

A RESOLUTION

Requesting the President of the Federated States of Micronesia to direct the Department of Justice to investigate whether any former or current members of the board of directors of the Micronesia Longline Fishing Corporation ("MLFC") may be personally liable, either civilly or criminally, for any actions taken in respect of MLFC.

1           WHEREAS, under a series of agreements concluded in December,  
2 1993, the National Government of the Federated States of  
3 Micronesia borrowed \$5 million from the Asian Development Bank  
4 ("ADB"), of which \$4.5 million were, in turn, loaned by the  
5 National Government to Micronesia Longline Fishing Corporation  
6 ("MLFC"); and

7           WHEREAS, under the pertinent loan agreements, MLFC was to  
8 service the ADB loan, but the National Government was to make the  
9 loan payments in the event that MLFC defaulted on its obligations;  
10 and

11           WHEREAS, in addition to assuming said obligations with  
12 respect to the ADB loan, the National Government contributed \$1  
13 million to MLFC in return for a 50% interest in MLFC, in the form  
14 of non-voting shares; and

15           WHEREAS, it was intended that an additional \$1 million in  
16 capital for MLFC would be raised by the sale to private  
17 individuals of voting shares, representing, in the aggregate, 50%  
18 of the ownership of the corporation; and

19           WHEREAS, only approximately \$39,000 in private capital was  
20 raised by the sale of such voting shares and some portion of that  
21 amount may have been loaned by the National Government to the

1 purchasers; and

2 WHEREAS, the National Government assumed virtually all of the  
3 financial risk associated with the operations of MLFC, but,  
4 because it held only non-voting shares, had little or no control  
5 over said operations; and

6 WHEREAS, MLFC has suffered significant operating losses, has  
7 defaulted on its obligation to repay the ADB loan and has filed in  
8 bankruptcy; and

9 WHEREAS, due to the defaults and failures of MLFC, the  
10 National Government is now obligated to make all payments on the  
11 ADB loan; and

12 WHEREAS, the management and board of directors of MLFC, at  
13 some point in time, ceased to perform their respective duties and  
14 may have thereby breached their fiduciary obligations to the  
15 shareholders and creditors of MLFC; now, therefore,

16 BE IT RESOLVED by the Fourteenth Congress of the Federated  
17 States of Micronesia, First Special Session, 2005, that the  
18 Congress hereby requests the President of the Federated States  
19 of Micronesia to direct the Secretary of Justice to investigate  
20 whether any former or current members of the board of directors  
21 of the MLFC may be personally liable, either civilly or  
22 criminally, for any actions taken in respect of MLFC;

23

24

25 BE IT FURTHER RESOLVED that certified copies of this

