who becomes liable therefor. When a shareholder makes a transfer of shares in good faith which is duly registered on the corporate books to one who becomes liable therefor, he shall be thereby discharged from liability to the corporation for the portion of the subscription price or attributable capital which remains uncalled for at the time of registration, unless it is otherwise provided in the certificate or unless the shareholders have executed subscription contract for the issuance of the shares. After a transfer has been registered there shall be no lien upon the shares for calls already made or installments of the price due at the time of transfer and registration except as reserved in the certificate.

The liability under subscription contracts, written or oral, of shareholders imposed by this section shall be an asset of the corporation and may be enforced by an appropriate proceeding. No release or cancellation executed by the corporation of any such liability, excepting only releases or cancellations pursuant to subpart 3.14 of chapter 1, shall be effective in any action brought by or on behalf of any creditor to reach and apply the liability. In the event the corporation purchases from any stockholder (other than bona fide officers or employees of the corporation who have purchased the shares from the corporation under agreement reserving to the

corporation the option to repurchase or obligating it to repurchase the shares) shares of stock which have not been fully paid, the transferor of the partly paid shares shall, nevertheless, remain liable to the corporation for the amount unpaid upon the stock in any action brought by or on behalf of any creditor to reach and apply the debt for the amount unpaid upon the stock at the time of repurchase.

No person holding shares in good faith as executor, administrator, guardian, trustee, receiver, or any other representative or fiduciary capacity shall be personally liable as a shareholder by reason of so holding the shares, but the estate and funds in the hands of the fiduciary or representative shall be so liable to the extent hereinabove provided.

No pledgee or other holder of shares as collateral security shall be personally liable as a shareholder, but the person pledging the shares shall be considered a holder thereof and shall be liable as a shareholder.

The dissolution of the corporation shall not affect the subscribers' of shareholders' liability and any subscriber or shareholder who makes payment to the corporation or to any creditor of the corporation in discharge in whole or in part of any debt or liability of the corporation shall have full rights of subrogation to the end that the contribution of the subscriber or shareholder shall not exceed the proportionate contributions made by other subscribers and stockholders for the discharge of the debts of the corporation.

5.3. Liability for Debts. All the property of any corporation shall be liable for the just debts thereof, but no subscriber or shareholder shall be liable for the debts of the corporation other than as specifically provided in this chapter.

5.4. Annual Exhibit, Exceptions: Inspection by Whom. Every corporation organized for profit under this chapter shall annually, between April 31 and June 30, file with the Registrar a full and accurate exhibit of its state of affair. The exhibit shall be made as of December 31 of each year, and shall contain such information and be made in such form as the Registrar shall require. However, if the corporation has adopted a fiscal year basis other than the calendar year basis, it may make application to the Registrar and be allowed by him to make its exhibit as of the end of its fiscal year, and file the same within ninety days immediately following the fiscal year date. In the case of a Republic corporation which conducts its principle business outside of the Republic, it may file its exhibit within one hundred twenty days after the date as of which the exhibit is to be made. The Registrar may grant a reasonable extension of time for making and filing the annual exhibits. No exhibit shall be available for inspection by others than officers of Republic, or by the officers or stockholders of the corporation which made the exhibit, or by any bona fide creditor of the corporation; provided that the Registrar may permit the inspection of any exhibit by any other person upon being satisfied that the inspection is desired for some lawful and proper

purpose.

Examination of books, etc., by Registrar. The Registrar may either call for the production of the books and papers of the corporation, and examine its officers, members, and others touching its affairs, under oath. In case any corporation refuses to produce its books and papers upon the request of the Registrar, or in case any of the officers or members of any corporation refuses to be examined on oath, touching the affairs of the corporation, then the Registrar may apply to the Trial Division of the Palau Supreme Court at chambers for an order to compel the production of the books and papers or the examination or the officers or members of the corporation, obedience to which order may be enforced by the Court, in like manner with its ordinary decrees and orders.

5.5. Nonprofit Corporation, Exhibits of. Every nonprofit corporation shall annually present a full and accurate exhibit of its affairs to the Registrar. The exhibit shall contain such information and be in such form as the Registrar shall require, and shall be made as of December 31 of each year, unless the corporation has adopted a fiscal year basis other than the calendar year basis, in which event the corporation may, prior to the end of the calendar year, make application to the Registrar and be allowed by the Registrar to make its exhibit as of the end of its fiscal year. The exhibit shall be filed within ninety days after the date as of which the exhibit is to be made, or such further time not, however, to exceed ninety additional days, as the Registrar may allow.

5.6. Filing Fees. Upon submitting the annual exhibit, commencing with the annual exhibit for calendar year 1990, each organization covered by these regulations shall submit a fee in the sum of $50.00, payable to the National Treasury of the Republic of Palau. In addition, a late fee shall be payable for any annual report submitted after the deadlines set forth in Parts 5.4 and 5.5 above. The late fee shall be in the sum of $50.00, and shall be assessed the day after the specified deadline. A penalty of $50.00 shall be assessed each month thereafter until the report is filed, up to a maximum of $250.00 in late fees and penalties.

PART 6. DISSOLUTION AND REVOCATION OF CORPORATE CHARTER

6.1. Voluntary Dissolution; Certificate; Notice; Authority of Director. Any corporation wishing to dissolve itself at any time before the expiration of its charter or articles of incorporation may file with the Registrar a certificate verified on oath by any two authorized officers of the corporation, or by the presiding officer and secretary of the stockholders' meeting at which the vote was taken, setting forth that the dissolution has been approved, at a meeting duly called for that purpose by the holders of not less than three-fourths of all of the stock of the corporation issued and outstanding and having voting powers, or in the case of a nonstock corporation, by the vote of not less than three-fourths of the members present at the meeting. The articles of incorporation or charter may require the authorization or approval of the larger proportion of

stockholders or members or of the class or classes as provided in the articles of incorporation or charter. If the corporation has not engaged in any business since its incorporation and no debts of the corporation remain unpaid or undischarged and all amounts, if any, paid in on subscriptions, less any amount thereof disbursed for necessary expenses, have been returned to the subscribers, the certificate shall so state.

Notice. In order to secure the attendance or representation by proxy of shareholders holding a sufficient number of shares or of members at the meeting called for the purpose of approving the purposed dissolution of the corporation, due and diligent search for shareholders or members may be made by mailing the notice of the meeting by registered or certified mail to each stockholder or member at his last address of record on the books of the corporation, and by publishing notice of the meeting in some newspaper of general circulation published in the Republic and/or the place in which the corporation has its principal office at least once in each of two successive weeks (two publications) naming each shareholder or member of the corporation, and after mailing and publication each shareholder or member who fails to attend the meeting or fails to acknowledge the notice shall be deemed to have approved at the meeting the dissolution of the corporation.

Registrar's Action. Upon the filing of a certificate in compliance with this section, the Registrar shall issue and enter or record in his office a Decree of Dissolution decreeing that the corporation is then dissolved, unless the corporation has requested that the dissolution be as of the date of filing of the certificate or as of some subsequent date, in which case the dissolution shall become effective on or as of the date requested. ~~Additionally, the President shall issue a Revocation of Corporate Charter revoking the charter of the corporation~~.[1]

Upon the issuance of the Decree of Dissolution and the Revocation of Corporate Charter, the corporation shall cease to exist and all powers theretofore held by the corporation shall vest in the trustee or trustees, if any, appointed pursuant to subpart 6.3 of chapter 1. The Registrar shall in each case deliver a copy of the Decree of Dissolution ~~and Revocation of Corporate Charter~~[2] to the Director, Bureau of the National Treasury of the Republic and the Director of the Bureau of Revenue, Customs and Taxation of the Republic.

6.2. Involuntary; ordered by Registrar and Certification, Notice, etc. If any corporation has failed or neglected, for a period of two years in succession, to file an annual exhibit as required by law, or if any corporation ceases to have any assets and fails to function, as shown by the

[1] *See* AMENDMENT TO THE CORPORATION REGULATIONS dated March 26, 1996 and approved by President Nakamura on May 3, 1996.

[2] *See* footnote 1.

certificate, under oath, of any officer or director of the corporation, or if the charter or articles of inc of the corporation have expired and within a period of two years; no application for renewal of the same has been filed in accordance with this chapter, or if any corporation has been adjudicated a bankrupt as shown by a certified copy of a judgement or decree of a court of competent jurisdiction, filed in the office of the Registrar and has no assets as shown by a certificate to that effect verified on oath by any authorized officer or director or the corporation, or if any license or permit of the corporation has been revoked by any other government agency, the Registrar may in that event disincorporate the corporation or annul the articles of incorporation or charter of the corporation, issue a Decree of Dissolution, and request the President to issue a Revocation of Corporate Charter.

Such action of the Registrar shall be taken only after the following steps are taken:

a) Notice of the Registrar's intention to dissolve the corporation is sent by mailing to the corporation at its last known address appearing in the records of the Registrar and by publishing notice of such intention once in each of three successive weeks (or, in the case of a bi-weekly publication, once in each of three successive editions) in some newspaper of general circulation published in the Republic and/or the place in which the corporation has its principal office.

b) The Notice shall include a statement of the legal authority under which the action is being taken; a reference to the particular sections of the statutes and rules involved; a short and plain statement of the action being taken, and the names of all parties and other persons to whom notice is being given.

c) Opportunity shall be afforded officers and/or shareholders of a corporation to respond within a reasonable time to remedy the defect(s) which necessitated the Registrar's initiating dissolution of the corporation.

d) If any such corporation is declared dissolved any trustee appointed to settle the affairs of the corporation shall pay to the Republic out of any funds that may come into his hands as trustee a sum equal to any penalty imposed under subpart 5.5 of chapter 1.

Registrar's Action. Upon the failure of the corporation to comply with this section, the Registrar shall issue and enter or record in his office a Decree of Dissolution decreeing that the corporation is then dissolved, unless the corporation has requested that the dissolution be as of the date of filing of the certificate or as of some subsequent date, in which case the dissolution shall become effective on or as of the date requested. Additionally, the President shall issue a Revocation of Corporate Charter revoking the charter of the corporation.

Upon the issuance of the Decree of Dissolution and the Revocation of Corporate Charter, the corporation shall cease to exist and all powers theretofore held by the corporation shall vest in the trustee or trustees, if any, appointed pursuant to subpart 6.3 of chapter 1. The Registrar shall in each case deliver a copy of the Decree of Dissolution and Revocation of Corporate Charter to the Director, Bureau of the National Treasury of the Republic and the Director of the Bureau of Revenue, Customs and Taxation of the Republic.

6.3. Proceedings After Dissolution: Appointment of Trustees. Upon the voluntary dissolution of any corporation, the Registrar shall appoint a trustee or trustees with full powers to settle the affairs of the corporation, unless the certificate filed pursuant to section 6.1 states that the corporation has not engaged in any business since incorporation, that no debts of the corporation remain unpaid or undischarged, and that all amounts, if any, paid in on subscriptions, less any amounts disbursed for necessary expenses, have been returned to the subscribers.

Upon the involuntary dissolution of any corporation and unless and until some other person or persons are appointed by the Registrar or a court of competent jurisdiction the directors of any corporation organized for profit, or directors or managers of any nonprofit corporation by whatever name the managers may be called, shall be and act as interim trustees for the creditors and stockholders or members of the corporation; provided that such interim trustees shall not transfer assets of the corporation. Upon or at any time after the involuntary dissolution of any corporation, the Registrar may, whether or not the directors or managers of the corporation shall have undertaken to act as interim trustees in dissolution, appoint a trustee or trustees for the creditors and stockholders or members of the corporation with full powers to settle its affairs. Individuals who served as interim trustees may be considered for appointment by the Registrar as dissolution trustees.

6.4. Contested Cases. In a contested case, a corporation whose charter has been revoked in a final decision by the Registrar is entitled to judicial review of the decision.

a. Proceedings for review are instituted by filing a petition in the Trial Division of the Supreme Court within thirty (30) days after receipt of the final decision of the Registrar.

b. The filing of the petition itself does not stay enforcement of the Registrar's decision. The Registrar may grant, or the reviewing court may order, a stay upon appropriate terms.

c. Within sixty (60) days after the service of the petition, or within further time allowed by the court, the Registrar shall transmit to the reviewing court the original or a certified copy of the entire record of proceedings under review. By stipulation of al parties to the review proceedings, the record may be shortened. A party unreasonably refusing to stipulate to limit the record may be taxed by the court for the additional costs. The court

may require or permit subsequent corrections or additions to the record.

d. If, before the date set for hearing, application is made to the court for leave to present additional evidence, and it is shown to the satisfaction of the court that the additional evidence is material and that there were justifiable reasons for failure to present it in the proceedings before the Registrar, the court may order that the additional evidence be taken before the Registrar upon conditions determined by the court. The Registrar may modify its findings and decision by reason of the additional evidence and shall file that evidence and any modifications, new findings, or decisions with the reviewing court.

e. The review shall be conducted by the court and shall be confined to the record. In cases of alleged irregularities in the procedure before the agency, not shown in the record, proof thereon may be taken in the court. The court, upon request of either party, shall hear oral argument and receive written briefs.

f. The court shall not substitute its judgment for that of the Registrar as to the weight of the evidence on questions of fact. The court may affirm the decision of the agency or remand the case for further proceedings. The court may reverse or modify the decision if substantial rights of the appellant have been prejudiced because the administrative findings, inferences, conclusions, or decisions are:

(1) In violation of constitutional or statutory provisions;

(2) In excess of the statutory authority of the agency;

(3) Made upon unlawful procedure;

(4) Affected by other error of law;

(5) Clearly erroneous in view of the reliable, probative, and substantial evidence in the whole record; or

(6) Arbitrary, or capricious, or characterized by abuse of discretion or clearly unwarranted exercise of discretion.

6.5. Appeal. An aggrieved party may obtain a review of any final judgment of the court under this chapter by appeal to the Appellate Division of the supreme Court. The appeal shall be taken as in other civil cases.

6.6. Trustee; Powers, Liabilities, Duties. The title to all assets and property, real, personal, and

mixed, belonging to the corporation shall, immediately upon the dissolution and revocation of the corporate charter thereof, unless by decree of court of competent jurisdiction it is otherwise ordered, vest in the trustee or trustees for the creditors and stockholders or members of the corporation dissolved.

Under the name of the trustee or trustees of the corporation dissolved (or under the name of the survivors of the trustee), unless and until some other person or persons are appointed by some court of competent jurisdiction, the trustee or trustees shall have power: to sue for and collect the debts, claims, and demand due to the corporation, or compound and settle any claims as they may deem best: to have, hold, reserve, sell, and dispose of property, real, personal, and mixed; to adjust and pay all debts of the corporation dissolved; to proceed as speedily as practical to a complete winding up of the corporation and, to that end, to exercise all powers of the dissolved corporation; to file bills for instructions in any court of competent jurisdiction on any matters concerning the administration of the assets under their control; to divide among the stockholders (or members if under the charter of the corporation they are entitled thereto) moneys and other properties that remain after paying the debts and necessary expenses; and they shall be jointly and severally liable to the creditors and to the stockholders or members if under the charter of the corporation the members are entitled to a distribution of the remaining property of the corporation to the extent of the corporation property which shall come into their hands.
The corporation may enter into a contract or agreement with any person or persons who are requested by the corporation to act as trustee or trustees, covering the administration of the assets and properties of the corporation, and if such persons are appointed trustees as herein provided, the contract shall in all respects be effective and shall be binding upon the corporation to the full amount of the assets coming into the hands of the trustees, provided that no contract shall prejudice the rights secured by law to the creditors of the corporation.

6.7. Claims, Administration, Accounts, Commissions; Notice to Creditors. The trustees for dissolved corporations shall forthwith publish, once in each of four successive weeks (four publications) in some newspaper of general circulation published in the Republic and/or the place in which the corporation has its principal office, a notice to all creditors of the corporation to present their claims, at a place designated in the notice, within thirty days form the first publication of the notice, and shall, within thirty days from the publication of the notice, mail, postage prepaid, a like notice to every creditor whose name and address are known to the trustee or trustees and who has not, prior to the mailing of the notice, presented his claim. All claims not so presented shall be forever barred. The trustees, with the approval of the Registrar, may omit the publication of the notice, if the assets of the corporation are insufficient to pay for the publication.

Accounts of trustees; fees, etc. The trustees for dissolved corporations appointed by the Registrar shall render and file in the office of the Registrar within one year after their appointment or

within sixty days after making a complete distribution of the assets to the creditors and stockholders (or members if under the charter of the corporation the members are entitled to distribution of the assets), whichever date is earlier, an itemized final account (which shall be clearly designated as such) on oath, showing all receipts and disbursements. If complete distribution has not been made then, unless the Registrar extends the time for filing the account, the trustees shall file an interim account and shall file further interim accounts and a final account at such time as the Registrar shall determine. The Registrar may, for good cause shown, extend the time for filing of any account and in the event an account is not filed within thirty days after notification by the Registrar that the account is due, any stockholder, member, or creditor may file a petition in the Trial Division of the Palau Supreme Court praying the court to require the trustees to account for all assets and properties coming into their hands. If the court determines that the failure to file the account was willful, the cost of the suit shall be taxed against the trustees in their personal capacity.

Nothing herein shall be construed to prevent any stockholder, member, or creditor from filing in any court of competent jurisdiction a suit for such relief as may be proper or unsatisfactory. No account shall require the approval of the Registrar but shall be a public document open to the inspection of all interested parties.

The trustees for dissolved corporations shall, in the absence of a contract or agreement entered into by the trustees providing for a greater or lesser amount, be entitled to fees and commissions in the amount of one percent of the value of the assets of the corporation as shown on its books at the date of its dissolution, one percent of the value as shown on the books of the trustees of all money and assets finally distributed to stockholders or members, two and one-half percent of the value as shown on the books of the trustees of all moneys and assets paid or distributed to creditors prior to final distribution of the assets to the stockholders or members, and, in addition thereto, out of any income received by the trustees during each year of the trusteeship, seven percent of the first $5,000 and five percent of all amounts in excess of $5,000. If in the case of involuntary dissolutions there are insufficient assets in the estate to pay to the trustee the reasonable value of his services, the Registrar may allow and pay to the trustee out of any available appropriation for the current expenses of the Registrar's office, a fee of not more than $100.00.

Upon the filing of an itemized final account pursuant to this part, the power and authority of the trustee or trustees to receive or, except as hereinafter provided, to retain or in any manner deal with any property or assets of the corporation shall cease and determine. The trustee or trustees of every dissolved corporation shall safely keep and retain all of the corporate books, records, and papers for a period of ten years from and after the date of filing of the trustee's or trustees' itemized account as required by this section, and no trustee or trustees shall incur any liability for destroying the books, records, and papers after the expiration of the ten-year period.

If, after the filing of an itemized account as herein provided, other or further assets of a dissolved corporation are discovered within the Republic, the Registrar shall appoint a trustee or trustees for the administration thereof in accordance with this part and any trustee or trustees so appointed shall, with respect to the assets, have all of the powers and duties herein provided for trustees for dissolved corporations.

If any claim is proven against a corporation that has been dissolved voluntarily and for the creditors and stockholders of which no trustee has been appointed because the certificate filed pursuant to subpart 6.1 of chapter 1, states that the corporation has not engaged in business since its incorporation, that no debts of the corporation remain unpaid or undischarged, and that the amounts, if any, paid in on subscriptions, less any amounts disbursed for necessary expenses have been returned to the subscribers, the officers of the corporation who signed the certificate shall be jointly and severally liable upon the claim.

6.8. Witnesses and Documents Subpoenaed; Contempt Proceedings. Upon any application of any trustee or trustees for the creditors, stockholders or members of any involuntarily dissolved corporation for the purpose of discovering any assets, moneys, books, records, or papers of the corporation, the Registrar may subpoena witnesses or documentary evidence, administer oaths and examine under oath any individual relative to the affairs of the corporation. The subpoena shall have the same force and effect and shall be served in the same manner as if issued from a court of record. Witness fees and mileage claims shall be allowed the same as for testimony in a court of record. Witness fees, mileage, and actual expenses necessarily incurred in securing the attendance of witnesses and of testimony or the production of documentary evidence shall be itemized and shall be paid out of the assets of the dissolved corporation. If any individual fails to obey the subpoena or obeys the subpoena and refuses to testify when required concerning the matter under investigation, the Registrar shall file his written report thereof and proof of service of his subpoena in the Trial Division of the Palau Supreme Court. Thereupon the court shall forthwith cause the individual to be brought before it to show cause why he should not be held in contempt; and if so held, may punish him as if the failure or refusal related to a subpoena from or testimony in that court.

6.9. Reinstatement of Involuntarily Dissolved Corporation. Within ninety days after the involuntary dissolution and revocation of charter of a corporation under subpart 6.2 of chapter 1, the corporation may be reinstated by the Registrar upon application executed and verified by the president and secretary or other authorized officers of the corporation setting forth such information as the Registrar may require, and the payment of all delinquent fees, penalties, assessments, and taxes, and costs of involuntary dissolution, and the filing of all exhibits due and unfiled.

6.10. Dissolution of Corporation; Failure of Stockholders to Agree; Receivers; Procedure.

a. Jurisdiction of the Trial Division of the Palau Supreme Court to dissolve and liquidate assets and business of corporations. The Trial Division of the Palau Supreme Court shall have full power to dissolve and liquidate the assets and business of a corporation in an action by a stockholder when it is established:

(1) That the directors are deadlocked in the management of the corporate affairs and the stockholders are unable to break the deadlock and that irreparable injury to the corporation is being suffered or is threatened by reason thereof; or

(2) That the stockholders are deadlocked in voting power and have failed for a period which includes at least two consecutive annual meeting dates to elect successors to directors whose terms have expired or would have expired upon the election of their successors and that irreparable injury to the corporation is being suffered or is threatened by reason thereof. Proceedings under this part shall be brought in the Republic. It shall not be necessary to make stockholders parties to any action or proceeding unless relief is sought against them personally.

(b) Procedure in liquidation of corporation by court. In proceeding to liquidate the assets and business of a corporation, the court may issue injunctions, appoint a receiver or receivers pendente lite, with such powers and duties as the court from time to time may direct, and take such other proceedings as may be requisite to preserve the corporate assets wherever situated, and carry on the business of the corporation until a full hearing can be had. After a hearing had upon such notice as the court may direct to be given to all parties to the proceedings and to any other parties in interest designated by the court, the court may appoint a liquidating receiver or receivers with authority to collect the assets of the corporation, including all amounts owing to the corporation by stockholders on account of any unpaid portion of the consideration for the issuance of shares. The liquidating receiver or receivers may, subject to the order of the court, sell, convey, and dispose of all or any part of the assets of the corporation wherever situated, either at public or private sale. The assets of the corporation or the proceeds resulting from a sale, conveyance, or other disposition thereof shall be applied to the expenses of the liquidation and to the payment of the liabilities and obligations of the corporation, and any remaining assets or proceeds shall be distributed among its stockholders according to their respective rights and interests. The order appointing the liquidating receiver or receivers shall state their powers and duties. The powers and duties may be increased or diminished at any time during the proceedings. The court may allow from time to time as expenses of the liquidation compensation to the receiver or receivers and to attorneys in the proceedings, and direct the payment thereof out of the assets of the corporation or the proceeds of any sale or disposition of the assets. A receiver of a corporation appointed under this part may sue and defend in all courts in his own name as receiver of the

corporation. The court appointing the receiver shall have exclusive jurisdiction of the corporation and its property, whenever situated.

c. Qualifications of receivers. A receiver shall in all cases be a citizen of the Republic of Palau or a citizen of the United States or a corporation authorized to act as receiver, which corporation may be a domestic corporation or a foreign corporation authorized to transact business in this Republic, and shall in all cases give such bond as the court may direct with such sureties as the court may require.

d. Filing of claims in liquidation proceedings. In proceedings to liquidate the assets and business of a corporation the court may require all creditors of the corporation to file with the clerk of the court or with the receiver, in such form as the court may prescribe, proofs under oath of their respective claims. If the court requires the filing of claims, it shall fix a date, which shall be not less than four months from the date of the order, as the last day for the filing of claims and shall prescribe the notice that shall be given to creditors and claimants of the date so fixed. Prior to the date so fixed, the court may extend the time for the filing of claims. Creditors and claimants failing to file proofs of claim on or before the date so fixed may be barred, by order of court, from participating in the distribution of the assets of the corporation.

e. Discontinuance of liquidation proceedings. The liquidation of the assets and business of a corporation may be discontinued at any time during the liquidation proceedings when it is established that cause for liquidation no longer exists. In that event the court shall dismiss the proceedings and direct the receiver to redeliver to the corporation all its remaining property and assets.

f. Decree of involuntary dissolution. In proceedings to liquidate the assets and business of a corporation, when the costs and expenses of the proceedings and all debt obligations, and liabilities of the corporation have been paid and discharged and all of its remaining property and assets distributed to its stockholders, or in case its property and assets are not sufficient to satisfy and discharge the costs, expenses, debts, and obligations, all the property and assets have been applied so far as they will go to their payment, the court shall enter a decree dissolving the corporation, whereupon the existence of the corporation shall cease. A copy of the decree shall be filed with the Registrar.

PART 7. SERVICE OF PROCESS

7.1. Manner of Service. Service of any notice or process authorized by law issued against any corporation, whether domestic or foreign, by any magistrate, court, judicial or administrative

officer, or board, may be made in the manner provided by law upon any officer or director of the corporation who is found within the jurisdiction of the magistrate, court, officer, or board; and in default of finding any officer or director, upon the manager or superintendent of the corporation or any person who is found in charge of the property, business, or office of the corporation within the jurisdiction.

If no officer, director, manager, superintendent, or other person in charge of the property, business, or office of the corporation can be found within the Republic, and in case the corporation, if a foreign corporation, has neglected to file with the officer specified in subpart 1.1 or 1.2 of chapter 3, the name of a person upon whom legal notice and process from the courts of the Republic may be served; and likewise if the person so named is not found within the Republic, service may be made upon the corporation by filing concurrently with the Registrar and the Vice-President of the Republic, a copy of the notice, or process, certified to be such under the seal of any court or record, or by the magistrate, or by the chairman, or president of the board, or by the officer issuing the same. The Registrar shall immediately notify the defendant corporation of the service by sending a copy of the service by registered or certified mail to the last known address of an officer or shareholder of the corporation. The filing shall be deemed service upon the corporation forty-five days after the filing, and shall authorize the magistrate, board or officer to proceed in all respects as in the case of service personally made upon an individual.

7.2. Not Exclusive of subpart 1.1 or 1.2 of Chapter 3. Nothing in this part shall be construed to prevent service upon foreign corporations in the manner contemplated by subpart 1.1 or 1.2 of chapter 3.

CHAPTER 2
CONSOLIDATION AND MERGER OF CORPORATIONS

PART 1. CORPORATIONS FOR PROFIT

1.1. Application of Part. This part shall not be applicable to banks, cooperative associations, or any corporation engaged in the business of issuing insurance policies for its own account.

1.2. Merger and Consolidation of Domestic Corporations. Any two or more domestic corporations may be (1) merged into one of the domestic corporations, which is designated in this part as "the surviving corporation", or (2) consolidated into a new corporation to be formed under this part, which is designated in this chapter as "consolidated corporation" by complying with subpart 1.3 to 1.4 of chapter 1.

1.3. Agreement; Approval of Board of Directors. The board of directors of each constituent corporation shall prepare for consideration by the stockholders a proposed merger or consolidation agreement which shall set forth that the constituent corporations are to become a single new corporation, or that one or more of the constituent corporations are to be merged into a specified constituent corporation; the terms and conditions of the merger or consolidation and the mode of carrying the same into effect; the names and addresses of the first directors and officers of the surviving or consolidated corporation, and their respective terms of office; the amount of the capital stock of the surviving or consolidated corporation, and if the privilege of subsequent extension of the capital stock is asked for, the limit of the extension; the preferences, voting powers, restrictions, and qualifications of all classes of stock of the surviving or consolidated corporation, if there is to be more than one class of stock; and the manner and basis of converting the shares of each of the constituent corporations into shares of the surviving consolidated corporation.

The agreement may also provide for the distribution of cash or any other property, or assets of any constituent corporation, in whole or in part, in lieu of or partially in lieu of shares of the surviving or consolidated corporation to stockholders of the constituent corporations or any class of them; but nothing in this part shall be deemed to authorize the distribution of cash or other property, or assets to the stockholders of any constituent corporation (except in payment of dissenting stockholders for their shares under subpart 1.19 to 1.30 of chapter 2) unless after giving effect to any such distribution of cash, or other property, or assets, the liabilities of the surviving or consolidated corporation including those derived by it from the constituent corporation, plus the amount of the capital stock of the surviving or consolidated corporation do not exceed the value of the remaining assets and property of the surviving or consolidated corporation and unless the liabilities of the surviving or consolidated corporation, including those derived by it from the constituent corporations, are less in amount than one-half the value of the

remaining assets and property of the surviving or consolidated corporation.

The agreement may also provide the time or conditions, upon the happening of which the agreement shall be executed and filed as herein provided. The agreement may also provide that the name of the consolidated corporation shall be the same as the name of a constituent corporation.

If the agreement is for a consolidation, it shall state therein or incorporate as part thereof, by reference and exhibit number, complete articles of incorporation as is required by chapter 1 in the case of the formation of new corporations (except that the name of the incorporators and the affidavit referred to in subpart 2.5 of chapter 1 shall not be required). These articles of incorporation shall be deemed to be the articles of incorporation of the consolidated corporation upon the filing of the consolidation agreement in the office of the Registrar as hereinafter provided. The articles of incorporation of the consolidated corporation may contain all the powers and privileges that could be lawfully conferred or obtained in original articles of incorporation.

If the agreement is for a merger, it shall state any matters with respect to which the articles of the surviving corporation are proposed to be amended, and shall set forth or incorporate as part thereof, by reference and exhibit number, the proposed articles of incorporation as amended, and the articles shall be deemed to be the amended articles of incorporation of the surviving corporation upon the filing of the merger agreement in the office of the Registrar as hereinafter provided. The amended articles of incorporation of the surviving corporation may provide for the extension of the term of its corporate existence, and may contain all the powers and privileges that could be lawfully conferred or obtained in the original articles of incorporation.

Prior to its execution, the proposed merger or consolidation agreement shall be approved by the board of directors of each constituent corporation. The approval may be given either before or after the approval or authorization of the stockholders as herein provided.

1.4. Authorization of Stockholders. Either before or after the approval of the proposed agreement by the board of directors, meetings of the stockholders of each constituent corporation shall be called, and at each meeting the proposed merger or consolidation agreement shall be considered. A written notice setting forth the time, place, and purpose or meeting and either a copy of the proposed agreement or a statement of the general terms thereof, and stating of the general terms thereof, and stating the date on which the notice is mailed, shall be mailed, postage prepaid, at least thirty days prior to the date of the meeting, to every stockholder at his last known address appearing on the books of the corporation. Before any merger or consolidation agreement becomes effective, the agreement shall be approved or authorized by the vote of the holders of not less than three-fourths of the issued and outstanding shares of each class of each of

the constituent corporations, even though their right to vote is otherwise restricted or denied by the chapter, articles, bylaws, or resolution of the constituent corporation.

The approval of the stockholders of each constituent corporation may be given at the meeting, or any adjournment thereof which may be held, either before or after the approval of the agreement by the board of directors, and the stockholders may by resolutions approved by the vote required in the preceding paragraph adopt modifications of or amendments to the proposed agreement, and may authorize the board of directors of the corporation to make modifications or amendments of the proposed agreement as the board of directors deems proper to the extent provided for in the resolutions without further stockholders' approval. Upon the approval or authorization of the merger or consolidation, unless the approval or authorization is given by the holders of all shares owned and outstanding, the officers shall mail to each stockholder notice that the merger or consolidation agreement has been approved or authorized. The stockholders of each constituent corporation may at the stockholders' meetings adopt proposed bylaws for the consolidated corporation, which shall be deemed to be the bylaws of the consolidated corporation upon the filing of the consolidation agreement in the office of the Registrar as hereinafter provided, or the bylaws may be adopted at a stockholders' meeting of the consolidated corporation after the filing of the agreement.

1.5. Execution of agreement by Officers. After approval by the directors, and approval or authorization by the stockholders, the agreement shall be executed by the president or vice-president and the secretary or assistant secretary of each constituent corporation, and acknowledgment by the officers executing the same on behalf of their respective corporations.

1.6. Certificate of Approval. Either before or after the agreement has been executed in accordance with subpart 1.5 of chapter 2, there shall be executed and signed by the presiding officer and secretary of each of the stockholders' meeting (or in case of inability or incapacity of any officer to make the certificate, then by any other officer present at the meeting), a certificate which shall be verified by their oath and shall set forth:

a. The time and place of the meeting of the board of directors, and a copy of the resolution adopted thereat;

b. The vote in favor of the resolution;

c. The time and place of the meeting of the stockholders, and the total vote of each class shares by which the agreement was approved or authorized, and a copy of the stockholders' resolution approving or authorizing the agreement.

d. The total number of issued and outstanding shares of each class;

e. The facts as to the mailing of the notice of the time, place and purpose of the meeting of the stockholders;

f. If the agreement provides conditions upon the happening of which the agreement is to be executed or filed, a statement that the conditions have happened.

1.7. Amendments to Agreement. Prior to the filing of the agreement any amendment to the agreement may be made if the amendment is approved by the vote required in subpart 1.4 of chapter 2 at stockholders' meetings of each constituent corporation and by the board of directors of each of the constituent corporation. The agreement so amended shall be signed and acknowledged and shall have certified therewith the approval of the directors and of the stockholders in the same manner as provided for the original agreement, and shall then be considered the merger or consolidation agreement. Where authority has been given to the board of directors of any corporation to make modifications or amendments of the agreement in accordance with subpart 1.4 of chapter 2, no further stockholders' approval shall be required and upon the amendment of any agreement the certificate for the corporation shall certify that the authority has been given by the stockholders to the board of directors of the corporation.
1.8. Filing; Effective Time of Merger or Consolidation. The agreement so approved, executed, and acknowledged, and the certificates of its approval by each constituent corporation in accordance with this part shall, subject to subpart 1.9 and 1.10 of chapter 2, be filed in the office of the Registrar, and the merger or consolidation shall become effective under this part at the day, hour, and minute of the filing of the agreement and all necessary certificates of its approval by each constituent corporation in accordance with this part, unless a subsequent day, hour, and minute shall be specified in the agreement. If a day, hour and minute subsequent to the day, hour, and minute of filing shall be so specified, the merger or consolidation shall become effective under this part at the subsequent to the day, hour, and minute. A copy of the agreement, certified by the Registrar, shall have the same force in evidence as the original and, except as against the Republic, shall be conclusive evidence of the performance of all conditions precedent to the merger or consolidation, and the creation or existence of the surviving or consolidated corporation.

1.9. Fiduciary Companies. (Reserved)

1.10. Public Utility Companies. (Reserved)

1.11. Certificate of Registrar of Merger or Consolidation. Upon the filing of the agreement and the certificates of its approval in the office of the Registrar in conformity with this part, and upon the merger or consolidation becoming effective under this part, the Registrar shall make and seal with the seal of his office, his certificate of merger or consolidation as the case may be, which shall set forth in such form as is satisfactory to the Registrar the following matters:

a. The name of each constituent corporation;

b. The name of the surviving or consolidated corporation;

c. The day, hour, and minute of the filing in his office of the merger or consolidation agreement and all necessary certificates of approval in conformity with this part, and if the merger or consolidation has become effective at a subsequent day, hour, minute, the day, hour, and minute at which the merger of consolidation has become effective under this part;

d. The names and citizenship of the officers and directors of the surviving or consolidated corporations at the time of the filing of the agreement.

1.12. Earned or Paid-in Surplus of Constituent Companies. The earned surplus and paid-in surplus appearing on the books of the constituent companies to the extent to which the surplus is not capitalized by the issues of shares or otherwise, may be entered as earned or paid-in surplus, as the case may be, on the books of the surviving or consolidated corporation and may thereafter be dealt with as such.

1.13. Property and Corporate Existence. Upon merger or consolidation as provided herein, the separate existence of the constituent corporations shall cease, except that of the surviving corporation in case of merger. All and singular rights, privileges, franchises, and property of each of the constituent corporations, and all debts and liabilities due or to become due to any constituent corporation, including subscriptions for shares and things in action and every interest or asset of conceivable value or benefit, shall be deemed fully and finally and without any right of reversion transferred to and vested in the surviving or consolidated corporation without further act or deed, and the surviving or consolidated corporation shall have and hold the same in its own right as fully as the same was possessed and held by the constituent corporation from which it was, by operation of the provisions of this part, transferred.

All debts, liabilities, and obligations due or to become due of and all claims or demands for any cause existing against each constituent corporation shall, upon merger or consolidation, be and become the debts, liabilities, obligations of, and the claims and demands against the surviving or consolidated corporation in the same manner as if the surviving or consolidated corporation had itself incurred or otherwise become liable for them.

All rights of creditors and all liens upon the property of each of the constituent corporations shall be preserved unimpaired, limited in lien to the property affected by the liens immediately prior to the time of the merger or consolidation.

Any action or proceeding pending by or against any of the constituent corporation shall not be deemed to have abated or been discontinued, but may be prosecuted to judgment with the right to appeal or review as in other cases as if the merger or consolidation had not taken place or the surviving or consolidated corporation may be substituted for the constituent corporation.

1.14. Abandonment of Merger or Consolidation. By appropriated agreement executed by the proper officers of each of the constituent corporations and approved by the board of directors and by the stockholders by the same vote required in subpart 1.4 of chapter 2, the merger or consolidation may be abandoned at any time before the merger or consolidation is completed.

At any stockholders' meeting the stockholders of any constituent corporation may, by resolution approved by the same vote required in subpart 1.4 of chapter 2 authorize its board of directors to abandon the merger or consolidation, when and if in its discretion it deems the same advisable, and in that case the approval of the stockholders of the corporation provided for in the preceding paragraphs shall not be required.

1.15. Merger or Consolidation of Foreign Corporation with Domestic Corporations. The merger or consolidation of one or more foreign corporations with one or more domestic corporations may be affected under this part if the foreign corporations and each of them are authorized to effect the merger or consolidation by the laws of the jurisdiction under which they are formed; provided, that the laws of the Republic shall govern the merger or consolidation and the surviving or consolidated corporation.

Upon the merger or consolidation becoming effective in the Republic in accordance with subpart 1.3 to 1.14 of chapter 2, the property and corporate existence of the constituent corporation shall in all respects be subject to subpart 1.13 of chapter 2.

1.16. Merger or Consolidation of Domestic Corporations with Foreign Corporations. Notwithstanding subpart 1.15 of chapter 2, the merger or consolidation of any number of domestic corporations with any number of foreign corporations may be effected if the foreign corporations are authorized to effect such a merger or consolidation by the laws of the jurisdiction under which they are formed; provided, that if the surviving or consolidated corporation is a foreign corporation no merger or consolidation agreement shall be effected as to any domestic corporations unless the authorization and approval have been obtained from the holders of not less than nine-tenths of the issued and outstanding shares of each domestic corporation even though their right to vote is otherwise restricted or denied by the charter, articles, bylaws, or resolution of the domestic corporation.

In the merger or consolidation agreement, the laws of any jurisdiction under which one of the constituent corporations was organized may be selected as the laws which govern the merger or

consolidation and the surviving or consolidated corporation; provided, that the dissenting stockholders of any domestic corporation shall in any event have the right to have their compensation determined under subparts 1.19 to 1.30 of chapter 2 upon compliance with all of the terms and conditions of these parts.

To become effective in the Republic, the merger or consolidation agreement shall be filed in the office of the Registrar in the manner required in subpart 1.18 of chapter 2 and the surviving or consolidated corporation must obtain a statement of non-objection form the FIB if either of the constituent corporations holds a Foreign Investment Approval Certificate issued by the FIB.

Upon the merger or consolidation becoming effective in the Republic, the property and corporate existence of the domestic constituent corporations shall in all respects be subject to subpart 1.13 of chapter 2.

1.17. Foreign Surviving or Consolidated Corporation. If the surviving or consolidated corporation is to be governed by the laws of any jurisdiction other than the Republic, the Registrar shall not permit the filing of the agreement in his office unless there is filed therewith an agreement or agreements executed by the proper officers of each constituent company providing that a designated person residing within the Republic may be served with legal notice and process from the courts of the Republic or notices from officials of the Republic in any proceeding for the enforcement of any obligation or duty of any domestic constituent corporation, including any suit brought by any dissenting stockholders pursuant to subpart 1.23 of chapter 2. If the person so named is not found within the Republic, service shall be made upon the merged or consolidated corporation to enforce any obligation or duty by filing concurrently with the Registrar and the Vice-President a copy of notice of process authorized by law, by any magistrate, court, judicial or administrative officer, or board, in accordance with subpart 7.1 of chapter 1.

If the consolidated or surviving corporation undertakes to do or carry on any business in the Republic or to take, hold, sell, demise, or convey any real property or any other property therein, it shall within thirty days after the filing of the merger or consolidation agreement, file in the office of the Registrar all documents required to be filed by subparts 1.1 and 1.2 of chapter 3, and shall in all respects, be subject to part 7, chapter 1 and chapter 3.

1.18. Corporations Owning Real Property. In the event of a merger involving a corporation owning real property in the Republic or leasehold interests in the Republic, there shall be obtained a prior approval of such merger by the Republic, which prior approval is a condition precedent to a valid merger.

1.19. Written Demand for Compensation by Dissenting Stockholders. If the requisite number of

stockholders of any constituent corporation approve its merger or consolidation with another corporation, domestic or foreign, then any holder of voting or nonvoting shares who has not approved the merger or consolidation at the meeting at which the same was approved, may make written demand upon the constituent corporation of which he is a stockholder for the payment to him of the fair market value of his shares. The fair market value shall be determined as of the close of business of the day before the vote of the stockholders approving the action.

1.20. Time for Receipt of Demand and Contents. The demand must be received by the constituent corporation within thirty days after the date on which the notice of the approval by the stockholders provided for in subpart 1.4 of chapter 2 was mailed to the stockholder. The demand shall state the number and class of the shares held of record by the stockholder in respect of which he claims relief, and shall contain a request that the corporation state what it determines to be the fair market value of the shares as of the close of business of the day before the vote of the stockholders approving the merger or consolidation.

1.21. Certificates Marked as "Dissenting Shares". Before the expiration of the period referred to in subpart 1.20 of chapter 2, the stockholder shall submit to the constituent corporation, at its principal office or at the office of any transfer agent thereof, his certificates for shares in respect to which he claims relief under subparts 1.19 to 1.30 of chapter 2, to be stamped or endorsed with a statement that the shares are dissenting shares. Upon subsequent transfers of shares on the books of the constituent corporation the new certificates issued therefor shall bear a like statement together with the name of the original dissenting holder of the shares.

The terms "dissenting shares" and "dissenting stockholders" as used in subparts 1.19 to 1.30 of chapter 2 refer to shares and the holders thereof of record when all of the acts and things mentioned in subparts 1.19 to 1.21 of chapter 2 have been done and performed as therein required with reference to the shares and the terms "dissenting stockholders" includes transferees of record and successors in interest. Dissenting stockholders shall continue to have all the rights and privileges incident to their shares save as expressly limited by subparts 1.19 to 1.30 of chapter 2 until the filing of the merger or consolidation agreement in the office of the Registrar. A dissenting stockholder may not withdraw his dissent or demand for payment unless the constituent corporation, by its board of directors, consents thereto. Upon withdrawal of dissent in accordance with the provisions hereof, the statement stamped or endorsed on all certificates shall be cancelled or new certificates issued in lieu thereof.

1.22. Offer by Corporation, etc. Within ten days after receipt of a copy of the demand, or within fifteen days after the day of the vote of the stockholders approving the action, whichever is the latter, the constituent corporation upon which demand has been made in accordance with subpart 1.20 of chapter 2, shall deliver or mail to the holder of dissenting shares at his last known address, a written offer to pay for the shares at price or prices deemed by the corporation to

represent the fair market value if the stockholder is entitled to relief. If the constituent corporation and the holder of dissenting shares agree upon the price of the shares, the dissenting stockholders shall be entitled to the price without interest, unless the agreement otherwise provides, upon surrender of the certificate or certificates for the shares affected.

1.23. Suit in Equity to Determine Fair Market Value of Dissenting Shares. If any dissenting stockholder fails to agree with the constituent corporation upon a fair market value, then the dissenting stockholder, if he first has complied with the conditions provided in subpart 1.19 to 1.21 of chapter 2, or any interested corporation within six months after the date on which notice of the approval by the stockholders was mailed to the stockholder, but not thereafter, may file a petition in the Supreme Court, in equity, praying the court to determine the fair market value of the dissenting shares or may within such time intervene in any pending action or suit for the appraisal of any dissenting shares. If the petition or intervention is not filed or made within such period as to any dissenting shares the purchase price of which has not been agreed upon, then the shares shall lose their dissenting status and be deemed to be assenting shares.

1.24. Parties, Determination of; Appraisers. Two or more dissenting stockholders of the same corporation may join as petitioners or be joined at any time or be made respondents in the suit and two or more suits involving the value of the shares of one or more constituent corporations may be consolidated. Dissenting stockholders may intervene in any pending suit brought for the appraisal of any dissenting shares.

On the trial of any suit, the court shall determine whether the petitioners or intervenors are dissenting stockholders within the meaning of subparts 1.19 to 1.30 of chapter 2 and whether they are entitled to relief, and if the court so finds, the court shall determine or shall appoint three impartial appraisers to determine the fair market value of the shares of dissenting stockholders as of the time above specified.

1.25. Determination of Fair Market Value; Decree; Appeal; Costs. If appraisers are appointed they forthwith shall proceed to determine the fair market value of the shares and the appraisers, or a majority of them, shall make a report within the time fixed by the court, and shall file their report in the office of the clerk of court, whereupon, on the motion of any party, the report shall be submitted to the court and unless the report is agreed to by all parties, it shall be considered together with such evidence as the court may consider relevant.

If appraisers are not appointed or if a majority of them fail to make and file a report within fourteen days, or within such further time as may be allowed by the court, or their report is not confirmed by the court, the court shall determine from the evidence adduced the fair market value of the dissenting shares.

Upon determination by the court, a decree shall be rendered against the corporation involved which shall provide substantially that upon surrender of the shares the corporation shall make payment to the dissenting stockholders of an amount equal to the fair market value of each share as of the time above specified, multiplied by the number of dissenting shares in respect of which the court finds any dissenting stockholders is entitled to relief, together with interest thereon at four percent a year from the date of the filing of the merger or consolidation agreement in the office of the Registrar.

Any decree shall be payable only upon the endorsement and delivery to the corporation of the certificates for the shares described in the decree.

The costs of the suit, including reasonable compensation to the appraisers to be fixed by the court, shall be assessed or apportioned as the court considers equitable.

1.26. Payment; Rights of Corporation. Unless provided otherwise by agreement, payment of the fair market value of dissenting shares shall be made by the corporation involved within thirty days after the amount thereof has been agreed upon or within thirty days after the effective date of the merger, whichever is later, upon surrender of the certificates therefor. After any decree is entered for the payment of any dissenting stockholders unless appeal has been effected by the stockholder under subpart 1.25 of chapter 2, the corporation may pay into the court entering the decree the sum required to be paid to the dissenting stockholder, and upon the payment into court, interest shall cease. Disbursement of any sum paid into court shall be made only under order of court after the corporation has been notified of application for payment, and only upon surrender to the corporation of the certificates of stock. The surviving or consolidated corporation may, but shall not be required to hold as treasury stock any of its shares attributable to shares of dissenting stockholders purchased or paid for under subpart 1.19 to 1.30 of chapter 2, if the assets and property of such corporation, after payment of the dissenting stockholders, exceed the capital stock issued and outstanding plus the liabilities and obligations, otherwise the constituent corporation shall dispose of the shares, or the shares into which they are converted (or a portions of the shares where sale of a portion will satisfy the requirement hereof) for such consideration as it deems proper.

1.27. Interim Dividends. The dissenting stockholders of record shall be entitled to receive all cash dividends paid by the constituent corporation until the effective date of the merger or consolidation. All stock dividends applicable to dissenting stock declared and issued before the date of the merger or consolidation shall be withheld by the constituent corporation declaring and issuing the same and shall not be issued to the dissenting stockholders and the constituent corporation shall hold or dispose of the stock dividends after payment for the dissenting stock to which the dividend is applicable under subpart 1.26 of chapter 2 in the same manner as stock purchased from dissenters under subpart 1.19 to 1.30 of chapter 2.

1.28. Abandonment of Merger, etc. The right of a dissenting stockholder to relief hereunder and his status as a dissenting stockholder hereunder shall cease if and when the constituent corporation of which he is a stockholder abandons the merger or consolidation entitling the dissenting stockholder to relief. Upon abandonment of the merger or consolidation any dissenting stockholder who has initiated proceedings in good faith under subpart 1.19 to 1.30 of chapter 2 shall be entitled to recover from the corporation all necessary expenses incurred in the proceedings and reasonable attorney's fees.

1.29. Scope of Application; Definitions. Subpart 1.19 to 1.30 of chapter 2 shall not apply to classes of shares whose terms and provisions specifically set forth the amount to be paid or the method of determining the amount to be paid in respect to the shares in the event of consolidation or merger.

The rights and remedies of any stockholder to object to or litigate as to any such merger or consolidation are limited to the right to receive the fair market value of his shares in the manner and upon the terms and conditions provided in subpart 1.19 to 1.30 of chapter 2, except suits or actions to test the sufficiency or regularity of the votes of the stockholders authorizing or approving the proposed action of any constituent corporation. Whenever the term "constituent corporation" is used in subpart 1.19 to 1.29 of chapter 2, it means and includes the surviving or consolidated corporation after the merger or consolidation agreement is effective.

1.30. Stay of Compensation Proceedings. If proceedings are instituted to test the sufficiency of regularity of the votes of the stockholders in authorizing the merger or consolidation, the petition for compensation of any dissenting stockholder shall be filed within the period provided in subpart 1.19 to 1.30 of chapter 2, but all proceedings in the suit shall be suspended until final determination of proceedings instituted to test the sufficiency or regularity of the votes of the stockholders.

PART 2 . MERGER OF SUBSIDIARY CORPORATIONS

2.1. Application of Part. This part shall not be applicable to cooperative associations, nonprofit corporations, or any corporation engaged in the business of issuing insurance policies for its own account.

2.2. Merger of Parent Corporation and Subsidiary. Any corporation organized or existing under the laws of this Republic or under the laws of a state or jurisdiction subject to the laws of the United States, if the laws of the state or jurisdiction permit a merger, owning at least ninety percent of the outstanding shares of each class of the stock of any other corporation or corporations organized or existing under the laws of this Republic, or under the laws of any state

or jurisdiction subject to the laws of the United States, if the laws of the other state or jurisdiction permit such a merger, may file in the office of the Registrar a certificate of such ownership and of merger in its name and under its corporate seal, signed by any two authorized officers of the corporation and setting forth a copy of the resolution of its board of directors to merge the other corporation or corporations into it and to assume all of its or their obligations and the date of the adoption thereof; provided, that in case the parent corporation shall not own all the outstanding stock of all the subsidiary corporation parties to a merger as aforesaid, the resolution of the board of directors of the parent corporation shall state the terms and conditions of the merger, including the securities, cash, or other consideration into which shares of stock of the subsidiary corporation not owned by the parent corporation are to be converted. Upon the minute, hour, and day of filing of the certificate of ownership and merger pursuant to this section, or if a subsequent minute, hour, and day has been specified in the certificate then upon such subsequent minute, hour, and day, the separate existence of the subsidiary corporation or corporations shall cease and all and singular the rights, privileges, franchises, and property of the subsidiary corporations and all debts and liabilities due or to become due to the subsidiary corporations, including subscriptions for shares and things in action and every interest or asset of conceivable value or benefit, shall be deemed fully and finally and without any right of reversion transferred to and vested in the surviving parent corporation without further act or deed, and the surviving parent corporation shall have and hold the same in its own right as fully as the same was possessed and held by the subsidiary corporation from which it was, by operation of this part, transferred; and except as and to the extent otherwise provided in subpart 2.3 of chapter 2, each share of stock of the subsidiary corporation or corporations not therefore owned by the parent corporation shall be deemed converted into the securities, cash, or other consideration provided in the certificate of ownership and merger. All debts, liabilities, and obligations due or to become due of, and all claims or demands for any cause existing against, the subsidiary corporation shall upon the merger be and become the debts, liabilities, and obligations of the claims and demands against the surviving parent corporation in the same manner as if the surviving parent corporation had itself incurred or otherwise become liable for them. All rights of creditors and all liens upon the property of each of the subsidiary corporations shall be preserved unimpaired, limited in lien to the property affected by the liens immediately prior to the time of the merger. Any action or proceedings pending by or against any subsidiary corporation shall not be deemed to have abated or been discontinued but may be prosecuted to judgement with the right to appeal or review as in other cases as if the merger or consolidation had not taken place or the surviving parent corporation may be substituted for the subsidiary corporation.

2.3. Rights of Stockholders of Merged Subsidiary Corporation. If all of the stock of a subsidiary Republic corporation party to a merger affected under this part is not owned by the parent corporation immediately prior to the merger, the surviving corporation shall within ten days after the date on which the certificate of ownership and merger has been filed pursuant to this part notify each stockholder of the subsidiary Republic corporation that the certificate of ownership

and merger has been filed and the terms and conditions of the merger. The notice shall be sent by registered or certified mail addressed to the stockholder at his last known address as it appears on the books of the subsidiary corporation. If within thirty days after the date on which the notice of filing of the certificate of ownership and merger and terms and conditions of the merger is mailed any stockholder makes demand upon the surviving corporation in the manner provided in subpart 1.20 of chapter 2 (other than the first sentence thereof), then all of the provisions of subpart 1.30 of chapter 2, shall be and become applicable; and each stockholder making the demand and the surviving corporation shall have all of the rights and duties provided in the sections, but no stockholders of the surviving corporation shall have any such rights or duties nor shall any or the provisions of this section or sections 1.19 to 1.30, apply to any stockholder of surviving corporation.

2.4. Merger of Domestic Corporations with Foreign Corporations; Foreign Surviving Corporations; Conveyance of Real Property upon Merger of Foreign Corporations. To the extent not contrary to subpart 2.1 to 2.3 of chapter 2, subpart 1.16 to 1.18 of chapter 2 are made applicable to this part.

PART 3. NONPROFIT CORPORATIONS

3.1. Nonprofit Corporation Defined. "Nonprofit corporation" as used in this part means a corporation created under subparts 2.10 and 2.11 of chapter 2.

3.2. Merger and Consolidation. Any two or more domestic nonprofit corporations may be (1) merged into one of such domestic nonprofit corporations, which is designated in this part as "the surviving nonprofit corporation" or, (2) consolidated into a new domestic nonprofit corporation to be formed by means of such merger or consolidation as is specified in the agreement hereinafter provided which is designated in this part as "the consolidated nonprofit corporation." The board of directors, trustees, or other governing body of such nonprofit corporations desiring to merge or consolidate may enter into an agreement prescribing the terms and conditions of the merger or consolidation; the mode of carrying the same into effect, the names and addresses of the first officers and directors of the surviving or consolidated nonprofit corporation and their respective terms of office, and setting forth such other provisions as may be deemed necessary.

3.3. Merger; Necessary Statement. If the agreement is for a merger, it shall state any matters in respect of which the charter of the incorporation of the surviving nonprofit corporation is proposed to be amended and shall set forth or incorporate as part thereof the proposed charter of incorporation as amended, and the charter of incorporation shall be deemed to be the amended charter of incorporation of the surviving nonprofit corporation upon the allowance of the merger agreement by the Registrar with the consent of the President. The amended charter of

incorporation of the surviving nonprofit corporation may provide for the extension of the term of its corporate existence, and may contain all the powers and privileges that could lawfully be conferred or obtained in an original charter of incorporation.

3.4. Consolidation; Necessary Statement. If the agreement is for a consolidation, it shall state therein or incorporate as part thereof a complete charter of incorporation as is required by chapter 1 in the formation of a new nonprofit corporation. The charter of incorporation shall be deemed to be the charter of incorporation of the consolidated nonprofit corporation upon the allowance of the consolidation agreement by the Registrar with the consent of the President. The charter of incorporation of the consolidated nonprofit corporation may contain all the powers and privileges that could be lawfully conferred or obtained in an original charter of incorporation of a nonprofit corporation.

3.5. Agreement; Approval Execution. The agreement shall be approved by the board of directors or trustees of each constituent nonprofit corporation and shall also be approved separately by each constituent nonprofit corporation, at a meeting duly called and held for the purpose, at which a quorum is present, by not less than two-thirds of the members of each constituent nonprofit corporation present at the meeting.

The agreement shall be executed as provided in subpart 1.5 of chapter 2.

3.6. Certificate of Approval. There shall be executed and signed by the presiding officer and secretary of each of the membership meetings, or by any other officers present at the meeting, a certificate which shall be verified by their oath and shall set forth:

a. The time and place of the meeting of the board of directors or trustees, and a copy of the resolution adopted thereat;

b. The vote in favor of the resolution;

c. The time and place of the membership, and a copy of the resolution adopted thereat;

d. The vote in favor of the resolution;

e. Facts as to the notification of the members of the time, place, and purpose of the meeting of the members.

3.7. Agreement When Executed to be Filed with Registrar. The agreement so approved, executed, and acknowledged, and the certificates of its approval by each constituent nonprofit corporation in accordance with this part, shall be filed in the office of the Registrar, and the

merger or consolidation shall become effective upon the allowance of the merger or consolidation by the Registrar. A copy of the agreement, certified to by the Registrar shall have the same force in evidence as the original and, except as against the Republic, shall be conclusive evidence of the performance of all things precedent to the merger or consolidation, and the creation or existence of the surviving or consolidated nonprofit corporation.

3.8. Certificate of Registrar. Upon the allowance of the agreement, the Registrar shall issue a certificate of merger or consolidation, which shall set forth the following; [sic]

a. The name of each constituent nonprofit corporation;

b. The name of the surviving or consolidated nonprofit corporation;

c. The date and time of allowance of the merger or consolidation agreement;

d. The names of the officers and directors or trustees of the surviving or consolidated nonprofit corporation at the time of allowance of the agreement.

3.9. Subpart 1.13 of chapter 2 Applies. Subpart 1.13 of chapter 2 shall apply to the merger or consolidation of nonprofit corporations.

CHAPTER 3
FOREIGN CORPORATIONS

PART 1. FOREIGN CORPORATIONS, GENERALLY

1.1. Declarations; Local Agents; Bonds. Every corporation or incorporated company, other than an eleemosynary corporation formed or organized under the laws of any foreign state or country (hereinafater "foreign eleemosynary corporation") or a corporation which demonstrates to the satisfaction of the Registrar that it is an arm of a foreign state or country (hereinafter "foreign government corporation"), which undertakes to do or carry on business in the Republic, shall file in the office of the Registrar:

a. A declaration sworn to on oath by two authorized officers of the corporation stating:

(1) The name of the corporation;

(2) The state or country wherein it was incorporated;

(3) The location and address of its principal office;

(4) The location and address of its branch office or offices in the Republic;

(5) The names, citizenship, and addresses of its officers and directors;

(6) The amount of its paid up capital stock;

(7) The total value of the property owned and used by it in its business;

(8) The nature and total value of the property to be acquired by it for use in the Republic;

(9) The total dollar amount of business transacted by it during its preceding fiscal year;

(10) The nature and actual method of the business to be transacted within the Republic;

(11) The name, citizenship, and business address of the person residing within the Republic upon whom legal notice and process from the courts of the Republic, or notices from officials of the Republic, may be served.

b. A copy of the articles of incorporation, charter, or act of incorporation of the corporation as amended to the date of the declaration, certified to by the proper officer of the state where the corporation was organized, which certificate shall also state that the corporation is in good standing if that is the fact.

c. A copy of the bylaws of the corporation, as amended to the date of the declaration, certified to by the proper officer of the corporation.

d. A good and sufficient bond or bonds with one or more sureties to be approved by the Registrar, and running to the Registrar and his successors in office, in a sum or sums to be fixed by the Registrar in his sound discretion, but not more than ten percent of the capital stock of the corporation or $5,000, whichever is less, with condition that the surety or sureties on the bond or bonds shall be answerable in the amount of the bond or bonds for all judgments, decrees, or orders given, made, or rendered against the principal on the bond or bonds by any of the courts of the Republic for the payment of money; provided, that the Registrar may require the bond to be in the sum of not less than $1,000, or may waive the requirements of the bond if in his judgment the corporation owns or holds property within the Republic in value sufficient to equal the amount of any bond or bonds which would otherwise be required or is an established corporation which has not defaulted on any obligation due from it for a period of at least ten years prior to the date of declaration. The Registrar may from time to time review and redetermine the requirement of this paragraph as if a declaration were being filed at the time of the review and redetermination, and increase or reduce or waive the bond or bonds required, as appropriate, or accept, other or different bonds under such conditions as he may require and determine, the surety or sureties on the bond may withdraw from the same upon giving to the Registrar notice not less than sixty days prior to the date on which the then existing annual license of the foreign corporation is to expire; provided, that the surety or sureties shall remain liable on the bond for all judgments, decrees or orders given, made, or rendered against the principal pursuant to this section, based upon any obligation or liability incurred prior to the date of expiration of the annual license.

1.2. Same by Foreign Eleemosynary Corporation. Every foreign eleemosynary corporation which undertakes to do or carry on any solely charitable work in the Republic shall file in the office of the Registrar:

a. A declaration sworn to on oath by two authorized officers of the corporation stating:

(1) The name of the corporation;

(2) The state or country wherein it was incorporated;

(3) The location and address of its principal office;

(4) The location and address of its branch office or offices in the Republic;

(5) The names, citizenship, and addresses of its officers and directors, if any;

(6) The nature and actual method of the charitable work to be carried on in the Republic;

(7) The name, citizenship, and business address of the person residing within the Republic upon whom legal notice and process from the courts of the Republic, or notices from officials of the Republic, may be served.

b. A copy of the articles of incorporation, charter, or act of incorporation of the corporation as amended to the date of the declaration, certified to by the proper officer of the state wherein the corporation was organized, which certificate shall also state that the corporation is in good standing if that is the fact.

c. A copy of the bylaws of the corporation as amended to the date of the declaration certified to by the proper officer of the corporation.

1.3. Same by Foreign Government Corporation. Every foreign government corporation which undertakes to do or carry on any activities in the Republic shall be exempt from the requirements of this chapter, so long as regular reports of a type satisfactory to the Registrar are made to an agency of the Republic in accordance with any agreements entered into between the two agencies.

1.4. Filing Changes in Declarations or Statements. Whenever any change occurs in any of the facts set forth in any declaration or statement f iled under subpart 1.1 or 1. 2 of chapter 3 or in the designation of the resident agent to accept service of notices and process, or any amendment to the charter, articles of incorporation, act of incorporation, or bylaws so filed has been effected, a verified statement setting forth the change or a certified copy of the amendment shall be filed with the Registrar in the same manner as in connection with an original declaration.

1.5. Declaration Not Acceptable, When. No declaration of a corporation required to file a declaration under subpart 1.1 or 1.2 of chapter 3 shall be accepted by the Registrar if the name of the corporation is the same as the name of any corporation or copartnership, domestic or foreign, previously authorized or qualified to do business under the laws of the Republic or with any trade name previously registered under the laws of the Republic, or so nearly similar thereto as to lead to confusion and uncertainty.

1.6. Enforcement of Bond. In case of any breach of the condition of any bond given under subpart 1.1 of chapter 3, the Registrar may, and upon demand and the receipt of satisfactory assurance for the payment of costs shall, enforce the bond either in his own name or in the name of any person as obligee therein by appropriate proceedings in any court of competent jurisdiction for the use and benefit of any person injured by the breach.

1.7. Activities Not Constituting Doing Business In The Republic. A corporation or incorporated company formed or organized under the laws of any foreign state or country shall not be considered to be doing or carrying on business in the Republic for the purposes of this chapter by reason of carrying on in the Republic any one or more of the following activities:

a. Maintaining or defending any action or suit or any administrative or arbitration proceedings or effecting the settlement thereof or the settlement of claims or disputes.

b. Holding meetings of its directors or shareholders or carrying on other activities concerning its internal affairs.

c. Maintaining bank accounts.

d. Effecting sales through independent contractors.

e. Conducting an isolated transaction completed within a period of thirty days and not in the course of a number of repeated transactions of like nature.

All other activities shall be considered to be doing business in the Republic unless the corporation shall obtain a ruling from the Registrar that its activities, as shown on an application therefor, do not constitute doing business in the Republic.

1.8. Powers and Liabilities. Every foreign corporation or incorporated company, other than foreign eleemosynary corporations or foreign government corporations, on complying with subpart 1.1 of chapter 3, shall, subject to subpart 1.9 and 1.13 of chapter 3, have the same powers and privileges and be subject to the same disabilities as are by law conferred on corporations constituted under the laws of the Republic provided that the foreign corporation first obtains approval from the Foreign Investment Board to conduct business in the Republic.

1.9. Powers and Liabilities; Foreign Eleemosynary and ForeignGovernment Operated Corporation. Every foreign eleemosynary corporation and foreign government corporation, on complying with subpart 1.2 or 1.3 of chapter 3, shall, subject to subpart 1.14 of chapter 3, have the same powers and privileges and be subject to the same disabilities as are by law conferred on eleemosynary corporations constituted under the laws of the Republic.

1.10. Registration Mandatory; Fee. No foreign corporation except foreign eleemosynary corporations and foreign goverment corporations shall do or carry on business in the Republic unless it shall first have filed with the Registrar the declarations required by Part 1.1 of this chapter and have paid the mandatory filing fee.

1.11. Annual Exhibit, Failure to File, etc. Every corporation or incorporated company qualifying under this part, except as otherwise provided, shall file with the Registrar a full and accurate exhibit of its state of affairs within one hundred eighty days immediately following the end of the calendar year; provided, that no list of the stockholders of the corporation or company shall be required, except upon the request of the Registrar.

1.12. Examination by Registrar. The Registrar may at any time call for the production of the books and papers of any foreign corporation doing business in the Republic, and examine its officers, members, and others touching its affairs, under oath.

1.13. Procedure to Compel Examination. In case any foreign corporation refuses or fails to present the annual exhibit of its affairs to the Registrar or to produce its books and papers upon the request of the Registrar, or if any of the officers or members of the corporation refuses to be examined on oath, touching the affairs of the same, the Registrar may apply to a Palau Supreme Court judge at chambers for an order to compel the production of the books and papers, or the examination of the officers and members thereof, and the judge may enforce obedience to the order as in the case of its ordinary decrees and orders and the corporation shall be denied the benefit of the laws of the Republic; particularly the statute limiting the time for the commencement of civil actions, and shall not be entitled to sue in any court of the Republic for any cause of action, while the neglect or refusal continues.

1.14. Withdrawal Procedure; Notice to Creditors etc.; Taxes etc.; Service of Process on. Any foreign corporation or company which has qualified to transact business in the Republic may withdraw and surrender its right to engage in business within the Republic by securing from the Registrar a certificate of withdrawal, in the manner hereinafter provided. The corporation or company shall file in the office of the Registrar:

a. A certificate executed and acknowledged by its president or vice-president, and secretary or treasurer, setting forth:

(1) That it surrenders its authority to transact business in the Republic;

(2) That it irrevocably consents that process against it in any action or suit upon any liability or obligation incurred within the Republic before the issuance of the certificate of withdrawal may be served concurrently upon the Registrar and the

Vice-President and that such service of process upon the Registrar and Vice-President shall be deemed sufficient service upon it, and

(3) A post office address to which a copy of any process against the corporation or company may be mailed;

b. Satisfactory proof showing that, within sixty days last past, it has advertised in a newspaper of general circulation in the Republic, once in each of four successive weeks (four publications), a notice to all creditors of the corporation or company that it intends to apply, within sixty days from the first publication of the notice, to the Registrar for a certificate of withdrawal and intends to withdraw from and surrender its right to engage in business within the Republic and notifying all creditors of the corporation or company to present their claims;

c. Satisfactory proof that not less than fifteen days have elapsed since the last publication of the notice;

d. Satisfactory proof showing that all creditors of the corporation or company, resident or located within the Republic, have been paid; and

e. A valid certificate or certificates showing that all of the taxes, imposts, license fees, and assessments theretofore levied upon, due or payable by the corporation or company to the Republic or any of its agencies have been fully paid and discharged.

Upon the filing with and the approval by the Registrar of the aforesaid certificates and proofs, the Registrar shall issue to the corporation or company a certificate stating that it has withdrawn and surrendered its right to engage in business within the Republic. No corporation or company may withdraw from the Republic without complying with the aforesaid conditions and until such compliance with service of legal notices and processes upon the person designated by it under subpart 1.1 or 1.2 of chapter 3 shall be deemed sufficient service upon it, or if the designated person does not continue to reside in the Republic at the designated business address, service of notices and processes upon the Registrar and the Vice-President shall be deemed sufficient service of the notices and processes upon it.

1.15. Cancellation of Registration. If any corporation which has complied with subpart 1.1 or 1.2 of chapter 3 has failed or neglected for a period of two years to file an annual exhibit as required by law, the Registrar may cancel the registration of the corporation. At least sixty days prior to the cancellation, the Registrar shall cause notice thereof to be given to the person named in the declaration required by subpart 1.1 and 1.2 of chapter 3 as the person residing within the Republic upon whom notice and process from the courts of the Republic or notices from officials

of the Republic may be served, and shall cause notice thereof to the creditors of the corporation to be published once in each of two successive weeks in a newspaper of general circulation in the Republic. The expenses of the notice, whether given by personal service, by mailing, by publication, or by all thereof, shall be a charge against and may be collected by action against the corporation concerned. Any corporation, the registration of which is cancelled pursuant to this part, shall be deemed no longer qualified under this part to transact business in the Republic, and shall not be registered hereunder except upon compliance with the provisions hereof as if for the first time.

1.16. Service of Notice, Summons. Any foreign corporation as defined herein, doing business in the Republic, as defined herein, shall, by such doing business, whether or not it has filed the declaration called for in subpart 1.1 of this chapter, have constituted, in the absence of any such declaration, the Vice-President as its agent for service of any process, judicial or administrative. Service of any process on the Registrar or Vice-President, in the manner set out in Part 7 of chapter 1 of these regulations shall be effective for all purposes.

CHAPTER 4
CORPORATIONS SOLE FOR ECCLESIASTICAL PURPOSES

PART 1. FORMATION

1.1. Formation of Corporation Sole for Ecclesiastical Purposes. A nonprofit corporation sole may be formed hereunder by the bishop, chief priest, presiding elder, or other presiding officer of any church, for the purposes of administering and managing the affairs, property, and temporalities of the church, in the district within which the bishop, chief priest, presiding elder, or other presiding officer has ecclesiastical jurisdiction.

1.2. Application for Charter: Petition; Contents. Application to the Registrar for a charter of incorporation under this chapter shall be made by a written petition, verified by the bishop, chief priest, presiding elder, or other presiding officer forming the corporation sole. The petition shall set forth:

a. The name of the corporation;

b. The name, citizenship and address of the officer forming the corporation, the office which he holds in the church, and that he is duly authorized by the rules, regulations, or discipline of the church to take the action;

c. The boundaries of the district subject to the ecclesiastical jurisdiction of the officer forming the corporation sole, in accordance with the rules, regulations, or discipline of the church;

d. The place of the principal office of the corporation sole, which shall be in the Republic;

e. The term for which the corporation sole is organized, which may be perpetual;

f. The manner in which any vacancy occurring in the office of the bishop, chief priest, presiding elder, or other presiding officer forming the corporation sole is required to be filled by the rules, regulations, or discipline of the church;

g. Additional powers to be set forth in its charter, in accordance with subpart 2.14, chapter 1.

h. Any lawful provision for the regulation of the affairs of the corporation sole, including restrictions upon the power to amend all or any part of the charter;

i. That the corporation is not organized for profit;

If any petition for a charter of incorporation presented to the Registrar under this chapter is not in conformity with the requirements of this part the Registrar shall, within thirty days, return the same to the petitioner specifying wherein the same fails to conform with this subpart and the petitioner may amend the petition and present it so amended. A proposed form of the charter of incorporation shall accompany the petition. The Registrar may require additional proofs from the Petitioner. If the petition or amended petition and the proposed charter are in conformity with law, the Registrar shall present the petition or amended petition, proposed charter, and accompanying proofs to the President for approval.

1.3. Powers of Corporation Sole. Every corporation sole formed under this chapter shall have the powers set forth in subpart 2.14, chapter 1 and be subject to part 2.17, chapter 1 of these regulations.

Every such corporation shall have continuity of existence notwithstanding vacancies in the incumbency thereof, and during the period of any vacancy, shall have the same capacity and right to receive and take any gift, bequest, devise, or conveyance of property, either as grantee for its own use, or as a trustee (where the trusteeship is within its corporate purposes and subject to removal from such trusteeship as provided by law), and to be or be made the beneficiary of a trust, as though there were no vacancies. No agency created by a corporation sole by a written instrument which, in express terms, provides that the agency thereby created shall not be terminated by a vacancy in the incumbency of the corporation, shall be terminated or affected by the death of the incumbent of the corporation or by a vacancy in the incumbency thereof, however caused.

1.4. Amendment to Charter. Subject to the proviso set forth in this section, and subject to any lawful restrictions upon the power to amend the charter of a corporation sole, set forth in its petition filed under subpart 1.2 of chapter 4, the incumbent of the corporation may at any time amend the charter of the corporation by changing its name, the term of its existence, the boundaries of the district subject to its jurisdiction, the place of its principal office, the manner of filling any vacancy in the incumbency thereof, its powers, or any provision of the charter for the regulation of the affairs of the corporation (except restrictions upon the power to amend the charter), and may, by amendment of the charter, make provision for any act or thing for which provisions is authorized in original charters of corporations sole formed under this chapter.

The incumbent of the corporation sole shall subscribe and verify a certificate which shall set forth the amendment either by stating that the charter has been amended to read as set forth in the certificate in full or by stating that any provision or provisions of the charter, which shall be identified by the numerical or other designation or designations thereof in the charter or by

stating the wording thereof, has or have been amended to read as set forth in the certificate. The certificate shall further state that the amendment has been duly authorized by the rules, regulations, or discipline of the church of which the incumbent is an officer; provided, that no amendment shall confer any other or greater powers or privileges than could lawfully be conferred or obtained in an original charter; provided, further, that no amendment shall become effective unless the same is allowed by the Registrar by and with the consent of the President.

1.5. Name of Incumbent; Change in Incumbency. There shall be filed, with a petition for a charter, a certificate duly signed and acknowledged, which shall state the name, citizenship, and address of the person who is to be its incumbent, to which shall be appended a duly attested copy of the certificate of appointment or other document through which he became entitled to be the incumbent of the corporation sole. Whenever a change in the incumbency of the corporation occurs, the new incumbent, within thirty days after he has become the incumbent, shall file with the Registrar a like certificate with like proof of his title to the office.

1.6. Distribution of Assets: Inspection of Books. Except upon liquidation of the property of the corporation in case of dissolution, no part of the assets, income, or earnings of the corporation shall be withdrawn from or sent out of the Republic, unless the remaining assets of the corporation shall then equal in value twice the amount of the indebtedness of the corporation.

The Registrar shall at all times have access to the books of the corporation.

1.7. Extensions and Renewals. The duration of the corporation, if not perpetual, may be extended by amendment of its charter, and at any time not more than two years after the expiration of a charter it may be renewed upon application to the Registrar for that purpose; provided that no renewal shall become effective until it is allowed by the Registrar by and with the consent of the President.

1.8. Dissolution. A corporation formed under this chapter may be dissolved, voluntarily or involuntarily, in the manner provided in part 6 of chapter 1 denominated “dissolution”, save that:

a. In lieu of the certificate and vote therein required for a voluntary dissolution, the incumbent of the corporation sole shall execute, subscribe and verify a declaration of dissolution which shall set forth the name of the corporation, the reason for its dissolution or winding up, and that the dissolution has been duly authorized by the church, to administer the affairs, property, and temporalities of which the corporation was organized, and the Registrar shall be satisfied that the dissolution has been duly authorized.

b. In lieu of the certificate of an officer, director, or manager of the corporation, therein,

required for the involuntary dissolution of a corporation which has ceased to have any assets and has failed to function, the certificate may be made by any authorized officer of the church, to administer the affairs, property, and temporalities of which the corporation was organized. In lieu of the directors or managers of the corporation the incumbent shall be a trustee to wind up the corporation unless some other person or persons are appointed as therein provided.

The church, to administer the affairs, property and temporalities of which the corporation was organized, shall stand in the place and stead of the stockholders, and may be represented in court by any authorized officer thereof or trustee acting in its behalf; the remaining assets shall be distributed to such church or to a trustee or trustees in its behalf, or in such other manner as may be decreed by a judge of the Trial Division of the Palau Supreme; and the trustee or trustees in dissolution, the Registrar, the Attorney General, or any person connected with the church, may file a petition for the assets, or for the appointment of a trustee or trustees to act in behalf of the church.

c. In lieu of the officers of the corporation the incumbent shall represent the corporation with respect to the required tax clearance.

1.9. Corporations Sole Heretofore Formed; General Laws. Any corporation sole heretofore formed and existing under the laws of the Republic for ecclesiastical purposes may elect to continue its existence under this chapter by filing an application for amendment of its charter in the manner and form provided for an application for an original charter, together with the required certificates as to the incumbency of the corporation. If such amendment is allowed by the Registrar by and with the consent of the President, this chapter thereupon shall apply to such corporations sole the same as to corporations formed under this chapter.

Any charter or amended charter granted or corporation created or existing under the authority of this chapter shall be subject to all general laws enacted in regard to corporations.

CHAPTER 5
PARTNERSHIPS

PART 1. PARTNERSHIPS IN GENERAL

1.1. Registration and Annual Statements. Whenever any general or limited partnership is formed under the laws of the Republic to do business in the Republic, or any partnership formed under the laws of any other jurisdiction shall do business in the Republic, the partnership shall file in the office of the Registrar the registration and annual statements hereinafter provided. Every partnership now existing under the laws of the Republic shall also file the annual statements hereinafter provided. A registration statement shall be filed by a partnership formed under the laws of the Republic within thirty days after the commencement of business in the Republic. An annual statement shall be filed on or before June 30 of each year, as of December 31 of the preceding year. Every registration statement shall contain the following information:

a. The name of the partnership;

b. The nature of the partnership (whether general, limited, special or other);

c. The name, citizenship, and residence of each partner, and whether he is a general, limited, special, or other kind of partner;

d. The nature of the partnership business;

e. The location (include mailing address and telephone number) of the principal place of business of the partnership in the Republic and, if the partnership is one formed under the laws of any other jurisdiction, the name of the jurisdiction and the location of the principal place of business of the partnership;

f. The date the partnership was formed and, if the partnership is one formed under the laws of any other jurisdiction, the date the partnership commenced business in the Republic;

g. The fact that none of the partners is either a minor or an incompetent person.

Every annual statement shall contain the information specified in the above subdivisions as well as any other information sought by the Registrar.

The registration statement shall be acknowledged by each partner. Each annual statement shall be certified as correct by any general partner.

1.2. Forms to be Furnished by Registrar; Acknowledgments. The registration, annual, and other statements required by this part shall be filed on forms to be furnished by the Registrar. Statements required to be acknowledged shall be acknowledged under penalty of perjury before a notary public or other officers in the manner provided by law for acknowledgments of deeds.

1.3. Partnership Name. No partnership shall take or use a name which is identical with any name registered in the office of the Registrar under any statute, or which is so nearly similar to any such name as to lead to confusion or uncertainty. No statement or certificate of any partnership showing a name in violation of the provisions hereof shall be recorded by the Registrar.

1.4. Partnership Name; Change of. Whenever any partnership changes its partnership name, it shall within thirty days thereafter file in the office of the Registrar a statement showing: (1) the registered name of the partnership, and (2) the new name of the partnership; provided, that the statement need not be filed by a limited partnership which has filed a writing to amend its certificate pursuant to subpart 2.25 of chapter 5. The statement shall be signed and certified as correct by any general partner.

1.5. Foreign Partnerships, Power and Liabilities. A partnership formed under the laws of any other jurisdiction, shall, on filing a registration statement as required by subpart 5.1 of chapter 5 and subject to continuing compliance with the other provisions of this part, have the same powers and privileges, and be subject to the same disabilities as are by law conferred upon partnerships formed under the laws of the Republic, provided always that the purposes for which the partnership is formed are not repugnant to or in conflict with any law of the Republic; Provided, Further, That the partnership obtains approval from the Foreign Investment Board prior to conducting business in the Republic.

1.6. Admission, Withdrawal or Death of a Partner. Whenever a new partner is admitted to any partnership, or a partner withdraws from any partnership, or whenever any partner dies, a statement of the admission, withdrawal, or death shall be filed in the office of the Registrar, within thirty days after the addition, withdrawal, or death; provided that the statement need not be filed by a limited partnership which has filed a writing to amend its certificate pursuant to subpart 2.25 of chapter 5. The statement shall be acknowledged by each partner added or withdrawn, except as herein provided, and by all other remaining partners. If a partner withdraws and cannot be located, the statement shall set forth those facts and need not be signed or acknowledged by the partner.

1.7. Statement of Dissolution. Whenever any partnership is dissolved, a statement thereof showing the cause of dissolution shall be filed in the office of the Registrar within thirty days after dissolution; provided, that the statement need not be filed by a limited partnership which

has filed a writing to cancel its certificate pursuant to subpart 2.25 of chapter 5. The statement shall be acknowledged by all partners except in such cases as the circumstances make it obviously impossible to secure the signature of one or more partners, which circumstances shall be set forth in the statement.

1.8. Taxes, etc., a Prior Lien on Partnership Property on Dissolution. Upon dissolution of a partnership, any lawful taxes, license fees, or assessments for which the partnership, or any partner in respect thereof, is liable shall constitute a prior lien upon the assets of the partnership but not as against the interest of those creditors who have prior recorded liens.

1.9. Record of Statements. The Registrar shall cause books or files to be kept in his office, in which shall be recorded the several particulars required by this part to be filed in his office.

1.10. Cancellation of Registration. If any partnership, whether general, limited, special, or other, fails or neglects for a period of two years to file any annual statement as required by this part, the Registrar may cancel the registration or the certificate, as the case may be, of the partnership. The cancellation of the registration or the certificate shall not relieve the partners of liability for the penalties for the failure to file any statement or certificate required by this part.

1.11. Partnerships Between Husband and Wife; Prima Facie Proof. If any business tax return is filed by, or license to do business is issued in the names of, both husband and wife, the tax return or license shall constitute prima facie proof, insofar as the Republic or any of its agencies is concerned, that a partnership in the business exists between husband and wife in respect of the business. If the business tax return is filed by, or license is issued in the name of, one of them only, it shall constitute like proof that the husband and wife are not partners in respect of the business.

1.12. Minors and Incompetent Persons. A minor or incompetent person may not be a partner, but may have a beneficial interest in a partnership through a trustee or duly appointed guardian. The trustee or guardian may be a limited partner.

1.13. Not Applicable to Corporations. Nothing in this part shall apply to corporations or incorporated companies.

1.14. Partnerships Heretofore Formed. Any partnership heretofore formed and existing under the laws of the Republic may elect to continue its existence under this chapter by complying with the provisions set forth in this chapter, whereupon this chapter shall apply to such partnerships the same as to partnerships formed under this chapter.

PART 2. LIMITED PARTNERSHIP

2.1. Limited Partnership Defined. A limited partnership is a partnership formed by two or more persons under subpart 2.2 of chapter 5, having as members one or more general partners and one or more limited partners. The limited partners as such shall not be bound by the obligations of the partnership.

2.2. Formation. Two or more persons, each of whom may be an individual or a corporation and any of whom may be acting in a fiduciary capacity, desirous of forming a limited partnership, shall sign, acknowledge, and file a certificate, as follows:

a. The certificate shall state:

(1) The name of the partnership;

(2) The character of the partnership;

(3) The location (include mailing address and telephone number) of the principal place of business;

(4) The name, citizenship, and place of residence of each member; general and limited partners being respectively designated;

(5) The term for which the partnership is to exist;

(6) The amount of cash and a description of and the agreed value of the other property contributed by each limited partner;

(7) The additional contributions, if any, agreed to be made by each limited partner and the times at which or events on the happening of which they are to be made;

(8) The time, if agreed upon, when the contribution of each limited partner is to be returned;

(9) The share of the profits or the other compensation by way of income which each limited partner is to receive by reason of his contributions;

(10) The right, if given, of a limited partner to substitute an assignee as contributor in his place, and the terms and conditions of the substitution;

(11) The right, if given, of the partners to admit additional limited partners;

(12) The right, if given, of one or more of the limited partners to priority over other limited partners, as to contributions or as to compensation by way of income and the nature of the priority;

(13) The right, if given, of the remaining general partner or partners to continue the business on the death, retirement, or insanity of a general partner; and

(14) The right, if given, of a limited partner to demand and receive property other than cash in return for his contribution.

b. The certificate shall be acknowledged by each of the persons before some officers authorized to take acknowledgments of deeds, and shall be filed in the office of the Registrar.

The Registrar shall preserve the certificate and keep a record of the same, which shall be duly indexed.

2.3. Business Which May be Carried On. A limited partnership may carry on any lawful business.

2.4. Character of Limited Partner's Contribution. The contributions of a limited partner may be cash or other property, but not services.

2.5. Partnership Name. The surname of a limited partner shall not appear in the partnership name, unless (1) it is also the surname of a general partner, or (2) prior to the time when the limited partner became such the business had been carried on under a name in which his surname appeared.

A limited partner whose name appears in a partnership name contrary to the foregoing provisions is liable as a general partner to partnership creditors who extend credit to the partnership without actual knowledge that he is not a general partner.

2.6. Liability for False Statements in Certificate. If the certificate contains a false statement, one who suffers loss by reliance on the statement may hold liable any party to the certificate who knew the statement to be false, (1) at the time he signed the certificate, or (2) subsequently, but within a sufficient time before the statement was relied upon to enable him to cancel or amend the certificate, or to file a petition for its cancellation or amendment as provided in part 2.25 (c) of chapter 5.

2.7. Limited Partner not Liable to Creditors. A limited partner shall not become liable as a general partner unless, in addition to the exercise of his rights and powers as a limited partner, he takes part in the control of the business.

2.8. Admission of Additional Limited Partners. After the formation of a limited partnership, additional limited partners may be admitted upon filing an amendment to the original certificate in accordance with the requirements of part 2.25 of chapter 5.

2.9. Rights, Powers, and Liabilities of a General Partner. A general partner shall have all the rights and powers and be subject to all the restrictions and liabilities of a partner in a partnership without limited partners, except that without the written consent or ratification of the specific act by all the limited partners, a general partner or all of the general partners have no authority to:

a. Do any act in contravention of the certificates;

b. Do any act which would make it impossible to carry on the ordinary business of the partnership;

c. Confess a judgment against the partnership;

d. Possess partnership property, or assign their rights in specific partnership property, for other than a partnership purpose;

e. Admit a person as a general partner;

f. Admit a person as a limited partner, unless the right to do so is given in the certificate;

g. Continue the business with partnership property on the death, retirement, or insanity of a general partner, unless the right to do so is given in the certificate;

2.10. Rights of a Limited Partner. A limited partner shall have the same right as a general partner to:

a. Have the partnership books kept at the principal place of business of the partnership, and at all times to inspect and copy any of them;

b. Have on demand true and full information of all things affecting the partnership, and a formal account of partnership affairs whenever circumstances render it just and reasonable; and

c. Have dissolution and winding up by decree of court.

A limited partner shall have the right to receive a share of the profits or other compensation by way of income, and to the return of his contribution as provided in subparts 2.15 and 2.16 of chapter 5.

2.11. Status of Person Erroneously Believing Himself a Limited Partner. A person who has contributed to the capital of a business conducted by a person or partnership, erroneously believing that he has become a limited partner in a limited partnership, is not, by reason of his exercise of the rights of a limited partner, a general partner with the person or in the partnership carrying on the business, or bound by the obligations of that person or partnership; provided that on ascertaining the mistake he promptly renounces his interest in the profits of the business, or other compensation by way of income.

2.12. One Person Both General and Limited Partner. A person may be a general partner and a limited partner in the same partnership at the same time.

A person who is a general, and also at the same time a limited partner shall have all the rights and powers and be subject to all the restrictions of a general partner; except that, in respect to his contributions, he shall have the rights against the other members which he would have had if he were not also a general partner.

2.13. Loans and Other Business Transactions With Limited Partner. A limited partner also may loan money to and transact other business with the partnership, and, unless he is also a general partner, receive on account of resulting claims against the partnership, with general creditors, a pro rata share of the assets. No limited partner shall in respect to any such claim (1) receive or hold as collateral security any partnership property, or (2) receive from a general partner or the partnership any payment, conveyance, or release from liability, if at the time the assets of the partnership are not sufficient to discharge partnership liabilities to persons not claiming as general or limited partners.

The receiving of collateral security, or a payment, conveyance, or release in violation of this subpart is a fraud on the creditors of the partnership.

2.14. Relation of Limited Partners' Inter Se. Where there are several limited partners the members may agree that one or more of the limited partners shall have a priority over other limited partners as to the return of their contributions, as to their compensation by way of income, or as to any other matter. If such an agreement is made it shall be stated in the certificate, and in the absence of the statement all the limited partners shall stand upon equal footing.

2.15. Compensation of Limited Partner. A limited partner may receive from the partnership the share of the profits or the compensation by way of income stipulated for in the certificate; provided that, after the payment is made, whether from the property of the partnership or that of a general partner, the partnership assets are in excess of all liabilities of the partnership except liabilities to limited partners on account of their contributions and to general partners.

2.16. Withdrawal or Reduction of Limited Partner's Contribution.

a. A limited partner shall not receive from a general partner or out of partnership property any part of his contribution until (1) all liabilities of the partnership, except liabilities to general partners and to limited partners on account of their contributions, have been paid or there remains property of the partnership sufficient to pay them; (2) the consent of all members is had, unless the return of the contribution may be rightfully demanded under subsection (b) ; and (3) the certificate is cancelled or so amended as to set forth the withdrawal or reduction.

b. Subject to subsection (a) a limited partner may rightfully demand the return of his contribution (1) on the dissolution of a partnership; or (2) when the date specified in the certificate for its return has arrived; or (3) after he has given six months' notice in writing to all other members if no time is specified in the certificate either for the return of the contribution or for the dissolution of the partnership.

c. In the absence of any statement in the certificate to the contrary or the consent of all members, a limited partner, irrespective of the nature of his contribution, has only the right to demand and receive cash in return for his contribution.

d. A limited partner may have the partnership dissolved and its affairs wound up when (1) he rightfully but unsuccessfully demands the return of his contribution, or (2) the other liabilities of the partnership have not been paid, or the partnership property is insufficient for their' payment as required by subsection (a) and the limited partner would otherwise be entitled to the return of his contribution.

2.17. Liability of Limited Partner to Partnership. A limited partner is liable to the partnership (1) for the difference between his contribution as actually made and that stated in the certificate as having been made, and (2) for any unpaid contribution which he agreed in the certificate to make in the future at the time and on the condition stated in the certificate.

A limited partner holds as trustee for the partnership (1) specific property stated in the certificate as contributed by him, but which was not contributed or which has been wrongfully returned, and (2) money or other property wrongfully paid or conveyed to him on account of his contribution.

The liabilities of a limited partner as set forth in this section can be waived or compromised only by the consent of all members; but a waiver of compromise shall not affect the right of a creditor of a partnership, who extended credit or whose claim arose after the filing and before a cancellation or amendment of the certificate, to enforce such liabilities.

When a contributor has rightfully received the return in whole or in part of the capital of his contribution, he is nevertheless liable to the partnership for any sum, not in excess of the return with interest, necessary to discharge its liabilities to all creditors who extended credit or whose claims arose before the return.

2.18. Nature of Limited Partner's Interest in Partnership. A limited partner's interest in the partnership is personal property and is assignable.

2.19. Assignment of. A substituted limited partner is a person admitted to all the rights of a limited partner who has died or has assigned his interest in a partnership.

An assignee, who does not become a substituted limited partner, has no right to require any information or account of the partnership transactions or to inspect the partnership books; he is only entitled to receive the share of the profits or other compensation by way of income, or the return of his contribution, to which his assignor would otherwise be entitled.

An assignee may become a substituted limited partner if all the members (except the assignor) consent thereto or if the assignor, being thereunto empowered by the certificate, gives the assignee that right.

An assignee becomes a substituted limited partner when the certificate is appropriately amended in accordance with subpart 2.25 of chapter 5.

The substituted limited partner has all the rights and powers, and is subject to all the restrictions and liabilities of his assignor, except those liabilities of which he was ignorant at the time he became a limited partner and which could not be ascertained from the certificate.

The substitution of the assignee as a limited partner does not release the assignor from liability to the partnership under subparts 2.6 and 2.17 of chapter 5.

2.20. Effect of Retirement. Death, or Insanity of a General Partner. The retirement, death, or insanity of a general partner dissolves the partnership, unless the business is continued by the remaining general partners under a right to do so stated in the certificate, or with the consent of all members.

2.21. Death of a Limited Partner. On the death of a limited partner his executor or administrator shall have all the rights of a limited partner for the purpose of settling his estate, and such power as the deceased had to constitute his assignee a substituted limited partner.

The estate of a deceased limited partner shall be liable for all his liabilities as a limited partner.

2.22. Rights of Creditors of Limited Partner.

a. On due application to a court of competent jurisdiction by any creditors of a limited partner, the court may charge the interest of the indebted limited partner with payment of the unsatisfied amount of such claim; and may appoint a receiver, and make all other orders, directions, and inquiries which the circumstances of the case may require.

b. The interest may be redeemed with the separate property of any general partner, but may not be redeemed with partnership property.

c. The remedies conferred by subsection (a) shall not be deemed exclusive of others which may exist.

d. Nothing in this part shall be held to deprive a limited partner of his statutory exemption.

2.23. Distribution of Assets. In settling accounts after dissolution the liabilities of the partnership shall be entitled to payment in the following order:

a. Those to creditors, in the order of priority as provided by law, except those to limited partners on account of their contributions, and to general partners;

b. Those to limited partners in respect to their share of the profits and other compensation by way of income on their contributions;

c. Those to limited partners in respect to the capital of their contributions;

d. Those to general partners other than for capital and profits;

e. Those to general partners in respect to profits;

f. Those to general partners in respect to capital.

Subject to any statement in the certificate or to subsequent agreement, limited partners share in

the partnership assets in respect to their claims for capital and in respect to their claims for profits or for compensation by way of income on their contributions respectively in proportion to the respective amounts of their claims.

2.24. When Certificate Shall Be Cancelled or Amended. The certificate shall be cancelled when the partnership is dissolved or all limited partners cease to be such.

A certificate shall be amended when:

a. There is a change in the name of partnership or in the amount or character of the contribution of any limited partner;

b. A person is substituting as a limited partner;

c. An additional limited partner is admitted;

d. A person is admitted as a general partner;

e. A general partner retires, dies, or becomes insane, and the business is continued under subpart 2.20.

f. There is a change in the character of the business of the partnership;

g. There is a false or erroneous statement in the certificate;

h. There is a change in the time as stated in the certificate, for the dissolution of the partnership or for the return of a contribution;

i. A time is fixed for the dissolution of the partnership, or the return of a contribution, no time having been specified in the certificate; or

j. The members desire to make a change in any other statement in the certificate to represent accurately the agreement between them.

2.25. Requirements for Amendment and for Cancellation of Certificate.

a. The writing to amend a certificate shall (1) conform to the requirements of subpart 2.2a. of chapter 5 as far as necessary to set forth clearly the change in the certificate which it is desired to make; and (2) be signed and acknowledged by all members. An amendment substituting a limited partner, or adding a limited or general partner, shall be

signed and acknowledged also by the member to be substituted or added, and when a limited partner is to be substituted, the amendment shall also be signed and acknowledged by the assigning limited partner;

b. The writing to cancel a certificate shall be signed and acknowledged by all members.

c. A person desiring the cancellation or amendment of a certificate, if any person designated above as a person who must execute the writing refuses to do so, may bring a suit in equity in the Trial Division of the Palau Supreme Court for an order directing the cancellation or amendment thereof.

d. If the court finds that the petitioner has a right to have the writing executed by a person who refuses to do so it shall order the Registrar to record the cancellation or amendment of the certificate; and where the certificate is to be amended, the court shall also cause to be filed in the office of the Registrar a certified copy of its decree setting forth the amendment.

e. A certificate is amended or cancelled when there is filed in the office of the Registrar (1) a writing in accordance with subsection (a) or (b), or (2) a certified copy of the order of court in accordance with subsection (d).

f. After the certificate is duly amended in accordance with this section, the amended certificate shall thereafter be for all purposes the certificate provided for by this part.

2.26. Parties to Actions. A contributor, unless he is a general partner, is not a proper party to proceedings by or against a partnership, except where the object is to enforce a limited partner's right against or liability to the partnership.

2.27. Rules of Construction. The rule that statutes in derogation of the common law are to be strictly construed shall have no application to this part.

2.28. Rules for Cases Not Provided for. In any case not provided for in this part the rules of law and equity, including the law merchant, shall govern.

CHAPTER 6
SECURITY REGULATIONS

PART 1. GENERAL PROVISIONS

1.1. Authority. The regulations in this chapter have been promulgated and issued by the Registrar of Corporations and approved by the Attorney General and the President of the Republic of Palau in accordance with Title 12, Chapter 1 of the Palau National Code and any amendments thereto and shall have the force and effect of law.

1.2. Basis and Purpose. The regulations in this chapter are designed to require the registration and to control the sale of certain securities for the protection of investors.
1.3. Definitions. When used in this chapter, unless context otherwise requires: the following definitions shall apply in the interpretation and enforcement of the provisions of this chapter.

(a) "Registrar" means the Registrar of Corporations.

(b) "Issuer" means any person who issues or proposed to issue any security, except that (1) with respect to certificates of deposit, voting-trust certificate or collated-trust certificates of interest or shares in an unincorporated investment trust not having a board of directors or persons performing similar functions or of the fixed, restricted management, or unit type, the term "issuer" means the person or persons performing the acts and assuming the duties of deposition or manager pursuant to the provisions of the trust or other agreement or instrument under which the security is issued: and (2) with respect to certificates of interest or participation in oil, gas, or mining titles or leases or in payment out of production under such titles or leases, there is not considered to be any "issue."

(c). "Person" means an individual, a corporation, a partnership, an association, a joint-stock company, a trust where the interest of the beneficiaries are evidenced by a security, an unincorporated organization, a government, or a political subdivision of a government.

(d). "Security" means any note; stock; treasury stock; bond; debenture; evidence of indebtedness; certificate of interest of participation in any profit-sharing agreement; collateral-trust certificate; preorganization certificate or subscription; transferable share; investment contract; voting-trust certificate; certificate of deposit for a security; certificate of interest or participation in an oil, gas, or mining title or lease or in payments out of production under such a title or lease; or in general, any interest or instrument commonly known as a "security," or any certificate of interest or participation in temporary or

interim certificate for receipt for guarantee of or warrant or right to subscribe to or purchase any of the foregoing, "Security" does not include any insurance or endowment policy or annuity contract under which an insurance company promises to pay a fixed sum of money either in a lump sum or periodically for life or for some other specified period.

(e). "Sale or sell" means every contract of sale or disposition of security for value.

(f). "Offer" means any attempt or offer to dispose of or -:solicitation to an offer to buy, a security or interest in a security for value. ,

PART 2. REGISTRATION

2.1. Registration Requirements.

(a) It shall be unlawful for any person to offer or sell any security unless the security is registered under this chapter or the security or the transaction is exempted by Title 12 Chapter 2 ,of the Palau National Code, any other applicable laws, or these regulations.

2.2. Registration by Qualifications.

(a). Any security may be registered by qualification.

(b). A registration statement under this section shall contain the following information:

(1) With respect to the issuer, its or his name, address and form of organization; the place and date of its organization; the general character of its business; and a description of its physical properties and equipment, and a statement of the general competitive conditions in the industry or business in which it is of will be engage:

(2) With respect to every director and officer of the issuer (or person occupying a similar status or performing similar functions) : his name, address and principal occupation for the past five years; the amount of securities of the issuer held by him as of a specified date within ninety days of the filing of the registration statement to which he has indicated his intention in any material transaction with the issuer of any significant subsidiary effected within the past three years or proposed to be effected.

(3) With respect to persons covered by clause (2): the remuneration paid during the past twelve months and estimated to be paid during the ensuing twelve months, directly or indirectly, by the issuer (together with all predecessors, patents, subsidiaries and affiliates) to all such persons in the aggregate.

(4) With respect to any person owning of record or beneficially if known, ten percent or more of the outstanding share of any class of equity security of the issuer the information specified in clause (2) other than his occupation.

(5) With respect to every promoter if the issuer was organized within the past three years: the information specified in clause (2), any amount paid to him within such period intended to be paid to him and the consideration for any such payment.

(6) With respect to any person other than the issuer on whose behalf any part of the offering is to be made: his name and address; the amount of securities of the issuer held by him as of the date of the filing of the registration statement; a description of any material interest in any material transaction with the issuer of any subsidiary effected within the past three years or proposed to be effected, and a statement of his reasons for taking the offering:

(7) The capitalization and long-term debt (on both current and pro forma basis) of the issuer and any subsidiary, including (A) a description of each class of security outstanding or being registered or otherwise offered, and (B) a statement of the amount, and kind of consideration (whether in the form of cash, physical assets, services, patents, goodwill or anything else) for which the issuer or any such subsidiary has issued any of its securities within the past two years or is obligated to issue any of its securities;

(8) The kind and amount of securities to be offered; the proposed offering price or the method by which it is to be computed; the basis upon which the offering is to be made if otherwise than cash; the estimated amount of selling expenses, including legal, engineering and accounting charges; and a description of the plan of distribution of any securities which are to be offered;

(9) The estimated cash proceeds to be received by the issuer from the offering; the purposes for which such proceeds are to be used by the issuer; the amount to be used for each purpose; the order of priority in which the proceeds will be used for the purposes stated; the amounts of any funds to be raised from other sources to achieve such purposes; the sources of any such funds and, if any part of the

proceeds is to be used to acquire any property (including goodwill) otherwise than in the ordinary course of business, the names of any persons who have received commissions in connection with such acquisitions and the amount of such commissions and any other expense in connection with such acquisition (including the cost of borrowing money to finance such acquisition);

(10) A description of any stock options (or other security options) outstanding, or to be created in connection with the offering, together with the amount of any such options held or to be held by every person required to be named in clause (2), (4), (5), (6) or (8) and by any person who holds or will hold ten percent or more in the aggregate of any such options;

(11) The dates of, parties to and general effect concisely stated of, every management or other material contract made or to be made otherwise than in the ordinary course of business if it is to be performed in whole or in part at or after the filing of the registration statement or was made within the past two years, together with a copy of every such contract; and a description of any pending litigation or proceeding to which the issuer is a party and which materially affects its business or assets (including any such litigation or proceeding known to be contemplated by governmental authorities);

(12) A copy of any prospectus, pamphlet, circular, form letter, advertisement or sales literature intended as of the effective date to be used in connection with the offering;

(13) A specimen of the security being registered; a copy of the issuer's articles of incorporation and by-laws (or their substantial equivalents) as currently in effect; and a copy of any indenture or other instrument covering the security to be registered, if Registrar does not have a copy;

(14) A statement that the security being registered when sold will be issued, fully paid and nonassessable, and, if a debt security, a binding obligation of the issuer;

(15) A balance sheet of the issuer as of a date within four months prior to the filing of the registration statement; a profit and loss statement and analysis of surplus for each of the three fiscal years preceding the date of the balance sheet and for any period between the close of the last fiscal year and the date of the balance sheet, or for the period of the issuer's and any predecessor's existence if less than three years; and if any part of the proceeds of the offering is to be applied to the purchase of any business, the same financial statements which would be

required if such business were the registrant;

(16) Such additional information as the Registrar may require; (c) A registration statement shall state the amount of securities to be offered in the Republic.

(d) A registration statement under this section shall become effective when the Registrar so orders.

(e) The Registrar shall have authority in his discretion to require that sales be made only pursuant to a subscription contract the form of which shall have been filed as an exhibit to the registration statement. If the Registrar shall so require a subscription contract, it shall be unlawful to sell any security registered under this section except pursuant to such a subscription contract duly signed by the purchaser, a copy of which shall be delivered to him.

(f) The Registrar may accept a registration statement that omits part of the information required by subsection (b) if he determines that the omitted part is unnecessary for the protection of investors.

(g) If any prospectus, document or exhibit filed as provided in this selection shall disclose that any of the securities sought to be registered by qualification, or as much as 25% of any class of the securities of the issue to be outstanding, shall have been or shall be intended to issued for any patent right, copyright trade mark, process, formula, good will or other intangible assets, or for organization or promotion fees or expenses, the Registrar may require that such securities shall be delivered in escrow to some satisfactory depository under an escrow agreement, provided that the owners of such securities shall not be entitled to sell or transfer such securities or to withdraw such securities from escrow until all other stockholders who have paid for their stock in cash shall have been paid a dividend or dividends aggregating not less than 5% of the initial offering price shown to the satisfaction of the Registrar to have been actually earned on the investment in any common stock so held. In case of dissolution on insolvency during the time such securities are held in escrow, the owners of such securities shall not participate in the assets until after the owners of such securities shall not participate in the assets until after the owners of all other securities shall have been paid in full. If any securities sought to be registered by qualification are to be sold for the account of the issuer, and not by underwriters who have or at the time of offering shall have purchased such securities from the issuer, the Registrar may require that proceeds from the sale of such securities be delivered in escrow to some satisfactory depository until at least 75% of the total securities originally proposed to be offered and sold shall have been sold and paid for.

2.3. Effectiveness and Reports. A registration statement filed under this article may be filed by the issuer or any other person named in Title 12, Chapter 2, Section 203 of the Palau National Code. When securities are registered, they may be offered and sold by the issuer or by such other person or persons named in the registration statement. Every registration statement shall remain effective until revoked by the Registrar or until terminated upon request of the registrant with the consent of the Registrar. So long as a registration statement remains effective all outstanding securities of the same class shall be considered to be registered for the purpose of any non-issuer distribution. So long as the registration statement remains effective, the Registrar may require the registrant to file reports, not more often than quarterly, to keep reasonably current the information contained in the registration statement and the Registrar may require such information to be included in the prospectus.

2.4. Exemptions.

(a) The following securities in addition to the exemptions set forth in Title 12, Chapter 2, Section 207, are exempted from the securities registration requirements of this chapter:

(1) Any security issued or guaranteed by any other foreign government with which the Republic currently maintains diplomatic relations, if the security is recognized as a valid obligation by such issuer or guarantor;

(2) Any security issued by and representing an interest in or a debt of, or guaranteed by, the International Bank for Reconstruction and Development, or any national bank, or any bank or trust company organized under the laws of any state of the United States and supervised by the banking commissioner or similar official of that state;

(3) Any security which is listed or approved for listing upon notice issuance on the New York Stock Exchange and American Stock Exchange; any other security of the same issuer which is of senior or substantially equal rank; any security called for by subscription rights or warrants admitted to trading in any of said exchanges; or any warrant or right to subscribe to any of the foregoing securities;

(4) Any security issued in connection with an employees stock purchase, savings, pension, profit-sharing or similar benefit plan;

(5) Any sale of its securities by an issuer if after the sale, it has not more than ten security holders, and if its securities have not been offered to the general public by advertisement or solicitation.

(6) Any transaction pursuant to an offer to existing security holders of the issuer including holders of transferable warrants issued to existing security holders and exercisable within ninety days of their issuance, if either (A) no commission or other remuneration (other than a standby commission) is paid or given directly or indirectly for soliciting any security holder in the Republic, or (B) the issuer first notifies the Registrar in writing of the terms of the offer and the Registrar does not by order disallow the exemption within ten full business days after the date of the receipt of the notice;

(b) The following transaction are exempted from all the provisions of this chapter:

(1) The issuance of any stock dividend, whether the corporation distributing the dividend is the issuer of the stock or not, if nothing of value is given by stockholders for the distribution other than the surrender of a right to a cash dividend where the stockholder can elect to take a dividend in cash or stock;

(2) Any transaction incident to a right of conversion or a statutory or judicially approved, reclassification, recapitalization, reorganization, quasi-reorganization, stock split, reverse stock split, merger, consolidation or sale of assets.

(c) In any proceeding under this chapter, the burden of proving an exemption shall be upon the person claiming it.

2.5. Unlawful Practices Unlawful Offers and Sales. It shall be unlawful for any person in the offer of sale of any securities, directly or indirectly, to (a) employ and device, scheme or article to defraud, or (b) obtain money or property by means of any untrue statement of a material fact or any omission to state a material fact necessary in order to make the statement made, in the light of the circumstances under which they were made, not misleading, or (c) engage in any transaction, practice or course of business which operates or would operate as a fraud or deceit upon the purchaser.

2.6. Civil Liability. Any person. violating any provisions of these regulations shall be subject to civil liabilities as set forth in Title 12, Chapter 1 of the Palau National Code.

2.7. Effective Date. These regulations shall become effective thirty (30) days after the date of adoption.

CHAPTER 7
CREDIT UNIONS

PART 1. GENERAL PROVISIONS

1.1. Authority. The regulations in this chapter have been promulgated and issued by the Registrar of Corporations and approved by the Attorney General and the President of tt,a Republic in accordance with the provisions of Title 12 Chapter 1, Subchapter II of the Palau National Code and shall have the force and effect of law.

1.2. Effective Date. These regulations shall become effective in accordance with the provisions of Title 12 Chapter 1, Subchapter II of the Palau National Code.

1.3. Purpose. The regulations in this chapter are designated to facilitate the administration of and carry into effect the credit union laws of the Republic.

1.4. Definitions: As used in this chapter, unless the context otherwise requires, the term:

a. "Registrar" means the Registrar of Corporations.

b. "Charter" means an order of the President granting a corporation right to conduct business as a credit union in the Republic of Palau, together with articles and by-laws which comply with the requirements of law.

c. "President" means the President of the Republic of Palau.

d. "Credit Union" means a cooperative, non-profit association, incorporated in accordance with the provisions of Title 12 of the Palau National Code for the purpose of encouraging thrift among its members and of creating a source of credit at a fair and reasonable rate of interest. A credit union is authorized to issue share of stock to its members and perform certain other services for them, in accordance with its charter and the laws of the Republic.

e. "Insolvent" means inability of a credit union to pay its debts as they become due in the usual course of its business.

f. "Surplus" as of a given date shall mean the balance of the undivided earnings account on such a date, after all losses have been provided for and net earnings or net losses have been added thereto or deducted therefrom, as the case may be. Reserves shall not be considered as a part of surplus. The purpose of this definition is solely for determining

the maximum amount a credit union may lend to another credit union or cooperative, to any member, or borrow from any source.

g. "Paid in and Unimpaired Income" as of a given date shall mean the balance of the shares account as of such date, less any losses that may have incurred for which there is no reserve or which have not been charged against undivided earnings.

h. "Net Earnings" for a given period shall mean the balance remaining after deducting from the gross income of a credit union actually received during such period all expenses paid or payable during such period, and any losses sustained therein (as determined by the board of directors) for which specific reserve has been set. Amounts set aside during such period as a reserve shall not be deemed items of expense.

PART 2. FORMATION OF CREDIT UNIONS

2.1. Incorporation; Shares Subordinate to Other Obligations. Twenty-five or more citizens of the Republic may, pursuant to these provisions, establish a corporation for the purpose of accumulating and investing the savings of its members, making loans to members for provident purposes and conducting a credit union as herein provided. Every corporation organized under this subchapter shall include in the corporate name the words "credit union" as well as some other distinguishing word or words.

Credit unions hereafter incorporated pursuant to this chapter, and credit unions heretofore incorporated shall hereafter be subject to the provisions of these regulations except as otherwise herein provided.

The shares of members shall be debt obligations of a credit union subordinate to all other obligations of the credit union.

2.2. Approval of Articles of Incorporation and By-Laws and other Prerequisites to Commencing Business. The incorporators shall adopt a set of articles of incorporation and by-laws in conformance with this chapter, and shall file a copy of the same with the Registrar. When the articles and by-laws are approved by the President, and all requirements of law as to organization are complied with, the President may thereupon issue a charter authorizing the credit union to commence business; provided, however, that the President shall not issue a charter to do business to a credit union when he has reason to believe that the corporation is formed for any other than legitimate credit union business, or that the moral fitness, financial responsibility, or business qualifications of the persons named as officers and directors are not such as to command the confidence of the community in which the credit union proposes to operate.

2.3. Contents of Articles. An association of persons seeking a charter as a credit union shall submit for the approval of the President articles of incorporation which shall provide at least the following information:

a. Proposed name of the credit union;

b. Location of office or place of business;

c. Proposed duration

d. Purposes;

e. Powers;

f. Names of Incorporators;

g. Number of directors which shall be not less than five (5), and proposed officers;

h. Names of directors and officers to serve until first election;

i. Provisions for voting by members;

j. Provisions for shareholding;

k. Disposition of financial surpluses;

l. Provisions for dissolution;

m. Provisions for amendment of articles or incorporation;

n. Provisions for blanket surety bond to cover officers, committee members, and employees.

2.4. Contents of Bylaws. The bylaws of every credit union shall specify:

a. The date of the annual meeting which shall be in January, February, oz March of each calendar year, and the requirements as to notice of all meetings of members.

b. The number of directors which shall be odd in number and not be less than five nor more than fifteen, the powers and duties of the directors, duties of all officers and

maximum compensation of the treasurer;

c. The conditions and qualifications for membership, which shall limit the. membership to persons having specified common bond of interest, members of their families, associations of such persons, other credit unions and employees of the credit union;

d. The member or members of the credit committee and of the audit committee, with their respective powers and duties;

e. The conditions upon which shares may be issued, transferred to another member, or withdrawn;

f. The charges, if any, to be made for failure to meet obligations punctually;

g. The limit to which the credit union may borrow;

h. The conditions upon which loans may be made and repaid;

i. The method of receipting for money paid in on account of shares or loans;

j. The manner of effecting the forfeiture of a member's shares when a balance of less than five dollars has been maintained therein for a period of two years.

2.5. Payment for Shares; Transfer; Lien. Shares shall be paid for in U.S. currency. Shares shall not be transferable except to the account of another member. The credit union shall have a lien on the shares of a member and upon any dividends payable thereon up to the amount of all debts and obligations owed by him to it.

2.6. General Powers of Credit Unions.

a. To make contracts;

b. To sue and be used;

c. To adopt and use a common seal and alter the same at pleasure;

d. To purchase, hold and dispose of property necessary or incidental to its operations;

e. To make loans with maturities not exceeding 3 years to its members for provident' productive purposes upon such terms and conditions as the credit committee or a loan

officer may approve. No loans shall be made to a director or member of the credit or audit committee except as provided herein below:

(1) The loan must comply with all lawful requirements with respect to loans to other borrowers and is not on terms more favorable than those extended to other borrowers;

(2) The loan is approved by the credit committee and by the board of directors; and

(3) The borrower takes no part in consideration of his application and does not attend airy committee or board meeting while his application is under consideration.

f. To receive from its members payments on shares and deposits;

g. To invest its funds, as provided in paragraph 3.6 hereinbelow;

h. To make deposits in banks;

i. To borrow, from any source, in an aggregate amount not exceeding 50 percent of its paid-in and unimpaired capital and surplus;

j. To levy fines in accordance with the by-laws, for failure of members to meet promptly their obligations to the credit union;

k. To levy against the shares and dividends, or deposits, of any member to the extent of any loans made to him or any other obligations to the credit union;

l. To annually, and after the provisions for required reserves, declare a dividend to be paid from the remaining net earnings;

m. To fix the interest rate to be paid on members deposits;

n. To pay an interest refund to members of record at the close of business December 31 in proportion to the interest paid by them during that year;

o. To make loans exclusively to members in an amount not exceeding $200 or 10% of the credit union's paid-in and unimpaired capital and surplus, whichever is greater. All loans in excess of $100 shall be adequately secured. The assignment of a member's

shares and deposits, or the endorsement of his note, shall be deemed security.

p. To expel any member by a two-thirds vote of the members of the credit union present at a General Meeting called for the purpose but only after an opportunity has been given him to be heard. Withdrawal or, expulsion of a member shall not operate to relieve him from liability to the credit union;

q. To issue shares in the name of a minor subject to such conditions as may be prescribed by the by-laws;

r. To join in other organizations composed of credit unions;

s. To undertake such other activities relating to the purposes of the credit union as its charter or by-laws may authorized, not inconsistent with the provisions of this chapter.

2.7. Credit Union Members; Shares. Credit union membership shall consist of the incorporators and such other persons and unincorporated organizations to the extent permitted by these and other rules and regulations approved by the President, as may be elected to membership and such shall each subscribe to at least one share of its stock and pay the initial installment thereon and the entrance fee. Shares may be issued in joint tenancy with right of survivorship with any persons designated by the credit union member, but no joint tenant shall be permitted to vote, obtain loans, or hold office, unless he is within the field of membership and is qualified member. Every officer, director, and committee member must be a member of the credit union.

2.8. Supervision by Registrar of Corporations. The credit union shall be under the supervision of the Registrar of Corporations, and shall make financial reports to him as and when he may require, but at least annually. All books and records shall be kept, and reports shall be made as required on forms acceptable to the Registrar.

2.9. Reserve Funds. All entrance fees and fines provided by the bylaws and 20 percent of the net earnings each year, before the declaration of any dividends, shall be set aside as a regular reserve against losses on bad loans and any other losses until it equals 10% of member's shareholdings. In addition to such regular reserve, special reserves to protect the interest of members shall be established when required (a) by regulation, or (b) by the Attorney General, or (c) when authorized by the board of directors.

PART 3. SUBSTANTIVE PROVISIONS

3.1. Suspension or Revocation of Charter. The terms of the credit union's existence shall be

perpetual; provided, however, that for cause or upon the finding by the President that a credit union is insolvent, or has violated any provisions of law, these rules and regulations applicable to credit unions in the Republic, its articles, or its bylaws including any amendments thereto, the President may suspend the operations of the credit union until the insolvency or violations have been corrected, or if not corrected, the articles of incorporation and charter of the credit union may be revoked pursuant to the dissolution provisions of Chapter 1, Part 6 of these regulations, thereby terminating the operations of the credit union.

3.2. Board of Directors; Committees. The business affairs of each credit union shall be managed by a board of directors of not less than 5 directors; and a credit committee of not less than 3 members; and by an audit committee of 3 members, to be appointed by the board, one of whom may be a director other than the treasurer. Any vacancy in the audit committee shall be filled in the same manner as original appointments to such committee. All members of the board and of the committee shall hold office for such terms, respectively, as the by-laws may provide. A record of the names and addresses of the members of the board and such committees and of the officers of the credit union shall be filed with the Registrar within 10 days after their election or appointment. No member of the board or of either committee shall as such, be compensated, except that the Treasurer may be compensated to the extent authorized by the board of directors.

3.3. Meeting - Regular, Special and Voting. The General Membership meeting shall be held during the months of January, February, or March following the closing of the fiscal year at a place designated by the board of directors. Special meetings may be held in a manner indicated in the by-laws and also may be called at any time by the president and must be called by him when so directed by a resolution of the board of directors or by a written request signed by 15 members or 25% of the total numbers of members of the associations, provided that the resolution or request specifies the purpose of the special meeting, in which case it shall be the duty of the secretary to call such meeting to take place within thirty days after such demand. Special general meetings may also be called by the Registrar, the President, or a person authorized by either the Registrar or the President, in such manner and at such time and place as he may direct. He may also direct what matters shall be discussed at! the meeting. A meeting called by the Registrar or the President shall have all the powers of a general meeting called according to the articles and bylaws. No member shall be entitled to vote by proxy, but a member other than a natural person may vote through an agent designated for the purpose. Irrespective of the number of shares held by him, no member shall have more than one vote.

3.4. Election of Officers; Powers and Duties of Directors. At their first meeting following the annual meeting, the board of directors shall elect from their number a president, vice president, secretary, and a treasurer. The offices of secretary and treasurer may, if the bylaws so provided, be held by one person. No one person may hold the offices of president and secretary at the same time. The board of directors shall have the general management of the affairs, funds and records

of the credit union, shall meet as often as may be necessary, and it shall be the duty of the directors:

a. To act upon application for membership and upon the expulsion of a member;

b. To fix the amount of the blanket surety bond which shall be required of each official, committee member or employee of the credit union, and the amount thereof to be approved by the Attorney General.

c. to determine, from time to time, the rate of interest, which shall be charged on loans, not to exceed 1% per month on unpaid balances, and to prescribe the conditions under which interest payments on members' deposits may be made;

d. to fix the maximum amount of shares which may be held by, and maximum amount which may be held lent to, any one member'[sic]

e. to declare dividends;

f. to determine the rate of dividends to be paid on shares;

g. to fill vacancies on the board of directors or on the credit committee until the election and qualifications of successors;

h. to have charge of the investment of the funds of the corporation;

i. to perform such other duties as the members may from time to time authorize.

The board of directors and management shall not, in any fiscal year, incur any expenditures in excess of that provided for in the budget, or estimates of expenditures for that year approved by the credit union in a general meeting, unless such additional expenditure is specially approved by the credit union membership in a general or special meeting.

3.5. Method of Calculation of Payment of Dividends. Month end balances, that is, the balance in the share account at the end of each month, shall be totaled from December 1 through November 30. This total will be multiplied by the factor of the rate of dividend to be paid. The figure thus arrived at will be the total cash amount of the dividend of the year.

All dividends shall be credited to the share account. Should the member wish to withdraw his dividend a regular share withdrawal will be made.

FACTOR TABLE

Rate of Dividend	Factor
2%	.00166
2.4%	.002
3%	.0025
3.6%	.003
4%	.0033
4.8%	.004
5%	.00417
5.4%	.0045
6%	.005

Factors may be calculated by dividing the rate of dividend by 12.

3.6. Investment of Funds. The funds of a credit union may be invested in the following way only:

a. Lent to members of the credit union;

b. Lent to other credit unions and cooperatives doing business in the Republic in the total amount not exceeding 25 percent of its paid-in and unpaired capital and surplus;

c. Deposited in banks doing business in the Republic;

d. Invested in the obligations of the Republic or securities fully guaranteed as to principal and interest;

e. Any other manner authorized by the Attorney General.

3.7. Loans Generally. Loans to individuals in excess of one hundred dollars must be secured by assignment of shares or other collateral. If the borrowers or endorser is a member of the credit committee the loan must be approved by the board of creditors instead of by the credit committee.

A borrower may repay the whole or any par, of his loan at any time without fine or penalty. No loan shall be made to an individual who is not a member of the credit union. If the credit committee should knowingly approve such a loan its members shall be jointly and severally liable to the credit union for the immediate repayment thereof.

3.8. Reserve Fund. At the close of each dividend period, there shall be transferred to the reserve fund 20 percent of the net earnings received by the credit union during the period until the reserve fund is equal to ten percent of the members shareholdings of the credit union. Upon recommendation of the board of directors, the members, at an annual meeting, may increase the proportion of net earnings to be transferred to the reserve fund. Losses may be charged to the reserve fund. Any sums recovered on items previously charged to it shall be credited to the reserve fund. No dividends shall be paid out of the reserve fund unless the fund, after such payment, exceeds ten percent of the total members' shareholdings or the credit union.

3.9. Special Reserve for Delinquent Loans.

a. The reserve fund shall be supplemented by a special reserve to be known as the Special Reserve for Delinquent Loans, which shall be equal to the excess of the sum of ten percent of the unpaid balances of loans delinquent more than two months and less than six months, plus twenty-five percent of the unpaid balances of loans delinquent from six months to less than twelve months, and plus eighty percent of the unpaid balances of loans delinquent twelve months or more over the balance in the reserve fund. In the event it is necessary to supplement the Regular Reserve by a Special Reserve for Delinquent Loans, the transfer to the Special Reserve for Delinquent Loans shall be made as or December 31 of each year, and as of June 30 of each year if dividends are to be paid semiannually, from undivided earnings before any distribution of dividends. The maintenance of a Special Reserve for Delinquent Loans shall not eliminate the necessity for transferring net earnings as of the end of each dividend period to the Regular Reserve as required by paragraph 3.8. In the event the required transfer exceeds the balance of undivided earnings, only the balance of undivided earnings shall be transferred to the Special Reserve for Delinquent Loans.

b. When as of the end of any dividend period, the amount in the Special Reserve for Delinquent Loans exceeds the amount required by the regulations in this sub-section, the board of directors of the credit union may authorize the transfer of the excess to undivided earnings.

c. Upon written application by the board of directors of a credit union, the Attorney General may waive in whole or in part, the requirement for the maintenance of the Special Reserve for Delinquent Loans contained in paragraph a, of this section. Such applications shall be addressed to the Attorney General.

3.10. Dividends: Ascertaining Value of Assets. During the months of December or January, after provisions for the required reserves the board of directors may declare a dividend on shares not in excess of 6% of average low monthly balance of shares. No dividend shall be paid, if,

after the payment thereof, the liabilities of the credit union would exceed its assets.

In ascertaining the value of the assets of the credit unions, a loan delinquent for more than two but less than six months shall be valued at ninety percent of the unpaid balances; a loan delinquent for more than six but less than twelve months shall be valued at seventy--five percent of the unpaid balance; and a loan delinquent for twelve months or more shall be treated as of no value.

PART 4. DISSOLUTION

4.1. Voluntary Dissolution by Consent of Members. A credit union may be voluntarily dissolved by the written consent of all its members.

Upon the execution of such written consent, a statement of intent to dissolve shall be executed by its board of directors, and verified by one of the officers signing such statement, which statement shall set forth:

a. The name of the credit union;

b. The names and addresses of its board of directors;

c. A statement that such written consent has been signed by all members of the credit union.

4.2. Voluntary Dissolution by Act of the Credit Union. A credit union may be dissolved by the act of the credit union when authorized in the following manner:

a. The board of directors shall adopt a resolution amending that the credit union be dissolved and directing the question of such dissolution be submitted to a vote at a meeting of the members.

b. Written notice shall be given to each member of record at least 14 days before such meeting and shall state that the purpose or one of the purpose of such meeting is to consider the advisability of dissolving the credit union.

c. At such meeting, a vote of the members shall be taken on a resolution to dissolve the credit union. Each member shall have one vote, regardless of the number of shares he may have. Such resolution shall be adopted upon receiving the affirmative vote of a majority of the members of the credit union.

d. Upon the adoption of such resolution, a statement of intent to dissolve shall be executed by its board of directors, and verified by the oath of one of the officers signing such statement, which statement shall set forth:

(1) The name of the credit union.

(2) The names and addresses of its board of directors.

(3) The names and addresses of its officers.

(4) A copy of the resolution adopted by the members authorizing the dissolution of the credit union.

(5) The number of members.

(6) The number of share outstanding.

(7) The number of members voting for and against the resolution respectively.

e. The statement of intent to dissolve, whether by consent of members or by act of the credit union, shall be delivered to the Registrar. If the Registrar finds such statement complies with the requirements of law, he shall file the statement in his office. Upon the filing by the Registrar of a statement of intent to dissolve, whether by consent of the member or by act of the credit union, the credit union shall cease to carry on its business, except insofar as may be necessary for the winding up thereof, but such filing shall not of itself operate as a dissolution and its credit union existence shall continue until a Decree of Dissolution has been issued by the Registrar and a Revocation of Charter has been issued by the President.

f. After the issuance of the Decree of Dissolution and Revocation of Charter:

(1) The credit union shall immediately cause notice thereof to be mailed to each known creditor of the credit union.

(2) The credit union shall proceed to collect its assets, sell, convey and dispose of such of its properties as are not to be distributed in kind to its members, pay, satisfy, and discharge its liabilities and obligations and do all other acts required to liquidate its business and affairs, and, after, paying or adequately providing for the payment of all its obligations, distribute the remainder of its assets, either in cash or in kind, among its members according to their respective rights and

interests.

4.3. Revocation of Voluntary Dissolution. A credit union may, at any time prior to the issuance of a Decree of Dissolution and Revocation of Charter, revoke voluntary dissolution proceedings theretofore taken in the same manner it used to start the proceedings and so notify the Registrar by delivering to him a statement of revocation of voluntary dissolution. The President may issue a certificate of Reinstatement and the dissolution proceedings shall be revoked and the credit union may again carry on its business.

4.4. Articles of Dissolution. If voluntary dissolution proceedings have not been revoked, then when all debts, liabilities and obligations of the credit union have been paid and discharged, or adequate provisions has been made therefor, and all the remaining property and assets of the credit union have been distributed to its members, articles of dissolution shall be executed by the credit union's board of directors, and verified by the oath of one of the officers signing such statement. The statement shall set forth:

a. The name of the credit union.

b. That the Registrar has heretofore filed a statement of intent to dissolve the credit union, and the date on which the statement was filed.

c. That all debts, taxes, obligations and liabilities of the credit union have been paid and discharged or that adequate provisions have been made thereafter.

d. That all the remaining property and assets of the credit union have been distributed among its members in accordance with their respective rights and interests.

e. That there are no suits pending against the credit union in any court, or that adequate provision has been made for the satisfaction of any judgement, order or decree which may be entered against it in any pending suit.

Upon the President's determination that all the requirements of law have been complied with, the President shall issue a Decree of Dissolution and Revocation of Charter and the corporation shall cease to exist.

4.5. Involuntary Dissolution. A credit union may be dissolved involuntarily by order of the President when he finds that the corporation has continued to exceed or abuse the authority conferred upon it by law. Any such action taken by the President shall comply with the dissolution provisions as set forth in Chapter 1, Part 6 of these regulations.

4.6. Automatic Dissolution. If any credit union shall fail on two successive annual dates to file the annual report required by these regulations, the Registrar shall mail notice to it of impending dissolution as provided in chapter 1, Part 6 of these regulations. Whether or not such notice be mailed, if the credit union fails within ninety days after the second such annual date to file the annual report such credit union shall be thereupon automatically dissolved and its properties and affairs shall pass automatically to its directors as trustees in dissolution.

4.7. Reinstatement. A credit union that has been dissolved pursuant to paragraph 4.6 may apply to the Registrar for reinstatement within five years thereafter and the Registrar shall enter an order reinstating the corporate existence upon receiving an annual report. Upon the entry by the Registrar of an order of reinstatement, the credit union existence shall be deemed to have continued from the date of dissolution.

4.8. During Dissolution. During Dissolution the board of directors shall be responsible for conserving the assets, for expediting the dissolution and for equitable disturbing the assets to members. The board may appoint a liquidating agent and delegate part of all these responsibilities to him and may authorize reasonable compensation for his services. The board shall also appoint a custodian for the association's records that are to be retained for five years after the President has revoked the credit union's articles of incorporation.

After the credit union has gone into dissolution, its resources shall be used to make payments in the following order:

a. expenses incurred during dissolution;

b. payment of creditors;

c. refund of members' deposits and interest due thereon, if any;

d. Thereafter, when all assets of the credit union have been converted to cash or found to be worthless and all loans and debts owing to it have been collected or found to be uncollectible, and all obligations of the credit union have been paid with the exception of amount due its members on shares the books shall be closed and a pro rata distribution made to the members; provided, however, that upon application to the Attorney General, and approval by him, a partial distribution can be made to a shareowner prior to completion of the dissolution if the credit union's financial condition permits and the rights of the creditors are not impaired thereby.

Any plan for dissolution, and the appointment of a liquidating agent must have the prior approval of the President. When deemed advisable or necessary, the President shall appoint the liquidating

agent.

The liability of each member for the debts and obligations of the credit union shall be limited to the extent of his shares in the credit union.

PART 5. AMENDMENTS

5.1. Right to Amend Articles of Incorporation or Bylaws. A credit union may amend its articles of incorporation or bylaws from time to time in any and as many respects as may be desired provided that the amendment may contain only such provisions as might be lawfully contained in the original articles of incorporation or bylaws at the time of making such amendment.

5.2. Procedure to Amend Articles of Incorporation or Bylaws. Amendments to the articles of incorporation or bylaws shall be made in the following manner.

a. The board of directors shall adopt a resolution setting forth the proposed amendment finding that it is in the best interest of the credit union and directing that is be submitted to the vote at a meeting of the members, which may be either an annual or a special meeting.

b. Written notice accompanied by a copy of the proposed amendments shall be given to each member of record at least seven (7) days before the meeting is held.

c. At such meeting a vote of the members shall be taken on the proposed amendment. The proposed amendment shall be adopted upon receiving the affirmative vote of a majority of the members of record. The articles of incorporation may require a greater vote than herein prescribed, either for all amendments or for particular amendments, and any such requirement can itself be changed only by the vote so prescribed.

Any number of amendments may be submitted to the members, and voted upon by them at one meeting.

5.3. Articles of Amendment. The articles of amendment shall be executed by the credit union by its president and vice-president and by its secretary or assistant secretary verified by the oath of one of the officers signing such articles and shall set forth:

a. The name of the credit union.

b. The amendment so adopted.

c. The date of the meeting of the board of directors at which the amendment was found in the best interest of the credit union and directed to be submitted to a vote at a meeting of the members; the date when notice was given to each member; the fact that such notice was given in the manner provided in this chapter and was accompanied by a copy of the proposed amendment; and the date of the adoption of the amendment by the members.

d. The number of shares outstanding, and the number of members.

e. The number of members voting for and against such amendment.

5.4. Approval of Amendment. The article of amendment shall be delivered to the President. If the President finds that the articles comply with the requirements of law, he shall approve the amendment in writing.

5.5. Effect of Approval of Amendment. Upon approval of the amendment by the President, the amendment shall become effective and the articles of incorporation or bylaws shall be deemed accordingly.

No amendment shall effect any existing cause of action in favor of or against such credit union, or any pending suit to which such credit union shall be a party, or the existing rights of persons other than the members.

PART 6. MISCELLANEOUS

6.1. Books and Records - Auditing. Each credit union shall keep correct and complete books and records of accounts and shall keep minutes of the-proceedings of its members and board of directors; and shall keep at its registered office its books and records of account, or a duplicate copy thereof and a record of its members giving the names and addresses of all members and the number of shares held by each. These books and records shall be audited at the end of each fiscal year by a qualified accountant or bookkeeper, who shall not be an officer or director or employee. Where the total loan balance amounts to less than $10,000, at the end of the fiscal year the audit maybe performed by an auditing committee of three, who shall not be directors, officers, or employees. A written report of the audit, including a statement of the amount of business transacted with members, the balance sheet, and the income and expenses, shall be submitted to the annual meeting of the credit union with a copy to the Registrar.

The fiscal year of every credit union shall end at the close of business on the thirty-first day of December; an exception to this provision will be granted only on a year-to-year basis provided such request is made of the Attorney General in writing at least 90 days prior to the intended

close of any fiscal year.

6.2. Bonding of officers and Employees. Every individual acting as officers or employee or a credit union, and handling funds or securities amounting to $1,000 or more, in any one year, shall be covered by an adequate bond as determined by the board of directors, and at the expense of the association.

6.3. Annual Report. Each credit union shall file with the Registrar of Corporations and the President within the time prescribed by these regulations, an annual report setting forth:

a. Name of the credit union.

b. Names and post office address of the directors and principal officers of the credit union;

c. A statement of the aggregate number of issued shares;

d. A profit and loss statement, and a balance sheet;

e. Such other information as the Registrar of Corporations or the President deems necessary.

6.4. Inconsistent Articles of Incorporation or Bylaws. Any articles or incorporation or bylaws that are inconsistent with these regulations are hereby superseded.

6.5. Violations Enjoinable. Pursuant to the provisions of Title 12 Section 1 of the Palau National Code, all violations of this chapter are hereby declared to be enjoinable.

CHAPTER 8
COOPERATIVES

PART 1. GENERAL PROVISIONS

1.1. Authority. The Regulations in this chapter have been promulgated and issued by the Registrar of Corporations and approved by the Attorney General and the President of the Republic of Palau in accordance with Title 12 of the Palau National Code. These Regulations and any amendments thereto shall have the force and effect of law.

1.2. Purpose. The Regulations in this chapter are designed to facilitate the administration of, and carry into effect the cooperative associations laws of the Republic.

1.3. Definitions. In this chapter unless the subject matter requires otherwise:

(a) "Registrar" means the Registrar of Corporations.

(b) "Association" means a group enterprise legally incorporated under this chapter, and shall be deemed to be a nonprofit corporation.

(c) "Member" means not only a member in a nonshare association, but also a member in a share association.

(d) "Net earnings" means the total income of an association minus the costs of operation.

(e) "Earnings returns" means the amount returned to the patrons; in proportion of their patronage or otherwise in accordance with the provisions of Part 6.1 herein.

(f) "Cooperative basis" means:

(1) that each member has one vote and only one vote, except as may be allowed by the articles or bylaws to provide for voting by member Associations or other entities;

(2) that the maximum rate at which any return is paid on share capital is limited to not more than six percent per annum;

(3) that net earnings after payment, if any, of said limited return on share capital and after making provisions for such separate funds as may be required or

specifically permitted by statute, articles, or bylaws, be allowed or distributed, where an association has as its principal function trading or dealing in goods or produce of any kind, to members, or patrons eligible for and desiring membership, in proportion to their patronage during the fiscal period in question; or where an association has as its principal function the, production of goods or produce, be distributed to members in proportion to their wages or to the value of the products of each member; or may retained by the enterprise for the actual or potential expansion or improvement of its services, or the reduction of charges to its members, or for any other purpose not inconsistent with its nonprofit Cooperative character;

(4) cooperatives other than credit unions for the purposes of these regulations only, as credit unions are dealt with elsewhere in the regulations.

(g) "President" means the President of the Republic of Palau.

PART 2. FORMATION OF COOPERATIVE ASSOCIATIONS

2.1. Who May Incorporate. Any ten or more natural persons or entities in the Republic of Palau may incorporate under this chapter. An Association may be incorporated under this chapter which has as its object the promotion of the economic interests of its members on a cooperative basis.

2.2. Powers of Association. An association shall have the capacity to act possessed by natural persons and the authority to do anything required or permitted by this chapter and also:

(a) to continue as a corporation for the time specified in its articles;

(b) to have a corporate seal and to alter the same at pleasure;

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

(d) to make bylaws for the government and regulation of its affairs;

(e) to acquire, own, hold, sell, lease, pledge, mortgage, or otherwise dispose of any property incident to its purposes and activities;

(f) to own and hold membership in and share capital of any other association or any other corporation or any other entity with the approval in writing of the Registrar, or to hold

any types of bonds or other obligations approved by the Registrar; and while the owner thereof to exercise all the rights of ownership;

(g) to borrow money, contract debts, and make contracts, including agreements of mutual aid or federation with other associations; all such transactions involving the borrowing of money or the contraction of debts to be subject to the approval in writing of the President;

(h) to exercise in addition any power granted to ordinary business corporations, save those powers inconsistent with this chapter; (i) to exercise all powers not inconsistent with this chapter, which may be necessary, convenient, or expedient for the accomplishment of its nonprofit purposes on a cooperative basis, and to that end, the foregoing enumeration of powers shall not be deemed exclusive.

2.3. Articles of Incorporation - Contents. Articles of incorporation shall be signed by each of the incorporators and acknowledged by at least three of them if natural persons, and by the presidents and secretaries if associations, before an officer authorized to take acknowledgments.

Within limitations of this chapter, the articles shall contain:

(a) a statement as to the purposes for which the association is formed;

(b) the name of the association which shall include the word "cooperative";

(c) the term of existence of the association which may be perpetual;

(d) the location and address of the principal office of the association;

(e) the names and addresses of the incorporators of the association;

(f) the names and addresses of the directors who shall manage the affairs of the association for the first year, unless sooner changed by the members;

(g) a statement of whether the association is organized with or without shares, and the numbers of shares or memberships subscribed for;

(h) if organized with shares, a statement of the amount of authorized capital, the number and types of shares and the par value thereof which may be placed at any figure, and the rights, preferences, and restrictions or each type of share;

(i) the minimum or value of shares which must be owned in order to qualify for

membership; if organized without shares, a statement of whether the property rights of members shall be equal or unequal, and if unequal the rule by which their rights shall be determined;

(j) the maximum amount or percentage of capital which may be owned or controlled by any member; including a statement of whether or not each member shall be limited to a single share, and whether such single shares shall be of various par values;

(k) the method by which any surplus, upon dissolution of association, shall be distributed in conformity with the requirements of Part 7.6 herein for division of such surplus.

The articles may also contain any other provisions not inconsistent with law or with this chapter, for the control of the association's affairs.

2.4. Contents of Bylaws. The bylaws may, within the limitations of this chapter provide for:

(a) the method and terms of admission to membership and the disposal of members' interests on cessation of membership for any reason;

(b) the time, place, and manner of calling and conducting meetings;

(c) the number or percentage of the members constituting a quorum;

(d) the number, qualifications, powers, duties, term of office, and manner, time and vote for election of directors and officers; and the division or classification, if any, of directors to provide for rotating or overlapping terms;

(e) compensation, if any, of the directors and the number of directors necessary to constitute a quorum;

(f) the method of distributing the net earnings;

(g) the various discretionary provisions of this chapter as well as other provisions incident to the purposes and activities of the association.

2.5. Filing of Articles and Bylaws - Effect of Charter. The articles and bylaws shall be delivered to the Registrar. If he finds that the articles and bylaws conform to law, and if he is satisfied that proposed new association will not operate in such a way as to endanger the viability of any existing association, that it has a reasonable chance of achieving its objectives, and that a meeting or meetings have been held, and that members and intending members understand and agree to

the proposed articles and bylaws, he shall file the same. After such filing, the President shall issue a charter of incorporation, whereupon the corporate existence shall begin. Such charter shall be conclusive evidence of the fact that the corporation has been duly incorporated. An appeal shall lie to the President against the refusal of the Registrar to file articles and bylaws of an association, within one month from the date of such refusal.

PART 7.3.[sic] AMENDMENTS

3.1. Amendments of Articles. Amendments to the articles may be proposed by a two-thirds vote of the board of directors, or by petition of 10 percent of the association's members. Notice of the meeting to consider such amendment shall be sent by the Secretary at least thirty days in advance thereof to each member at his last known address, accompanied by the full text of the proposal and by that part of articles to be amended. Two-thirds of the members voting may adopt said amendment and when verified by the president and secretary, it shall be filed and recorded with the Registrar within thirty days of its adoption if approved by the President.

If any amendment is to alter the preferences of outstanding shares of any type, or to authorize the issuance of shares having preferences superior to outstanding shares of any type the voting of two-thirds of the members owning such outstanding shares affected by the change shall also be required for the adoption of the amendment; if the amendment is to alter the rule of which members' property rights in a nonshare association are determined, a vote of two-thirds of the entire membership shall be required.

The amount of capital and the number and par value of shares may be diminished or increased by amendment of the articles but the capital shall not be diminished below the amount of paid-up capital existing at the time of amendment.

3.2. Bylaws - Adoption, Amendment or Repeal. Subject to approval of the President, bylaws shall be adopted, amended or repealed by at least a majority vote of the members voting.

PART 4. SUBSTANTIVE PROVISIONS

4.1. Meetings - Regular and Special. Regular meetings of members shall be held as prescribed in the bylaws, but shall be held at least once a year. Special meetings may be called at any time by the president, and must be called by him when so directed by a resolution of the board of directors or by a written request signed by 15 members or 20% of the total number of members of the association, whichever is less, provided that the resolution or request specifies the purpose of the special meeting, in which case it shall be the duty of the secretary to call such meeting to

take place within thirty days after such demand.

Special general meetings may also be called by the Registrar or the. President or a person authorized by him, in such manner and at such time and place as he directs. He may also direct what matters shall be discussed at the meeting. A meeting called by the Registrar or the President shall have all the powers of a general meeting called according to the articles and bylaws.

4.2. Notice of Meetings. The secretary shall give notice of the time and pace of meetings by sending a notice thereof to each member at his last known address not less than the number of days in advance of the meeting specified in the bylaws or by posting the notice thereof at least 30 days prior to such meeting, in a conspicuous place in the office or the principal place of business of this association, where it may be read by members. In case of a special meeting, the notice shall specify the purpose for which such meeting is called.

4.3. Meeting by Units of the Membership. The articles or bylaws may provide for the holding of meetings by units of the memberships and may provide for a method of transmitting the votes there cast to the central meeting, or for a method of representation by the election of delegates to the central meeting or for a combination of both such methods.

4.4. Voting - One Member, One Vote. Each member of an association shall have one and only one vote, except that where an association includes among its members any number of other associations or groups organized on a cooperative basis, the voting rights of such member associations or groups may be as prescribed in the articles or bylaws.

No voting agreement or other device to evade the one-member-onevote rule shall be enforceable at law or in equity. A motion on which the voting for and against is equal shall be deemed to be lost.

4.5. Proxy Voting Prohibited. No member shall be permitted by vote by proxy.

4.6. Voting by Mail. The articles or bylaws may provide for either or both of the following types of voting by mail:

> (a) That the secretary shall send to the member a copy of any proposal scheduled to be offered at a meeting together with the notice of said meeting, and that the mail votes cast by the members shall be counted together with those cast at the meeting if such mail votes are returned to the association within a specified number of days.
>
> (b) That the secretary shall send to all members absent from a meeting an exact copy of the proposal acted upon at the meeting, and than the mail vote of the member upon such

proposal, if returned within a specified number of days, shall be counted together with votes cast at said meeting.

The articles or bylaws may also determine whether and to what extent mail votes shall be counted in computing a quorum.

4.7. Application of Voting Provisions by Mail. If an association has provided for voting by mail, any provision of this chapter referring to votes cast by the members shall be construed to include the votes cast by mail.

4.8. Application of Voting Provisions by Delegates. If an association has provided for voting by delegates any provision of this chapter referring to votes cast by the members shall apply to votes cast by delegates; but this shall not permit delegates to vote by mail.

4.9. Directors. An association shall be managed by a board of not less than five directors, who shall be elected for a term fixed in the bylaws not to exceed two years, by and from the members of the association and shall hold office until their successors are elected, or until removed. Vacancies in the board of directors, otherwise than by removal or expiration of term shall be filled in such manner as the bylaws may provided.

4.10. Officers. The officers of an association shall include a president, one or more vice-presidents, a secretary and a treasurer, or a secretary-treasurer. The officers shall be elected annually by the directors unless the bylaws otherwise provide. The president and at least one vice-president must be directors, but no other officer need be a director. Any two or more offices, except those of president and secretary, may be held by the same person.

4.11. Removal of Directors and Officers. A director may be removed with or without cause by a vote of two-thirds of the members voting at a regular or special general meeting. The director involved shall have an opportunity to be heard at said meeting. A vacancy caused by any such removal shall be filled at the same meeting by the vote provided in the bylaws for election of directors. An officer may be removed from office by the majority vote of the directors at a regular or special meeting or the board.

4.12. Powers of Directors. The board of directors and management shall not, in any fiscal year, incur any expenditure in excess of that provided for in the budget or estimates of expenditure for that year approved by the association in general meeting, unless such additional expenditure is specially approved by the association in general or special meeting.

4.13. Eligibility for Election to the Board of Directors. A member shall not be eligible for election to the board of directors if he, or any entity of which he is a partner or member, is

engaged in any trade or business:

(a) where the member in question is on a board of any association which has among its principal functions the making or guaranteeing of advances to its members, or is a money lender.

(b) where the member in question is on the board of any association which has among its principle functions trading or dealing in goods of any kind, trades or deals (whether as principal or agent) in such goods. Directors and officers will only present their cooperative association as authorized by the board of directors.

4.14. Referendum of Acts of Directors. The articles or bylaws may provide that within a specified period of time any action taken by the directors must be referred to the members for approval or disapproval if demanded by petition of at least 10 percent of all the members or by vote of at least a majority of the directors, provided, however, that the rights of third parties which have vested between the time of such action, and such referendum shall not me impaired thereby.

4.15. Limitations Upon Return on Capital. The return upon capital shall not exceed 6 percent per annum upon the paid-up capital and shall be noncumulative.

Total return upon capital distributed for any single period shall not exceed 50 percent of the net earnings for that period.

PART 5. MEMBERSHIP

5.1. Eligibility and Admission to Membership. The election and admission of members to a chartered association shall be in such manner and upon such conditions as the bylaws shall provide.

5.2. Subscribers. Any natural person or group eligible for membership and legally obligated to purchase a share or shares of, or membership in, an association shall be deemed a subscriber. The articles or bylaws may determine whether, and the conditions under which, any voting rights or other rights of membership shall be granted to subscribers.

5.3. Share and Membership Certificates - Issuance and Content. No certificate for share of membership capital shall be issued until the par value thereof has been paid for in full. There shall be printed upon each certificate issued by an association a full or condensed statement of the requirements of Part 4.4, 4.5, and 5.4 herein.

5.4. Transfer of Shares and Membership - Withdrawal. If a member desires to withdraw from the association or disposes of any or all of his holdings therein, the directors shall have the power to purchase such holding by paying him the par value of any or all of the holdings offered. The directors shall then reissue or cancel the same. A vote of the majority of the members voting at a regular or special meeting may order the directors to exercise this power to purchase.

If the association fails, within sixty days of the original offer, to purchase all or any part of the holdings offered, the member may dispose of the unpurchased interest elsewhere, subject to the approval of the transferee by a majority vote of the directors. Any would-be transferee not approved by the directors may appeal to the members at their first regular or special meeting thereafter, and the action of the meeting shall final. If such transferee is not approved, the directors shall exercise their power to purchase, if and when such purchase can be made without jeopardizing the solvency of the association.

5.5. Share and Membership Certificates - Recall. The bylaws may give the directors the power to use the reserve funds to recall, at par value, the holdings of any member in excess of the amount requisite for membership; and may also provide that if any member has failed to patronize the association during a period of time specified in the bylaws, the directors may use the reserve funds to recall all his holdings and he shall thereupon cease to be a member of the association. When so recalled, such certificates of share or membership capital shall be either reissued or cancelled.

5.6. Share and Membership Certificates - Attachments. The holding of any member of an association, to the extent of the minimum amount necessary for membership, but not to exceed $50, shall be exempt from attachment, execution, or garnishment for the debts of the owner. If any holdings in excess of this amount are subject to such liability, the directors of the association may either admit the purchaser thereof to membership, if eligible, or may purchase from him such holdings at par value.

5.7. Liability of Members. Members shall not be jointly or severally liable for any debts of the association, nor shall a subscriber be so liable except to the extent of the unpaid amount on the shares or membership certificate subscribed by him. No subscribers shall be released from such liability by reason of any assignment of his interest in the shares of membership certificate, but shall remain jointly and severally liable with the assignee until the shares or certificates are fully paid up.

5.8. Expulsion of Members - Procedure - Purchase of Holdings. A member may be expelled by the two-thirds vote of the members voting at a regular or special meeting. The members against whom the charges are to be preferred shall be informed thereof in writing at least two days in advance of the meeting, and shall have an opportunity to be heard in person or by counsel at said

meeting. On decision of the association to expel a member, the board of directors shall purchase the members's holdings at par value, if and when there are sufficient reserve funds.

PART 6. MISCELLANEOUS

6.1. Allocation and Distribution of Net Earnings. Upon the auditing of the accounts of an association, as required under Part 6.3. herein, the net earnings of the association for the fiscal period under review shall be apportioned by the board of directors as follows, subject to the approval of the annual general meeting of members:

(a) not less than 20 percent shall be placed in a Mandatory Reserve until such time as the reserve shall equal at least one half of the total liabilities of the association; and such reserve may be used in the general conduct of the business.

(b) In addition to such Mandatory Reserve, special reserves necessary further to protect the interests of members and for the proper conduct of the association shall be established as required (1) by the Registrar of Corporations; (2) by the President; (3) by regulations; or (4) when recommended by the board of directors and approved by the general meeting.

(c) a return upon share capital, within the limits of Part 4 may be paid, or if the bylaws so provided, upon the membership capital certificates of a nonshare association.

(d) the remainder shall be allocated, where such association has among its principal functions trading or dealing in goods of any kind, among the members thereof, or all patrons eligible for and desiring membership, as a bonus or refund in proportion to the value of business each member or patron has transacted with the association during the fiscal period in question at the same uniform rate for each type of transaction; or where such an association is not an association as aforesaid, be distributed as a bonus or refund on the wages or the value of the products of each member, provided, that:

(1) in case of a member patron, his proportionate amount of savings return shall be distributed to him unless he agrees that the association should credit the amount to his account toward the purchase of an additional share or shares or additional membership capital;

(2) in the case of a subscriber patron, his proportionate amount of savings returns may, as the articles or bylaws provide, be distributed to him, or credited to his account until the amount of capital subscribed for has been fully paid.

(3) in the case of a nonmember patron, his proportionate amount of savings returns shall be set aside in a general funds for such patronage and shall be allocated to individual nonmember patrons only upon request and presentation of evidence of the amount of their patronage. Any savings returns so allocated shall be credited to such patron toward payment of the minimum amount of share or membership capital necessary for membership. When a sum equal to this amount is accumulated at any time within a period of time specified in the bylaws, such patron shall be deemed and become a member of the association if he so agrees or requests, and complies with any provisions in the bylaws for admission to membership. The certificates of shares or membership to which he is entitled shall then be issued to him;

(4) if within any period of time specified in the articles or bylaws, (a) any subscriber has not accumulated and paid in the amount of capital subscribed for; or (b) any nonmember patron has not accumulated in his individual account the sum necessary for membership; or (c) any nonmember patron has accumulated. the sum necessary for membership but neither requests nor agrees to become a member, or fails to comply with the provisions of the bylaws, if any, for admission to membership, then the amounts so accumulated or paid in and any part of the general funds for nonmember patrons which has not been allocated to individual nonmember patrons shall have any rights in said paid-in capital or accumulated savings returns as such; Provided, further, that nothing in this section shall prevent an association under this chapter which is engaged in rendering services from disposing of the net savings from the rendering of such services in such manner as to lower the fees charged for services or otherwise to further the common benefit of the members; And, provided, further, that nothing in this section shall prevent an association from adopting a system whereby the payment of savings returns which would otherwise be distributed shall be deferred for a fixed period of months or years; nor from adopting a system, whereby the savings returns distributed shall be partly in cash, partly in shares, such shares to be retired at a fixed future date, in the order of the serial number or date of issue.

(5) the payment of a return upon share capital, or of patronage refund or refund upon the wages or products of each member, out of net earnings accumulated from previous fiscal periods, or from reserves, will only take place with the express approval of the Registrar in writing. The Registrar may prohibit any association from distributing any part of its current net earnings if he considers such prohibition necessary in the interest of its members.

6.2. Bonding of Officers and Employees. Every individual acting as officer or employee of an

association and handing funds or securities amounting to $1,000 or more, in any one year, shall be covered by an adequate bond as determined by the board of directors, and at the expense of the association; and the bylaws may also provide for the bonding of other employees or officers.

6.3. Books, Auditing. To record its business operation, every association shall keep a set of books, which shall be audited at the end of each fiscal year by a qualified bookkeeper or accountant, who shall not be an officer, director of employee. Where the gross sales amount to less than $10,000 per fiscal year, the audit may be performed by an auditing committee of three, who shall not be directors, officers, or employees. A written report of the audit, including a statement of the amount of business transacted with members, and the amount transacted with nonmembers, the balance sheet, and the income and expenses, shall be submitted to the annual meeting of the association, with a copy to the President and the Registrar.

6.4. Annual Report of Association. Every association shall annually, within sixty days of the close of its operations for that year, make report of its conditions, sworn to by the president and secretary, which report shall be filed with the Registrar and the President. The report shall state:

(a) The name and principal address of the association.

(b) The names, addresses, occupations, and date of expiration of the terms, of the officers and directors, and their compensation, if any.

(c) The amount and nature of its authorized, subscribed, and paid in capital, the number of its shareholders and the number admitted and withdrawn during the year, the par value of its shares and the rate at which any return upon capital has been paid. For nonshare associations the annual report shall state the total number of members, the number admitted or withdrawn during the year, and the amount of membership fees received.

(d) The receipts, expenditures, assets, and liabilities of the association.

(e) Such other information as the Registrar or President deem necessary.

A copy of his report shall be kept on file at the principal office of this association.

This association shall be under the supervision of the Attorney General, and shall make financial reports to as and when he may require. This association shall be subject to examination by the Attorney General and for this purpose shall make its books accessible to him at his request.

6.5. Suspension or Revocation of Charter. The term of the cooperative's existence shall be perpetual; provided, however, that for cause or upon the finding by the Registrar or President that

a cooperative is insolvent, or has violated any provisions of law, these rules and regulations applicable to cooperatives in the Republic, its articles of incorporation, or its bylaws including any amendments thereto, the President may either temporarily suspend the operations of the cooperative until the insolvency or violations have been corrected, or if not corrected, he may revoke its articles of incorporation and corporate charter, thereby terminating the operations of the cooperative.

6.6. Involuntary Dissolution. Any action taken by the Registrar or the President to involuntarily dissolve a cooperative shall comply with the dissolution provisions as set forth in Chapter 1, Part 6 of these regulations.

6.7. Automatic Dissolution. If any cooperative shall fail on two successive annual dates to file the annual report required by these regulations, the Registrar shall mail notice to it of impending dissolution as provided in Chapter 1, Part 6 of these regulations. Whether or not such notice be mailed, if the cooperative fails within ninety days after the second such annual date to file the annual report such cooperative shall be thereupon automatically dissolved and its properties and affairs shall pass automatically to its directors as trustees in dissolution.

6.8. Dissolution, Methods, Procedure. If the Registrar, after holding an inquiry, or on receipt of a copy of a resolution approved by a majority vote of the entire membership, be of the opinion that an association ought to be dissolved, he may issue a Decree of Dissolution and request the President to issue a Revocation of Charter of the association, and may appoint one or more persons to be, subject to his direction and control, the liquidator or liquidators of the association, who shall within a time fixed in their designation or within any extension thereof, liquidate its assets, and shall distribute them in the manner set forth in this section. In case of any dissolution of an association, such dissolution shall be approved by the President and its assets shall be distributed in the following manner and order: (1) by paying its debts and expenses; (2) by returning to the members the par value of their shares or of their membership certificates, returning to the subscribers the amount paid on their subscriptions, and returning to the patrons the amount of savings returns credited to their accounts toward the purchase of shares or membership certificates; and (3) by distributing any surplus in either or both of the following ways as the articles may provide: (a) among those patrons who have been or subscribers at any time during the past six years, on the basis of their patronage during the period;
(b) as a gift to any consumers' cooperative association or other nonprofit enterprise which may be designated in the articles.

6.7. Amalgamation or Transfer of Associations. Any two or more chartered associations may by a resolution passed by a three-fourths majority of the members at a special general meeting of such association held for that purpose, amalgamate as a single association; provided, that no such resolution may be put to the meeting without the prior approval of the Registrar in writing, and

that each member shall be given fifteen days written notice of the resolution and the date of the meeting. Such amalgamation may be effected with or without any associations or either of them, and the resolution of associations concerned shall, on such amalgamation, be a sufficient conveyance or assignment to vest the assets and liabilities of the amalgamating associations in the amalgamated association.

Any association may by resolution passed in accordance with the procedure laid down in the forgoing part of this regulation transfer its assets and liabilities to any other association which is prepared to accept them, and such resolution shall be sufficient conveyance or assignment to vest the assets and liabilities by an association to any other association, it will not be made without giving three months notice to the creditors of both or all such associations; Provided, further, that if any creditor of any of the associations concerned objects to such amalgamation or transfer of assets and liabilities and gives written notice to that effect to the association or associations concerned one month before the date fixed for such amalgamation or transfer, the amalgamation or transfer shall not be made until the dues of such creditor have been satisfied.

6.8. Division of Association. Any chartered association may, with the approval of the Registrar, in writing by a resolution passed by a three-fourths majority of the members present at a special general meeting of the association held for that purpose, resolve to divide itself into two or more associations, provided, that each member has had fifteen days written notice of the resolution and the date of the meeting. The resolution (hereinafter referred to as a preliminary resolution) shall contain proposals for the division of assets and liabilities of the association among the new associations which it proposes to divide it to and may prescribe the area operations of, and specify the members who will constitute, each of the new associations.

A copy of the preliminary resolution shall be sent to all members and creditors of the association. A notice of the resolution shall also be given to all other persons whose interests will be affected by the division of the association.

Any creditor of the association may, notwithstanding any agreement to the contrary, by written notice given to the association within the said period, state his intention to demand the return of the amount due to him.

Any other person whose interest is affected by the division may by giving written notice to the association object to the division unless his claim is satisfied.

After the expiry of three months from the receipt of the preliminary resolution by all the members and creditors of the association and of the notice to other persons as required by the foregoing, another special general meeting of the association, for which at least fifteen days written notice shall be given to its members, shall be convened in order to consider the

preliminary resolution. If at such meeting the preliminary resolution is confirmed by a resolution passed by a majority of not less than two-thirds of the members present, either without changes, or with such changes as in the opinion of the Registrar are not material, the Registrar may, subject to the following provisions, file the articles and bylaws of the new associations, after which the President may issue of incorporation. On such incorporation, the incorporation of the old association shall be deemed to have been cancelled, and the association shall be deemed to be dissolved from the date of such cancellation.

The opinion of the Registrar as to whether any changes made in the preliminary resolution are or are not material shall be final.

At the special general meeting referred to in the foregoing part, provision shall be made by another resolution for:

(a) satisfaction of the claims of all creditors who have given the requisite notice; and

(b) satisfaction of the claims of the other persons who have given notice in accordance with the foregoing provisions of securing their claims in such manner as the Registrar may approve.

Provided, that no credit or other person shall entitled to such repayment or satisfaction until the preliminary resolution has been confirmed as provided for in the foregoing.

The incorporation of the new associations shall be a sufficient conveyance or assignment to vest the assets and liabilities of the original association in the new associations in the manner specified in the preliminary resolution as approved by the Registrar and the President.

6.9. Promotion Expenses - Limitation. An association shall not directly or indirectly, use any of its funds, nor issue shares not incur any indebtedness, for the payment of any compensation for the organization of the association except necessary legal fees; nor for the payment of any promotion expenses in excess of 5 percent of the amount paid in for the shares or membership certificates involved in the promotion transaction.

6.10. Additional Information. The Registrar may require any additional information that he deems desirable and may designate the forms in which such information is to be contained.

6.11. Inconsistent Articles of Incorporation or Bylaws. Any articles of incorporation or bylaws that are inconsistent with these regulations are hereby superseded.

6.12. Violation Enjoinable. Pursuant to the provisions of Title 12 Section 1 of the Palau

National Code, all violations of this chapter are hereby declared to be enjoinable.

CORPORATION REGULATIONS
Attachment A

CORPORATE CHARTER

WHEREAS, certain persons have associated themselves for the purpose of forming a body corporate to conduct business under the laws of the Republic of Palau and have submitted Articles of Incorporation and Bylaws and said Articles and Bylaws have been reviewed and approved as to form,

NOW, THEREFORE, pursuant to the authority vested in the President pursuant to Title 12 of the Palau National Code Section 101,

NAME OF CORPORATION

is hereby constituted a body corporate and granted a Charter to do business as a corporation in the Republic of Palau in its corporate name and with full rights to contract and be contracted with, sue and be sued and do all things necessary and proper to carry on such business within the scope of its Articles of Incorporation and duly adopted Bylaws.

The corporation must comply with all applicable Republic of Palau laws and regulations pertaining to doing business in the Republic of Palau including, but not limited to, Title 12 and Title 40 of the Palau National Code, and Republic of Palau Public Law (RPPL) No. 3-34. The corporation shall not undertake or engage in any business activities until it has first secured all permits. certificates and licenses required under applicable laws.

This Charter shall be subject to amendment, suspension or revocation by any future law, proclamation, regulation or special order of the President of the Republic of Palau applicable thereto having the force and effect of law.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my seal this ___ day of _____, 1995.

_____
Kuniwo Nakamura
President
Republic of Palau

CORPORATION REGULATIONS
Attachment B

NON-PROFIT CORPORATE CHARTER

By virtue of the authority vested in the President of the Republic of Palau by Title 12 of the Palau National Code, authorizing issuance of a corporate charter to an association of persons for any lawful purpose other than pecuniary profit,

NAME OF ORGANIZATION

is hereby constituted a non-profit body corporate, subject to the provisions of this charter, the Articles of Incorporation and By-Laws of the corporation filed with the Registrar of Corporations, and to the laws of the Republic of Palau.

IN WITNESS WHEREOF, this charter is granted to **NAME OF ORGANIZATION** provided, however, that this Charter, the Articles of Incorporation and the By-Laws of the corporation, shall be subject to amendment, suspension, or revocation by any future law, proclamation, regulation or special order of the President applicable thereto having the force of law.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my seal this ___ day of _____, 1995.

_____
Kuniwo Nakamura
President
Republic of Palau

CORPORATION REGULATIONS
Attachment C

REPUBLIC OF PALAU REGISTRAR OF CORPORATIONS

CERTIFICATE OF STATUS
DOMESTIC CORPORATION

I, Nicolas D. Mansfield, Registrar of Corporations for the Republic of Palau, hereby certify:

That on _____ day of _____, 19 ___,

_____ became incorporated under the laws of the Republic of Palau by filing its Articles of Incorporation in this office; and

That no record exists in this office of a certificate of dissolution of said corporation nor of a court order declaring dissolution thereof, nor of a merger or consolidation which terminates its existence; and

That according to the records of this office, the said corporation is authorized to exercise all its corporate powers, rights and privileges and is in good legal standing in the Republic of Palau;

IN WITNESS WHEREOF, I execute this Certificate this ____day of _____ 19____.

_____
Nicolas D. Mansfield
Attorney General/Registrar
of Corporations, ROP

CORPORATION REGULATIONS
Attachment D

REPUBLIC OF PALAU REGISTRAR OF CORPORATIONS

CERTIFICATE OF STATUS
FOREIGN CORPORATION

I, Nicolas D. Mansfield, Registrar of Corporations for the Republic of Palau, hereby certify:

That on _____day of _____, 19___,

_____was duly registered as a foreign corporation authorized to conduct business in the Republic by filing its Articles of Bylaws and Declaration in this office; and

That no record exists in this office of a certificate of dissolution of said corporation nor of a court order declaring dissolution thereof, nor of a merger or consolidation which terminates its existence; and

That according to the records of this office, the said corporation is authorized to exercise all its corporate powers, rights and privileges and is in good standing in the Republic of Palau.

IN WITNESS WHEREOF, I execute this Certificate of Status this ____ day of _____, 19___.

_____
Nicolas D. Mansfield
Attorney General/Registrar
of Corporations, ROP

CORPORATION REGULATIONS
Attachment E

REGISTRAR OF CORPORATIONS

REGISTRATION CERTIFICATE OF (NAME OF CORPORATION)

This is to certify that **NAME OF CORPORATION**, a corporation in the _____ (LOCATION OTHER THAN PALAU), is registered and in good standing as a foreign corporation in the Republic of Palau as of this date in accordance with applicable corporation regulations.

DATED THIS ____ DAY OF JULY, 19 ___.

_____
Nicolas D. Mansfield
Attorney General/
Registrar of Corporations
Republic of Palau

CORPORATION REGULATIONS
Attachment F

NOTICE OF INVOLUNTARY DISSOLUTION

Records at the Office of the Registrar of Corporations indicate that you are more than two years delinquent in the filing of required annual reports. Pursuant to Chapter 1, Part 6 of the corporation regulations, you are hereby notified that this corporation will be involuntary dissolved on _____.

If you have any questions about this Notice of Involuntary Dissolution of **NAME OF CORPORATION**, please consult your attorney.

Sincerely,

Nicolas D. Mansfield
Attorney General/Registrar of Corporations
Republic of Palau

cc: Foreign Investment Board

CORPORATION REGULATIONS
Attachment G

DECREE OF DISSOLUTION

Pursuant to the authority vested in the Registrar of Corporations through Title 12 Chapter 1 of the Palau National Code and Chapter 1, Part 6 of the corporation regulations, the Registrar of Corporations hereby dissolves the legal existence of

(NAME OF CORPORATION)

for failure to comply with requirements as set forth in the corporation regulations. Pursuant to applicable corporate regulations, you are hereby notified that this corporation is hereby dissolved as of the date set forth herein.

IN WITNESS WHEREOF, I execute this Decree of Dissolution this ___ day of _____, 19 ___.

_____

Nicolas D. Mansfield
Attorney General/
Registrar of Corporations
Republic of Palau

CORPORATION REGULATIONS
Attachment H

REVOCATION OF CHARTER

WHEREAS, certain persons associated themselves for the purpose of forming a body corporate to conduct business under the laws of the Republic of Palau and were issued a corporate charter on _____ to conduct business in the Republic of Palau; and

WHEREAS, the below-named corporation has failed to timely file required annual reports for a period of at least two consecutive years as required by the provisions of 12 Palau National Code and Chapter 1, Sections 5.4 and 5.5 of the corporation regulations;

NOW, THEREFORE, by virtue of the authority granted to the President pursuant to Title 12 of the Palau National Code and Chapter 1, Section 6 of the corporation regulations, the corporate charter of

NAME OF CORPORATION

is hereby revoked and said corporation has no authorization to exercise its corporate powers, rights and privileges in the Republic of Palau.

IN WITNESS WHEREOF, I execute this Revocation of Charter this ___ day of _____ _____, 19 ___.

_____
Kuniwo Nakamura
President
Republic of Palau

CORPORATION REGULATIONS
Attachment I

PARTNERSHIP REGISTRATION STATEMENT

Any general or limited partnership formed under the laws of Palau to do business in Palau, or any partnership formed under the laws of any other jurisdiction to do business in Palau must provide the following information and file this form with the Office of the Registrar, c/o Office of the Attorney General, P.O. Box 1365, Koror, Republic of Palau 96940. THIS FORM MUST BE ACCOMPANIED BY A COPY OF THE PARTNERSHIP AGREEMENT AND A FILING FEE OF $250.00, MADE PAYABLE TO THE REPUBLIC OF PALAU NATIONAL TREASURY.

The required information can be provided on this form or as a separately prepared statement. All information provided must be in English and should be typed or printed in legible block letters. This statement must be acknowledged under penalty of perjury by each partner before a notary public or other officer in the manner provided by law for acknowledgement of deeds.

1. NAME AND MAILING ADDRESS OF THE PARTNERSHIP:

2. NATURE OF PARTNERSHIP (i.e. general, limited, special or other):

3. NAME, CITIZENSHIP, RESIDENCE AND MAILING ADDRESS OF EACH PARTNER, AND WHETHER HE IS A GENERAL, LIMITED, SPECIAL, OR OTHER KIND OF PARTNER:

4. NATURE OF THE PARTNERSHIP BUSINESS:

5. LOCATION OF PRINCIPAL PLACE OF BUSINESS OF THE PARTNERSHIP:

6. JURISDICTION UNDER WHOSE LAWS THE PARTNERSHIP WAS FORMED AND THE DATE THE PARTNERSHIP WAS FORMED:

7. DATE WHICH THE PARTNERSHIP BEGAN OR WILL BEGIN DOING BUSINESS IN PALAU:

8. DO YOU CERTIFY THAT NONE OF THE PARTNERS IS A MINOR OR AN INCOMPETENT PERSON?

9. DOES THAT PARTNERSHIP HAVE, OR HAS IT APPLIED FOR A FOREIGN INVESTMENT PERMIT? IF SO, STATE THE DATE ISSUED (OR APPLIED FOR), PERMIT NUMBER AND NAME UNDER WHICH THE PERMIT WAS ISSUED. A COPY OF THE PERMIT SHOULD ACCOMPANY THIS APPLICATION.

CORPORATION REGULATIONS
Attachment I (cont'd)

ACKNOWLEDGMENT

The following persons, being duly sworn upon oath, state that they are the persons named as partners on this Registration Statement, that they have read the information provided on this Registration Statement and that the information which has been provided is true and correct to the best of their knowledge.

_____ _____

Date: Name:

_____ _____

Date: Name:

SUBSCRIBE AND SWORN TO BEFORE ME THIS ___DAY OF _____, 19 ___.

(SEAL)

_____

Clerk of Courts
or Notary Public

CORPORATION REGULATIONS
Attachment J

BUREAU OF LEGAL AFFAIRS
OFFICE OF THE REGISTRAR OF CORPORATIONS REPUBLIC OF PALAU 96940

INFORMATION REQUIRED FOR FORMING A DOMESTIC CORPORATION

A corporation for profit may be organized within Palau for any lawful purpose. The issuance of a corporate charter should not be confused with authorization to do business within Palau. Palau corporations must comply with all national and state laws relating to foreign investment and business license. Any corporation having one or more shareholders who are not Palauan citizens must obtain a Foreign Investment Approval Certificate (FIAC) from the Foreign Investment Board (FIB) before doing business within Palau.

There must be at least three directors and at least three incorporators for any corporation organized under the laws of Palau. Persons seeking a charter as a corporation under the laws of Palau should submit for the approval of the President: (1) articles of incorporation; (2) proposed by-laws of the corporation; and (3) an affidavit sworn to under penalty of perjury by the president; secretary and treasurer of the corporation, as named in the articles of incorporation. The required information is submitted to the President by filing it with the Registrar of Corporations, located within the Office of the Registrar of Corporations, located within the office of the Attorney General, Republic of Palau. There is a non-refundable $250.00 filing fee for each such submission.

Articles of Incorporation. At a minimum, the articles of incorporation must include the following information:

1. The proposed name of the corporation, which shall include as the last word thereof the word "Limited" "Incorporated," or "Corporation," or the abbreviation "Ltd.," "Inc.," or "Corp.";

2. The place of its principal office or place of business within Palau and also the street or mailing address of the initial office;

3. The purpose and powers of the corporation;

4. The numbers of shares of each class: of stock that the corporation is authorized to issue, the aggregate par value, if any, of each class of stock, and the par value of each share or that the shares are without par value;

5. The number of directors, which shall be not less than three, and the names, citizenship and street or mailing address of the initial officers and directors;

CORPORATION REGULATIONS
Attachment J (cont'd)

6. If the corporation is to issue initially more than one class of stock, the preferences, privileges, powers, rights, and qualifications of the shares other than common shares having full voting rights;

7. The proposed duration of the corporation;

8. The names, citizenship and street or mailing addresses of the incorporators;

9. Provisions for voting by stockholders and provisions for shareholding, if any;

10. Provisions for disposition of financial surplus;

11. Provisions for liquidation;

12. Provisions for amendment of the articles of incorporation;

13. Provisions for management, if any; and

14. Whether ownership of the shares of stock is to be limited to Palauan citizens only.

In addition to the foregoing, the articles of incorporation may include any other lawful provisions which may be desired by the corporation for the purpose of defining, limiting, or regulating the powers of the corporation and the powers and duties of its board of directors.

Bylaws: In addition to the article of incorporation, persons seeking a charter as a corporation shall submit for the approval of the President proposed bylaws governing the operation of the corporation. The bylaws must be consistent with the articles of incorporation and the laws of the Republic of Palau.

Affidavit. An affidavit sworn to under penalty of perjury by the president, secretary and treasurer of the corporation as named in the articles of incorporation at the time of filing the articles must be filed in the Office of the Registrar. The affidavit shall set forth the following information:

1. The number of authorized shares of the stock of each class of the proposed corporation;

2. The par value of such shares as have par value;

3. The named of the subscribers for sharesof each class;

4. The number of shares of each class subscribed for by each subscriber;

5. The subscription price or prices for the shares of each class subscribed for by each subscriber,

and if it is to paid in other than cash, the consideration in which it is to be paid;

6. The amount of capital and paid-in surplus, if any, paid in by each subscriber, separately stating the amount paid in cash and in property.

If more than fifty percent of the aggregate authorized capital stock of the corporation upon its incorporation is to be issued for a consideration other than cash, or for the acquisition of the assets and business of any existing enterprise, the affidavit must also contain a summary description of the consideration of the assets and business to be acquired as the case may be, and a net valuation thereof.

Proof of Paid-In Capital. Bank statement, receipts, or other documentation of amount paid into the corporation as paid-in capital.

No corporation for profit may engage in business in Palau until three-fourths of its authorized capital stock has been subscribed for non until ten per cent of its authorized capital stock has been paid in by the acquisition of cash or by the acquisition of property of a value equal to ten percent of the authorized capital stock.

Person seeking to form a Palauan domestic corporation should familiarize themselves with applicable laws and regulations pertaining to the formation of corporation.

CORPORATION REGULATIONS
Attachment K

BUREAU OF LEGAL AFFAIRS
OFFICE OF THE REGISTRAR OF CORPORATIONS
REPUBLIC OF PALAU 96940

REQUIREMENTS FOR FOREIGN CORPORATIONS TO DO OR CARRY ON BUSINESS IN THE REPUBLIC OF PALAU

All foreign corporations wishing to do or carry on business in the Republic of Palau must first file with the Office of the Registrar of Corporations the following materials:

1. A Declaration sworn to on oath by two officers of the corporation (See enclosed Declaration form).

2. A copy of the articles of incorporation, charter, or act of incorporation, certified to by the proper officer of the state where the corporation was organized, which certificate shall also state that the corporation is in good standing if that is the fact.

3. A copy of the bylaws of the corporation, as amended to the date of the Declaration, certified to by the proper officer of the corporation.

4. A good and sufficient bond or bonds with one or more sureties to be approved by the Registrar, and running to the Registrar and his successors in office, in a sum or sums to be fixed by the Registrar in his sound discretion, but not more than ten percent (10%) of the capital stock of the corporation or $5,000.00, whichever is less, with condition that the surety or sureties on the bond or bonds shall be answerable in the amount of the bond or bonds for all judgments, decrees, or orders given, made, or rendered against the principal on the bond or bonds by any of the courts of the Republic for the payment of money; provided that the Registrar may require the bond to be in the sum of not less than $1,000.00 or may waive the requirements of the bond if in his judgment the corporation owns or holds property within the Republic in value sufficient to equal the amount of any bond or bonds which would otherwise be required or is an established corporation which has not defaulted on any obligation due from it for a period of at least ten years prior to the date of the declaration. The Registrar may from time to time review and redetermine the requirement of this paragraph as if a declaration were being filed at the time of the review and redetermination, and increase or reduce or waive the bond or bonds required, as appropriate, or accept other or different bonds under such conditions as he may require and determine, the surety or sureties on the bond may withdraw from the same upon giving to the Registrar notice of not less than sixty days prior to the date on which the then existing annual license of the foreign corporation is to expire; provided, that the surety or sureties shall remain liable on the bond for all judgments, decrees or orders given, made or rendered against the principal pursuant to this section, based upon any obligation or liability incurred prior to the date of expiration of the annual license.

CORPORATION REGULATIONS
Attachment K (cont'd)

5. All foreign corporations wishing to engage in business for profit must, prior to engaging in business in the Republic, obtain a Foreign Investment Approval Certificate (FIAC) from the Foreign Investment Board (FIB) of the Republic of Palau.

6. Further information on corporations may be obtained from the Registrar of Corporations and further information on foreign investment laws of the Republic may be obtained from the Foreign Investment Board of the Republic of Palau.

CORPORATION REGULATIONS
Attachment K (cont'd)

DECLARATION

_____AND_____,

being first duly sworn, depose and say:

THAT they are the _____and_____

of _____, and in whose behalf

they make this declaration that the following information is true and correct.

(1) Name of Corporation: _____

(2) State/Country Of Incorporation: _____

(3) Address of Principal Office: _____

_____

(4) Location of Branch Office(s) in the Republic of Palau:

_____

(5) Names, Citizenships and Addresses of Officers:

Name	Citizenship	Address	Position

(6) Names, Citizenships and Addresses of Directors:

Name	Citizenship	Address

CORPORATION REGULATIONS
Attachment K (cont'd)

_____ _____ _____

_____ _____ _____

_____ _____ _____

_____ _____ _____

(7) Total Value of Property Owned and Used by corporation it its business: _____

(a) Amount of paid-up capital stock: _____

(8) Nature and total value of property to be acquired by corporation for use in the Republic:

_____

_____

_____

(9) Total Dollar Amount of Business Transacted During Preceding Fiscal Year:_____

_____

(10) Nature and Actual Method of Business to be Transacted in the Republic: _____

_____

_____

(11) Local Agent for Service of Process:

Name	Citizenship	Address	Telephone No.

IN WITNESS WHEREOF, said corporation has caused the above instrument to be executed in its behalf, pursuant to authority of its board of directors, and its corporate seal hereunto attached, attested by its _____and_____ this ___day of _____, 19 ___.

_____
Name of Corporation

_____ _____
Signature Signature

CORPORATION REGULATIONS
Attachment K (cont'd)

ACKNOWLEDGMENT

Personally appeared before me the above-named _____

and _____, known to me to be the same persons who executed the foregoing instrument and to be the _____ and _____ of and acknowledged to me that they executed the same as their free act and deed and the free act and deed of said corporation.

SUBSCRIBED AND SWORN TO BEFORE ME THIS ___ DAY OF 19 ___.

_____
Clerk of Court/
Notary Public

My commission expires the _____day of _____, 19 ___

CORPORATION REGULATIONS
Attachment L

OFFICE OF THE REGISTRAR OF CORPORATIONS
ANNUAL REPORT OF 1994

This report must be **completed** by every corporation (profit and nonprofit), partnership, credit union, cooperative, and association organized and existing under the laws of or which is registered in the Republic of Palau, and **filed** in **triplicate** with the Registrar of Corporations, Office of the Attorney General, P.O. Box 1365; Koror, Palau 96940, by June 30, 1995.

Information is to be provided for calendar year 1994.

This report must be filed with an annual report fee of $50.00 (cashier's check or money order) payable to the National Treasury of the Republic of Palau. Any annual report submitted after June 30, 1995 shall be subject to a $50.00 a month penalty for each month after June 30, 1995 until the report is filed, up to a maximum of $250.00 in penalties.

This form replaces previous forms used by the Registrar of Corporations. Please take note that there are changes to this form
.
This report will be returned if it is not completely filled out or if the appropriate fees are not filed with it.

1. Organization Name:

    a) Organizational Status:

        i. Partnership _____
        ii. Cooperation _____
        iii. Credit Union _____
        iv. Corporation
            (Indicate Profit/Non-Profit) _____
        v. Other (specify) _____

2. Mailing Address and Telephone Number:

3. Date of Last Shareholder/Membership meeting:

4. Date of Last Election of Directors:

CORPORATION REGULATIONS
Attachment L (cont'd)

5. Have there been any amendments to the Articles of Incorporation, ByLaws or to the Stock Affidavit(for-profit corporation) during the reporting period? If the answer is yes, please provide the office of the Registrar copies of the amendments.

6. Names, mailing addresses, and citizenships of directors:
[PLEASE ATTACH ON SEPARATE SHEET IF THERE IS NOT ENOUGH SPACE]

7. Names, mailing addresses, citizenships, and offices of officers:
[PLEASE ATTACH ON SEPARATE SHEET IF THERE IS NOT ENOUGH SPACE]

8. Name, address, and telephone number of local agent:

9. Number of shares of each class of stock **authorised**.

10. Number of shares of each class of stock actually **issued**:

11. a) Specify the main activity of the organization:

b) Specify the type (s) of business license (s) held by the organization:

c) Specify the nature and kind of economic activity in which the organization is currently engaged in and the hamlet and state in which such activity is being carried out:

12. **Location** and **value** of real property **owned** by the organization in the Republic of Palau as of the end of the reporting period.

13. **Location** and **value** of real property **leased** by the organization in the Republic of Palau as of the end of the reporting period:

CORPORATION REGULATIONS
Attachment L (cont'd)

14. Expiration date of each lease included in No. 13 above:

15. **Location** and **amount/value** of personal property owned by the organization in the Republic of Palau as of the end of the reporting period (include cash and bank deposits):

16. Employment (Give numbers as of the last payday in December 1994):

		Male	**Female**
a)	Working Proprietors	_____	_____
b)	Unpaid Family Members	_____	_____
c)	Employees- Palauans	_____	_____
d)	Employees - Non-Palauans		
	Filipinos	_____	_____
	Chinese	_____	_____
	Taiwanese	_____	_____
	Korean	_____	_____
	Bangladesh	_____	_____
	Other (Specify)	_____	_____

FOR EACH NON-PALAUAN EMPLOYEE, PLEASE LIST NAME, WORK PERMIT NUMBER, EXPIRATION DATE, AND MONTHLY SALARY OF THE EMPLOYEE ON A SEPARATE SHEET OF PAPER.

17. Do you plan to expand during the next year, and if so, what is the estimated scope of your expansion:

18. How many **new employees/members** do you expect to recruit in the next year. If no exact figures are available,. please give estimates and so indicate by writing an "e" after the figure:

19. Describe any training programs undertaken by the organization for Palauan **employees/members** during the last year, showing the number of participants and the location duration and type of training:

CORPORATION REGULATIONS
Attachment L (cont'd)

20. Are any shares of the organization owned by anyone who is not a citizen of the Republic of Palau?

21. Total number of **shareholders and/or members.**

22. **Number** and **expiration date** of the **Foreign Investment Permit and or Foreign Investment Approval Certificate** of the organization:

23. List the names, mailing addresses, and citizenships of each shareholder holding ten percent or more of the capital stock in the organization:
[PLEASE ATTACH ON SEPARATE SHEET IF THERE IS NOT ENOUGH SPACE]

a) List the names, mailing addresses, and citizenships of **all persons/entities** investing either money or assets in the organization:
[PLEASE ATTACH ON SEPARATE SHEET IF THERE IS NOT ENOUGH SPACE]

24. List your gross income in the Republic of Palau during the last year in the following categories:

A. Sales from own productions	$
B. Sales of prepared foods	$
C. Repair and maintenance work	$
D. Sales of purchased goods (wholesale and retail)	$
E. Rentals of rooms, vehicles, machinery, equipments, buildings or parts thereof	$
F. Interest receipts	$
G. Legal, accounting, other professional services	$
H. Federal Grants	$
I. Gains On The Sale Of An Asset	$
J. Membership Dues, Fees, Etc.	$

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Page 5.

INCOME (cont'd.)

K. Shareholder Contribution	$
L. Donations From Sources Other Than From Shareholder	$
M. Others (please specify)	$
TOTAL INCOME IN THE REPUBLIC OF PALAU	$

25. List your expenditures in the Republic of Palau during the reporting period:

A. Purchase of raw material	$
B. Purchase of goods for resale	$
C. Purchase of oil, gas, or other fuel	$
D. Power and water	$
E. Rental on plant, machinery & equipment	$
F. Transportation (include vehicle rental)	$
G. Rent on buildings	$
H. Repair and maintenance of plant, machinery and equipment	$
I. Repair and maintenance of buildings	$
J. Insurance premiums	$
K. Depreciation	$
L. Interest payments	$
M. Bad Debts and Donations	$
N. Wages and Salaries (include wage and salary tax and social security taxes withheld by the employer and any bonuses)	$

EXPENDITURES (cont'd.)

O. Other Employer Contributions	$
P. Gross Revenue Tax paid	$
Q. Social Security Tax paid by the employer	$
R. Indirect Taxes and Business License Fees	$
S. Distributions To Shareholders (Irrespective Of Source)	$
T. Other expenditures (Please specify)	$
TOTAL EXPENDITURES IN THE REPUBLIC OF PALAU:	$

26. List Stocks in Dollar Amounts:

STOCK	1/1/94	12/31/94
a) Goods for resale		
b) Raw Materials		
c) Finished Goods		

27. List Fixed Assets in Dollar Amounts:

ASSET	Book Value at 1/1/94	Net Additions
a) Buildings		
b) Transport Equipment		
c) Plant & Machinery		
d) Other (Specify)		

CORPORATION REGULATIONS
Attachment M

REGISTRAR OF CORPORATIONS

REGISTRATION CERTIFICATE OF
(NAME OF PARTNERSHIP)

This is to certify that (NAME OF PARTNERSHIP), a partnership, is registered and in good standing as a partnership in the Republic of Palau as of this date in accordance with applicable corporation regulations.

DATED THIS _____DAY OF_____,1995.

_____
Nicolas D. Mansfield
Attorney General\
Registrar of Corporations
Republic of Palau

CORPORATION REGULATIONS
Amendment

AMENDMENT TO THE CORPORATION REGULATIONS

Chapter 6[sic], Part 6.1 of the Corporation Regulations, Dissolution and Revocation of Corporate Charter, is hereby amended as follows:

Part 6 DISSOLUTION OF CORPORATE CHARTER

6.1: Registrar's Action. Last sentence of the first paragraph, which reads "**Additionally, the President shall issue a Revocation of Corporate Charter revoking the charter of the corporation.**" is hereby deleted.

The second paragraph under Registrar's Action is hereby amended to delete any reference to the Revocation of Corporate Charter, and shall read as follows:

Upon the issuance of the Decree of Dissolution, the corporation shall cease to exist in all powers theretofore held by' the corporation shall vest in the trustee or trustees, if any, appointed pursuant to subpart 6.3 of chapter 1. The Registrar shall in each case deliver a copy of the Decree of Dissolution to the Director, Bureau of the National Treasury of the Republic and the Director of the Bureau of Revenue, Customs and Taxation of the Republic.

Date: 3/26/96

/s/
Ari Nathan
Acting Registrar of
Corporations/
Attorney General

Approved this 3rd day of May, 1996.

/s/
Kuniwo Nakamura
President