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IN THE SPOTLIGHT

This issue is devoted exclusively to publication of regulations adopted before July 1, 1974 and still in effect.

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territorial

register

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territorial register



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CHAPTER II

Security Regulations

PART 10. GENERAL PROVISIONS

10.1 Authority. The regulations in this chapter have been promulgated and issued by the Registrar of Corporations and approved by the High Commissioner in accordance with Section 3 of Public Law 3-3

10.2 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.

10.3 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 proposes to issue any security, except that (1) with respect to certificates of deposit, voting-trust certificates or collateral-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 depositor 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 payments out of production under such titles or leases, there is not considered to be any "issuer."

(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 a security or interest in a security, for value.

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

PART 11. REGISTRATION

11.1 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 Section 6 of Public Law 3-3, or these regulations.

11.2 Registration by Qualification.

(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 and any significant subsidiary: its 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 or will be engaged;

(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; the amount of the securities covered by the registration statement to which he has indicated his intention to subscribe; and a description of any material interest in any material transaction with the issuer or 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, parents, 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 or 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 of 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 or any subsidiary effected within the past three years or proposed to be effected; and a statement of his reasons for making the offering;

(7) The capitalization and long term debt (on both current and a 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 amounts 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 and addresses of the vendors, the purchase price, 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 blinding 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 predecessors' 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 Trust Territory.

(d) A registration statement under this section shall become effective when the High Commissioner 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 section 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 issuer to be outstanding, shall have been or shall be intended to be 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 or 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 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 the 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.

11.3 Effectiveness and Reports. A registration statement filed under this article may be filed by the issuer or any other person named in Section 2 of Public Law 3-3. 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 nonissuer 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.

11.4 Exemptions.

(a) The following securities in addition to the exemptions set forth in Section 6 of Public Law 3-3 are exempted from the securities registration requirements of this chapter:

(1) Any security issued or guaranteed by any other foreign government with which the United States 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 Trust Territory, 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 five full business days after the date of the receipt of the notice;

(b) The following transactions 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.

11.5 Unlawful Practices, Unlawful Offers and Sales. It shall be unlawful for any person in the offer or sale of any securities, directly or indirectly, (a) To employ any device, scheme or artifice to defraud, or (b) To 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) To engage in any transaction, practice or course of business which operates or would operate as a fraud or deceit upon the purchaser.

11.6 Civil Liability. Any person violating any provisions of these regulations shall be subject to the civil liabilities as contained in Section 7 of Public Law 3-3.

11.7 Effective Date. These regulations shall become effective thirty (30) days after filing with the District Clerk of Courts.

TITLE 37
CORPORATIONS, PARTNERSHIPS AND ASSOCIATIONS

Chapter 5

CREDIT UNIONS
(Regulation 9-74)

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TITLE 37

CORPORATIONS, PARTNERSHIPS AND ASSOCIATIONS

CHAPTER 5

CREDIT UNIONS
Regulation 9-74

PART 101 GENERAL PROVISIONS

101.1 Authority. The regulations in this chapter have been promulgated and issued by the Registrar of Corporations and approved by the Attorney General and High Commissioner of the Trust Territory of the Pacific Islands in accordance with Section 52, Chapter 3, of Title 37 of the Code of the Trust Territory, and shall have the force and effect of law.

101.2 Effective Date. These regulations shall become effective in accordance with the provisions in Section 107, Title 1 of the Trust Territory Code.

101.3 Purpose. The regulations in this chapter are designated to facilitate the administration of, and carry into effect the credit union laws of the Trust Territory of the Pacific Islands.

101.4 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 High Commissioner granting a corporation right to conduct business as a credit union in the Trust Territory of the Pacific Islands, together with articles and by-laws which comply with the requirements of law.

c. "Credit Union" means a cooperative, non-profit association, incorporated in accordance with the provisions of the Trust Territory 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 shares of stock to its members and perform certain other services for them, in accordance with its charter and the laws of the Trust Territory.

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

e. "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.

f. "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.

g. "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 no specific reserve has been set. Amounts set aside during such period as a reserve shall not be deemed items of expense.

PART 102 FORMATION OF CREDIT UNIONS

102.1 Incorporation; Shares Subordinate to Other Obligations.

Twenty-five or more citizens of the Trust Territory may, pursuant to the provisions of the Trust Territory Code, 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.

102.2 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 of Corporations. When the articles and by-laws are approved by the High Commissioner, and all requirements of law as to organization are complied with, the High Commissioner may thereupon issue a charter authorizing the credit union to commence business; provided, however, that the High Commissioner 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.

102.3 Contents of Articles. An Association of persons seeking a charter as a credit union shall submit for the approval of the High Commissioner 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 of incorporation;
- n. Provisions for blanket surety bond to cover officers, committee members, and employees.

102.4 Contents of By-Laws. The by-laws of every credit union shall specify:

- a. The date of the annual meeting, which shall be in January, February, or 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 number of 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.

102.5 Payment for Shares; Transfer; Lien. Shares shall be paid for in U.S. money. 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.

102.6 General Powers of Credit Unions.

a. To make contracts;

b. To sue and be sued;

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 and productive purposes upon such terms and conditions as the credit committee or a loan officer may approve. No loan 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 any 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 103.6 hereinbelow;

h. To make deposits in banks;

i. To borrow, from any source, in an aggregate amount not exceeding 50 percentum 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 provision 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 authorize, not inconsistent with the provisions of this chapter.

102.7 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 High Commissioner, as may be elected to membership and as 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 a qualified member. Every officer, director, and committee member must be a member of the credit union.

102.8 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 of the credit union shall be kept, and reports shall be made as required on forms acceptable to the Registrar.

102.9 Reserve Funds. All entrance fees and fines provided by the by-laws and 20 percentum 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 interests 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 103 SUBSTANTIVE PROVISIONS

103.1 Suspension or Revocation of Charter. The term of the credit union's existence shall be perpetual; provided, however, that for cause or upon the finding by the High Commissioner that a credit union is insolvent, or his violated any provisions of law, these rules and regulations applicable to credit unions in the Trust Territory, its articles, or its by-laws including any amendments thereto, the High Commissioner may suspend the operations of the credit union until the insolvency or violations have been corrected, or if not corrected, he may revoke its articles of incorporation, thereby terminating the operations of the credit union.

A credit union whose operation has been terminated pursuant to this regulation may appeal within 60 days to the High Court for reinstatement. If the High Court rules in favor of the credit union, its existence shall be deemed to have continued from the date of termination.

103.2 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.

103.3 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 number 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 or Chief of Economic Development, or person authorized by him, 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 Chief of Economic Development shall have all the powers of a general meeting called according to the articles and by-laws. 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.

103.4 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 treasurer. The offices of secretary and treasurer may, if the by-laws so provide, be held by one person. 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 applications 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 lent to, any one member;
- 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 qualification 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 expenditures is specially approved by the credit union membership in a general or special meeting.

103.5 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 totalled from December 1 through November 30. This total will be multiplied by the factor (see table hereinbelow) of the rate of dividend to be paid. The figure thus arrived at will be the total cash amount of the dividend for 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.

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

- a. Lent to members of the credit union;
- b. Lent to other credit unions and cooperatives doing business in the Trust Territory in the total amount not exceeding 25 percentum of its paid-in and unpaired capital and surplus;
- c. Deposited in banks doing business in the Trust Territory;
- d. Invested in the obligations of the United States of America or securities fully guaranteed as to principal and interest;
- e. Any other manner authorized by the Attorney General.

103.7 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 directors instead of by the credit committee.

A borrower may repay the whole or any part 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.

103.8 Reserve Fund. At the close of each dividend period, there shall be transferred to the reserve fund 20 percentum of the net earnings received by the credit union during the period until the reserve fund is equal to ten per cent 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 per cent of the total members' shareholdings of the credit union.

103.9 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 per cent 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 of December 31 of each year, and as of June 30 of each year if dividends are to be paid semi-annually, 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 103.8. 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.

103.10 Dividends; Ascertainning Value of Assets. During the months of December or January, after provision 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 union, a loan delinquent for more than two but less than six months shall be valued at ninety percent of the unpaid balance; a loan delinquent for more than six but less than twelve months shall be valued at seventy-five per cent of the unpaid balance; and a loan delinquent for twelve months or more shall be treated as of no value.

PART 104 DISSOLUTION

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

104.2 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 recommending that the credit union be dissolved and directing that 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 shares 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 members 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 certificate of dissolution has been issued by the High Commissioner.

f. After the issuance by the High Commissioner of a certificate of dissolution:

(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.

104.3 Revocation of Voluntary Dissolution. A credit union may, at any time prior to the issuance of a Certificate of Dissolution by the High Commissioner, 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 High Commissioner may issue a certificate of reinstatement and the dissolution proceedings shall be revoked and the credit union may again carry on its business.

104.4 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 provision 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 therefor.

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 judgment, order or decree which may be entered against it in any pending suit.

Upon the High Commissioner's determination that all the requirements of law have been compiled with, the High Commissioner shall issue a certificate of dissolution and the corporation shall cease to exist.

104.5 Involuntary Dissolution. A credit union may be dissolved involuntarily by order of the High Commissioner when he finds that the corporation has continued to exceed or abuse the authority conferred upon it by law.

104.6 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. 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.

104.7 Reinstatement. A credit union that has been dissolved pursuant to paragraph 104.6 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.

104.8 During Dissolution. During Dissolution the board of directors shall be responsible for conserving the assets, for expediting the dissolution and for equitable distributing the assets to members. The board may appoint a liquidating agent and a delegate part or all of these responsibilities to him and may authorize reasonable compensation for his services. The board shall also appoint a custodian for the associations' records that are to be retained for five years after the High Commissioner 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 shareowners 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 High Commissioner. When deemed advisable or necessary, the High Commissioner 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 105 AMENDMENTS

105.1 Right to Amend Articles of Incorporation or By-laws. A credit union may amend its articles of incorporation or by-laws, 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 by-laws at the time of making such amendment.

105.2 Procedure to Amend Articles of Incorporation or By-laws. Amendments to the articles of incorporation or by-laws 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 it 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 amendment 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 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.

105.3 Articles of Amendment. The articles of amendment shall be executed by the credit union by its president or vice-president and by its secretary or assistant secretary and

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.

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

105.5 Effect of Approval of Amendment. Upon approval of the amendment by the High Commissioner, the amendment shall become effective and the articles of incorporation or by-laws shall be deemed to be amended accordingly.

No amendment shall affect 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 106 MISCELLANEOUS

106.1 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 accounts, 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 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, the balance sheet, and the income and expenses, shall be submitted to the annual meeting of the credit union with a copy to the Chief of Economic Development.

The fiscal year of every credit union shall end at the close of business on the thirty-first day of December; in 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.

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

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

- a. The 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 Chief of Economic Development deems necessary.

106.4 Inconsistent Articles of Incorporation or By-laws. Any article of incorporation or by-laws that are inconsistent with these regulations are hereby superseded.

106.5 Violations Enjoinable. Pursuant to the provisions of Section 6, Title 37 of the Code of the Trust Territory, all violations of this chapter are hereby declared to be enjoinable.

TITLE 37

CORPORATIONS, PARTNERSHIPS AND ASSOCIATIONS

CHAPTER 7

COOPERATIVES (Release No. 7-73)

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CHAPTER 7

COOPERATIVES
(Release No. 7-73)

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PART I. 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 High Commissioner of the Trust Territory of the Pacific Islands in accordance with Section 52, Chapter 3, of Title 37 of the Trust Territory 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 Trust Territory of the Pacific Islands.

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

- PART 5. MEMBERSHIP
 - 5.1. Eligibility and Admission to Membership
 - 5.2. Subscribers
 - 5.3. Share and Membership Certificates
 - 5.4. Transfer of Shares and Membership - Withdrawal
 - 5.5. Share and Membership Certificates - Recall
 - 5.6. Share and Membership Certificates - Attachments
 - 5.7. Liability of Members
 - 5.8. Expulsion of Members - Procedures - Purchase of Holdings

(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:

- PART 6. MISCELLANEOUS
 - 6.1. Allocation and Distribution of Net Earnings
 - 6.2. Bonding of Officers and Employees
 - 6.3. Books - Auditing
 - 6.4. Annual Report of Association
 - 6.5. Suspension or Revocation of Charter
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 - 6.7. Amalgamation or Transfer of Association
 - 6.8. Divisions of Association
 - 6.9. Promotion Expenses
 - 6.10. Additional Information
 - 6.11. Inconsistent Articles of Incorporation or By-Laws
 - 6.12. Violations Enjoinable

(1) that each member has one vote and only one vote, except as may be allowed by the articles or by-laws 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 per cent per annum:

(3) that net earnings after payment, if any, of said limited return on share capital and after making provision for such separate funds as may be required or specifically permitted by statute, articles, or by-laws, 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 be 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.

PART 2. FORMATION OF COOPERATIVE ASSOCIATIONS

2.1. Who May Incorporate. Any ten or more natural persons or entities in the Trust Territory of the Pacific Islands 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 by-laws 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 other associations or any other corporations 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 Chief of Economic Development;

(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 the 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 of each type of share;

(i) the minimum number 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 the association, shall be distributed, in conformity with the requirements of Part 6.6 herein for division of such surplus.

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

2.4. Contents of By-Laws. The by-laws 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) the 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 By-Laws - Effect of Charter. The articles and by-laws shall be delivered to the Registrar. If he finds that the articles and by-laws conform to law, and if he is satisfied that the 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 by-laws, he shall file the same. After such filing, the High Commissioner 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 High Commissioner against the refusal of the Registrar to file articles and by-laws of an association, within one month from the date of such refusal.

PART 3. 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 the 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 High Commissioner.

If the 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 vote 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. By-Laws - Adoption, Amendment, or Repeal. Subject to approval of the High Commissioner, by-laws 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 by-laws, 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 Chief of Economic Development or a person authorized by him, 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 Chief of Economic Development shall have all the powers of a general meeting called according to the articles and by-laws.

4.2. Notice of Meetings. The secretary shall give notice of the time and place 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 by-laws 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. Meetings by Units of the Membership. The articles or by-laws 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 by-laws.

No voting agreement or other device to evade the one-member-one-vote 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 by-laws may provide for either or both of the following types of voting by mail:

(a) That the secretary shall send to the members 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 that 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 by-laws 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 by-laws 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 by-laws may provide.

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 by-laws 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 by-laws for election of directors. An officer may be removed from office by the majority vote of the directors at a regular or special meeting of 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 principal 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 represent their cooperative association as authorized by the board of directors.

4.14. Referendum of Acts of Directors. The articles or by-laws 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 be 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 by-laws 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 by-laws 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 or 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 be 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 by-laws 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 by-laws, the directors may use the reserve funds to recall all his holdings and thereupon he shall 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 holdings 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 subjected 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 subscriber 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 member 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 High Commissioner; (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 4.15 may be paid, or if the by-laws so provide, 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 the case of a member patron, his proportionate amount of savings returns 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 by-laws 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 fund 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 has accumulated at any time within a period of time specified in the by-laws, 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 by-laws 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 periods of time specified in the articles or by-laws, (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 by-laws, if any, for admission to membership, then the amounts so accumulated or paid in and any part of the general fund 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 their 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 or part of its current net earnings if he considers such prohibition necessary in the interests of its members.

6.2. Bonding of Officers and Employees. Every individual acting as officer or employee of an association 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; and the by-laws 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 or 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 non-members, the balance sheet, and the income and expenses, shall be submitted to the annual meeting of the association, with a copy to the Chief of Economic Development and the Registrar of Corporations.

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 of Corporations and the Chief of Economic Development. 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 of Corporations or Chief of Economic Development deem necessary.

A copy of this 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 High Commissioner that a cooperative is insolvent, or has violated any provisions of law, these rules and regulations applicable to cooperatives in the Trust Territory, its articles, or its by-laws, including any amendments thereto, the High Commissioner 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, thereby terminating the operations of the cooperative.

6.6. 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 cancel the 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 High Commissioner 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 following ways as the articles may provide:

(a) among those patrons who have been members or subscribers at any time during the past six years, on the basis of their patronage during that 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 the 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 foregoing 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 any 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 is proposed to divide it to and may prescribe the area of 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 by-laws of the new associations, after which the High Commissioner may issue charters 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, or securing their claims in such manner as the Registrar may approve.

Provided, that no creditor or other person shall be 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 High Commissioner.

6.9. Promotion Expenses – Limitations. An association shall not, directly or indirectly, use any of its funds, nor issue shares nor 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 By-Laws. Any articles of incorporation or by-laws that are inconsistent with these regulations are hereby superseded.

6.12. Violations Enjoinable. Pursuant to the provisions of Section 6, Title 37, of the Trust Territory Code, all violations of this chapter are hereby declared to be enjoinable.

CHAPTER XIII

Control of Drugs under Public Law 4-26

PART 160. GENERAL PROVISIONS

160.1 Authority. These regulations have been promulgated by the High Commissioner of the Trust Territory of the Pacific Islands in accordance with Section 612 of the Trust Territory Code and Public Law 4-26.

160.2 Purpose. The purpose of these regulations is to prevent the misuse of certain drugs which because of the depressant or stimulant qualities may have an adverse effect on users.

PART 161. LIST OF DRUGS

The following are considered to be "drugs" under Public Law 4-26:

amphetamines or optical isomers and salts
methamphetamines or optical isomers and salts
barbituric acid or any salts of barbituric acid and derivatives
bufotenine and its salts
chloral, chloral hydrate, chloral betaine
chlorhexadol
diethyltryptamine
dimethyltryptamine
ethchlorvynol
ethinamate
glutethimide

ibogaine and its salts
lysergic acid, lysergic acid amide, lysergic acid diethylamide
including salts and derivatives or any compounds, mixtures or preparations which are chemically identical with such substances.
methylprylon
mescaline
paraledhyde
pentaerythritol chloral
phenmetrazine and its salts
sulfondiethylmethane
sulfonmethane
opium and its derivatives and compounds
phenanthrene opium alkaloids, their salts, derivatives and compounds
coca leaves, their alkaloids, derivatives, extracts or compounds
marijuana (cannabis sativa) and its derivatives or compounds
pethidine (isonipecaine, meperidine), its salts and compounds
opiates, their salts and derivatives and compounds

PART 162. PROHIBITED ACTS

No person, except a person authorized to import or sell medicines and drugs under the provisions of Section 619 (a) of the Code of the Trust Territory, shall sell, deliver or otherwise dispose of any drug to any other person, nor shall any person, other than a person authorized pursuant to such statute, possess or use any such drug other than for the personal use of himself or a member of his household and prescribed in the course of medical treatment.

PART 163. PENALTIES

Any person violating any provisions of Public Law 4-26 shall upon conviction be punished for each offense by a fine not exceeding one thousand dollars (\$1,000.00), or by imprisonment for not exceeding one year, or by both such fine and imprisonment.

PART 164. EFFECTIVE DATE

These Regulations shall become effective when filed with the District Clerk of Courts.

CODE OF PUBLIC REGULATIONS

Release No. 8-71

Subject: Promulgation of Regulations Concerning the Control of Firearms and Dangerous Devices; Title 9 - Public Safety Regulations; Chapter 1 - Weapons Control

WHEREAS, Section 29 of Public Law 4C-13, a statute providing for control of weapons, gives authority to the Office

of the Attorney General to prescribe regulations for the implementation of said statute, which regulations when approved by the High Commissioner shall have the force and effect of law; and

WHEREAS, in accordance with Section 29 of said statute, the Attorney General has prepared and prescribed certain regulations concerning the general control of weapons and has submitted them to me for my approval.

NOW, THEREFORE, pursuant to the authority vested in me as High Commissioner and in accordance with the provisions of Section 29 of Public Law 4C-13, it is hereby ordered that:

Article 1. Addition of Title 9, Chapter 1, to the Code of Public Regulations

There is hereby added as an amendment to the Code of Public Regulations a new Title numbered 9 and captioned "Public Safety Regulations". There is also established a new Chapter in Title 9 consisting of Parts 1 to 20 and numbered 1 and entitled "Weapons Control". This new Chapter shall read as follows:

"TITLE 9 - PUBLIC SAFETY

Chapter 1 - Weapons Control

Part 1. General Provisions.

1.1. Authority for Regulations. The rules and regulations in this Chapter have been prescribed by the Attorney General and promulgated by the High Commissioner of the Trust Territory of the Pacific Islands in accordance with Section 29 of Public Law 4C-13.

1.2. Scope of Regulations. These regulations and any future amendments thereto shall have the force and effect of law and be binding on all persons and businesses in the Trust Territory of the Pacific Islands who own, possess, sell, transfer, manufacture, wholesale and otherwise deal in or handle firearms, weapons, ammunition, and dangerous devices as defined in Public Law 4C-13 and the regulations in this Chapter.

1.3. General Definitions. When used in this Chapter, unless the context otherwise requires, the following definitions shall apply in the interpretation of the regulations in this Chapter:

(a) The Term "Act" means Public Law 4C-13, the Trust Territory Weapons Control Act, which law became effective on July 1, 1971.

(b) "Chief of Police" or "District Chief of Police" means the Chief of Police for the administrative district in the Trust Territory where an applicant for registration or licensing pursuant to these regulations resides or maintains his place of business.

(c) "Weapon" or "Weapons" means firearms, dangerous devices, handguns, longguns, or guns as those terms are defined in Section 4 of Public Law 4C-13.

1.4. Authorized Delegate of Attorney General. For the purposes of receiving firearms and dangerous devices within the provisions of Section 27 of the Act from persons determined to be ineligible or prohibited from possessing such firearms, the Chief of Police of each district is hereby designated a delegate of the Attorney General.

Part 2. Unserviceable Firearms and Dangerous Devices.

2.1. Registration Required. Every person possessing an unserviceable firearm or dangerous device as defined in Part 2.2 of this Part shall register such weapon with the District Chief of Police.

2.2. Definition of Unserviceable Firearm. The phrase "firearms which are in unserviceable condition" as used in Section 3(2) of the Act and this Part shall mean only those firearms and dangerous devices which would require extensive renovation or repair in order to put them in condition suitable for expelling or hurling projectiles by the action of explosion, release, or expansion of gas, and shall include firearms and dangerous devices which have been "spiked" or rusted or welded inoperable, but shall not include firearms and dangerous devices which have had firing pins or other easily replaceable components removed.

2.3. Application. The application for registration of an unserviceable firearm and dangerous device shall be in the form prescribed by Part 20.1 of this Chapter. The application solicits the following information from each applicant:

(a) Name, address and citizenship of applicant;

(b) Manufacturer, type, model, caliber, serial number or other mark identifying the weapon;

(c) Place where such weapon is usually kept;

(d) Place of business of the applicant;

(e) Other information as the District Chief of Police may require from the applicant.

2.4. Filing of Application. The application shall be completed by the applicant in duplicate, signed by him and submitted to the District Chief of Police. The application shall not be executed under oath nor shall any fee be required from the applicant for registration.

2.5. Inspection. Every person possessing an unserviceable firearm or dangerous device shall, at the time of registration of each weapon, present such weapon to the District Chief of Police for inspection with his application for registration, or make such weapon available to the District Chief of Police for inspection at the time of application.

2.6. Action on Application by Chief of Police. The Chief of Police shall review and act upon all applications for registration of unserviceable weapons within thirty days of the date of filing of such application. If the Chief of Police is satisfied and determines after inspecting the weapon that the

weapon presented for registration is unserviceable, he shall register such weapon and certify on the application submitted that the weapon "is in unserviceable condition". The duplicate copy of the approved application shall be forwarded to the Office of the Attorney General (Attention of the Superintendent of Public Safety) within ten days after such registration and the original copy shall be retained in the weapon control files of the Chief of Police.

If in the opinion of the Chief of Police, any weapon submitted for unserviceable registration is, in fact, serviceable, he shall refuse to so register such weapon and shall require the applicant to submit an Application for Registration and Identification Card pursuant to the regulations prescribed in Part 5 of this Chapter.

Part 3. Weapons Kept as Ornaments, Curios, or for Their Historical or Archaeological Interest.

3.1. Registration Inspection Not Required. Any person, firm, corporation, association or other entity possessing weapons or dangerous devices that are not firearms as defined by Section 4(1) of the Act, shall not be required to register or submit such article for inspection by the District Chief of Police, provided, that such articles are kept and retained by the owner thereof as ornaments, curios, objects or historical or archaeological interest, or works of art, and provided further, that such article is kept or displayed in the owner's private home, place of business, museum or in connection with public exhibitions. Any weapon or dangerous device which is in a condition suitable for expelling or hurling projectiles by the action of explosion, release or expansion of gas shall not be considered as being kept as ornaments, curios, or objects of historical or archaeological interest. Persons wishing to possess such weapons must submit an application for Registration and Identification Card pursuant to the regulations prescribed in Part 5 of this Chapter.

Part 4. Law Enforcement Officers.

4.1. Officers on Duty. Section 9 of the Act permits Trust Territory law enforcement officers to possess, use and carry firearms, ammunition or dangerous devices while on duty, and such officers are not required to carry an Identification Card nor are they subject to other qualifications and restrictions prescribed in the Act or the regulations in this Chapter. Except as provided in Part 4(2), law enforcement officers shall, at the time of completing their official duties for their duty period, surrender such firearms, ammunition or dangerous devices to the District Chief of Police.

4.2. Officers Permanently on Duty. The following Trust Territory law enforcement officers shall be considered as being "on official duty" at all times as that phrase is used in Section 9 of the Act:

- (a) Attorney General
- (b) Superintendent of Public Safety

(c) Deputy Superintendent of Public Safety

(d) Chief of Police of each District

(e) All police officers with the rank of Captain

(f) Such police officers as may be designated in writing for a temporary period of time (no longer than thirty days) by their Chief of Police, the Superintendent of Public Safety, or by the Attorney General.

Part 5. Registration of Firearms, Dangerous Devices and Issuance of Identification Cards.

5.1. Registration and Identification Card Required. No person shall retain, acquire or possess any firearm, dangerous device or ammunition, unless he shall have first registered such weapon(s) and obtained a Registration and Identification Card issued by the Office of the Attorney General pursuant to the Act and the regulations of this Chapter.

5.2. Application. The application for Registration and Identification Card shall be in the form prescribed by Part 20.2 of these regulations. The application form solicits the following information from each applicant:

- (a) Name, address and citizenship of applicant;
- (b) Sex, height and weight of applicant;
- (c) Date and place of birth of applicant;
- (d) Date on which application is filed;
- (e) Detailed list of firearms, dangerous devices, or ammunition which the applicant owns, intends to possess or acquire;
- (f) List of applicant's physical or mental defects, conditions, illnesses or impairments;
- (g) Criminal records, including nature of offenses, dates of convictions and terms of imprisonments;
- (h) Such other information bearing on the applicant's ability to possess or use a weapon in a manner consonant with the public safety and interest, as the Office of the Attorney General may require.

5.3. Filing of Application. The application shall be submitted in triplicate to the District Chief of Police and shall be accompanied by a fee in the amount of Twenty (\$20) Dollars in the form of a money order or check made payable to the Treasurer of the Trust Territory of the Pacific Islands. Cash shall not be submitted nor accepted. The application must be executed by the applicant under penalties of perjury before a Notary Public, Clerk of Courts or other person authorized by law to administer oaths.

The application shall also be accompanied by three

photographs taken within ten days of the date of the application presenting a good likeness of the applicant.

5.4. Review of Application by District Chief of Police. The Chief of Police shall review all applications for Registration and Identification Cards which are filed in his District and shall forward all such applications and their appropriate fees and photographs, with his recommendation thereon, to the Office of the Attorney General (Attention of the Superintendent of Public Safety) within thirty days of the date of filing of such applications. If the application is not properly completed or executed, the Chief of Police may return the application to the applicant for correction and resubmission.

5.5. Action on Application by the Office of the Attorney General. Upon receipt of the properly executed application, photographs and appropriate fee from the District Chief of Police, the Office of the Attorney General may, upon finding through further inquiry or investigation, or otherwise, that applicant is entitled thereto, issue the appropriate Registration and Identification Card. The Card shall be in the form prescribed by Part 20.3 of this Chapter. Each Card shall bear its own individual serial number and shall be signed and dated by the Attorney General. All Cards shall be enclosed in plastic or in a similar transparent tamper-proof container.

The Office of the Attorney General may approve a properly executed application if:

- (a) The applicant is twenty-one years of age or over; and
- (b) The applicant is not prohibited from being issued a Registration and Identification Card under the provisions of the Act or the regulations in this Chapter issued pursuant thereto; and
- (c) The applicant has not willfully violated any of the provisions of the Act or regulations issued pursuant thereto; and
- (d) The applicant has not willfully failed to disclose any material information required, or has not made any false statement as to any material fact, in connection with his application; and
- (e) The Office of the Attorney General is satisfied that applicant will use or possess weapons in a manner consonant with the public safety.

The Attorney General shall approve or deny an application within sixty days of the date in which the application was filed with the District Chief of Police. If he approves the application, he shall issue the appropriate Registration and Identification Card and return it to the District Chief of Police who shall issue it to the applicant. Attorney General shall forward the application fee to the Treasurer of the Trust Territory of the Pacific Islands. If the Attorney General denies the application, he shall return the disapproved application with its application fee to the District Chief of Police who shall inform the applicant of the disapproval and return the application fee.

5.6. Registration and Identification Card Not Transferable; Lost Card. The Registration and Identification Card shall not be sold or transferred. In the event the card is lost, stolen or misplaced and cannot be found by the owner, the facts surrounding such loss shall be reported immediately to the Chief of Police giving full particulars.

Part 6. Licensing of Dealers in Weapons.

6.1. License Required. No person, firm, corporation, association or other entity shall engage in the business of selling firearms, dangerous devices, or ammunition at retail unless he has first applied for and obtained a Dealer's License issued by the Office of the Attorney General pursuant to the Act and the regulations in this Chapter.

6.2. Application. The application for a Dealer's License shall be in the form prescribed in Part 20.4 of these regulations. The application solicits the following information from each applicant:

- (a) The name, citizenship (if a natural person) and address of the applicant including the address of each separate location within the Trust Territory at which the applicant proposes to do business pursuant to the license, and
- (b) If the applicant is a partnership or association, the names and addresses of the partners or associates, or
- (c) If the applicant is a corporation, the names and addresses of the officers and directors, and
- (d) The type of firearms or ammunition to be dealt in, and
- (e) The type of business premises, the business hours, the business history, the identity of the responsible persons in the business, and
- (f) The date on which application is filed, and
- (g) List of physical or mental defects, conditions, illnesses or impairments of applicant (including in the case of a corporation, partnership or association, such offenses, etc. of any individual possessing directly or indirectly the power to direct or cause the direction of the management and policies of the corporation, partnership or association), and
- (h) List of criminal offenses, dates of convictions, and terms of imprisonment of applicant (including in the case of a corporation, partnership or association, such offenses, etc. of any individual possessing directly or indirectly the power to direct or cause the direction of the management and policies of the corporation, partnership or association), and
- (i) Such other information bearing on the applicant's ability to operate the business in a manner consonant with the public safety and interest as the Office of the Attorney General may require.

6.3. Filing of Application. The application in triplicate shall be submitted to the District Chief of Police and shall be

accompanied by a fee in the amount of One Hundred and Fifty (\$150) Dollars in the form of a money order or check made payable to the Treasurer of the Trust Territory of the Pacific Islands. Cash shall not be submitted or accepted. The application shall be executed by the applicant under penalties of perjury before a Notary Public, Clerk of Courts or other person authorized by law to administer oaths.

6.4. Review of Dealer's License Application by Chief of Police. The Chief of Police shall review all applications for Dealer's Licenses which are filed in his District and shall forward all such applications and their appropriate fees, with his recommendations thereon, to the Office of the Attorney General (Attention of the Superintendent of Public Safety) within thirty days of the date of filing of such applications. If the application is not properly executed or completed, the Chief of Police may return the application to the applicant for correction and resubmission.

6.5. Action on Application by the Office of the Attorney General. Upon receipt of a properly executed application for a Dealer's License and the appropriate fee from the District Chief of Police, the Office of the Attorney General may, upon finding through further inquiry or investigation, or otherwise, that applicant is entitled thereto, issue the appropriate Dealer's License. The License shall be in the form prescribed by Part 20.5 of this Chapter. Each License shall bear its own individual serial number and each number may be assigned to the licensee to whom issued for so long as he maintains continuity of annual renewal in the same district. Each license shall be signed and dated by the Attorney General.

The Office of the Attorney General may approve a properly executed application for Dealer's License if:

- (a) The applicant is twenty-one years of age or over;
- (b) The applicant (including in the case of a corporation, partnership or association, any individual possessing directly or indirectly the power to direct or cause the direction of the management and policies of the corporation, partnership or association) is not prohibited from being issued a Registration and Identification Card under the provisions of the Act or the regulations in this Chapter.
- (c) The applicant has not willfully violated any of the provisions of the Act or regulations issued pursuant thereto;
- (d) The applicant has not willfully failed to disclose any material information required, or has not made any false statements as to any material fact, in connection with his application;
- (e) The applicant has in the District in which he makes application suitable premises from which he conducts business or from which he intends to conduct such business within a reasonable period of time;
- (f) The Office of the Attorney General is satisfied that the applicant will operate the business in a manner consonant with the public safety and interest.

The Attorney General shall approve or deny an application for Dealer's License within sixty days of the date on which the application was filed with the District Chief of Police. If he approves the application, he shall issue the appropriate Dealer's License, which shall be valid for one year from the date of its issuance, and return it to the District Chief of Police, who shall issue it to the applicant. The Attorney General shall forward the application fee to the Treasurer of the Trust Territory of the Pacific Islands. If the Attorney General denies the application he shall return the disapproved application with its application fee to the District Chief of Police who shall inform the applicant of the disapproval and return the application fee.

6.6. Number of Dealers in Each District. Each District shall be allowed no more than one licensed dealer for each 5,000 population, provided that each District shall be allowed at least two licensed dealers. In issuing Dealer's Licenses, the Office of the Attorney General shall make all reasonable efforts to ensure a uniform distribution (based upon population density) of firearms retail outlets throughout each District.

6.7. License Not Transferable. Dealer's Licenses are not transferable. In the event of the lease, sale or other transfer of the operation authorized by the license, the successor in interest shall obtain a license in its own capacity required by this Chapter prior to commencing such operations.

Part 7. Licensing of Manufacturers and Wholesalers of Weapons.

7.1. License Required. No person, firm, corporation or other entity shall manufacture or deal at wholesale in firearms, dangerous devices, or ammunition unless he is a retailer licensed under Part 6 of this Chapter or has first applied for and obtained a Manufacturer's and/or Wholesaler's License issued by the Office of the Attorney pursuant to this Part.

7.2. Application. The application for the (a) Dealer's License and/or (b) Manufacturer's and Wholesaler's License shall be in the form prescribed in Part 20.4 of these regulations. The application form contains the same information required for a Dealer's License as prescribed by Part 6 of these regulations.

7.3. Filing of Application. The application in triplicate shall be submitted to the District Chief of Police and shall be accompanied by a fee in the amount of five Hundred (\$500) Dollars for a Manufacturer's License and Five Hundred (\$500) Dollars for a Wholesaler's License in the form of a money order or check made payable to the Treasurer of the Trust Territory of the Pacific Islands. Cash shall not be submitted nor accepted. The application shall be executed by the applicant under penalties of perjury before a Notary Public, Clerk of Courts or other person authorized by law to administer oaths.

7.4. Review of Application by District Chief of Police. The Chief of Police for each District shall review all applications for Manufacturer's and Wholesaler's Licenses which are filed in his District and shall forward all such applications and their

appropriate fees, with his recommendations thereon, to the Office of the Attorney General (attention of the Superintendent of Public Safety) within thirty days of the date of filing of such application.

7.5. Action on Application by Office of the Attorney General. Upon receipt of a properly executed application for a Manufacturer's or Wholesaler's License and the appropriate fee, the Office of the Attorney General may, upon finding through further inquiry or investigation, or otherwise, that applicant is entitled thereto, issue the appropriate license. Each license shall bear its own individual serial number and such number may be assigned to the licensee to whom issued for so long as he maintains continuity of annual renewal in the same District. Each license shall be signed and dated by the Attorney General.

The Office of the Attorney General shall approve a properly executed application for Wholesaler's or Manufacturer's License if the applicant satisfied all requirements for Dealer's Licenses listed in Part 6.1 of this Chapter.

The Attorney General shall approve or deny an application for Manufacturer's or Wholesaler's License within sixty days of the date of which the application was filed with the District Chief of Police. If he approves the application, he shall issue the appropriate Manufacturer's or Wholesaler's License which shall be valid for one year from the date of its issuance, and return it to the District Chief of Police, who shall issue it to the applicant. The Attorney General shall forward the application fee to the Treasurer of the Trust Territory of the Pacific Islands. If the Attorney General denies the application, he shall return the disapproved application with its application fee to the District Chief of Police who shall inform the applicant of the disapproval and return the application fee.

7.6. Style and Manner of Inscription of Serial Numbers on Firearms Manufactured in the Trust Territory. Each licensed manufacturer of any firearm manufactured in the Trust Territory on or after the effective date of this Chapter shall legibly identify each such firearm by engraving, casting, stamping (impressing) or otherwise conspicuously placing or causing to be engraved, cast, stamped (impressed) or placed on such firearm in a manner not susceptible to being readily obliterated, altered, or removed, the following inscriptions:

(a) On the frame or receiver an individual serial number not duplicating any serial number placed by the manufacturer or any other firearm, and

(b) On the barrel, frame or receiver, the model, if such designation has been made, the caliber or gauge, the name (or recognized abbreviation of same) of the manufacturer, the Municipality and District (or recognized abbreviation thereof) wherein the licensed manufacturer maintains his place of business.

Part 8. Suspension or Revocation of Registration and Identification Cards and Licenses.

8.1. Revocation. A Registration and Identification Card or Dealer's, Wholesaler's or Manufacturer's License may be revoked by the Office of the Attorney General without notice and/or the opportunity for a hearing if the holder thereof:

(a) Is or has been acquitted of any criminal charge by reason of insanity;

(b) Is or has been adjudicated mentally incompetent;

(c) Is or has been treated in a hospital for mental illness, drug addiction, or alcoholism;

(d) Is or has been convicted of a crime in connection with which firearms or dangerous devices were used or found in his possession;

(e) Is or has been convicted of a crime of which actual or attempted personnel injury or death is an element;

(f) Is or has been convicted of a crime of which the use, possession or sale of narcotics or dangerous drugs is an element;

(g) Is or has been convicted of violating any provision, other than Section 7 of the Act;

(h) Has a physical or mental defect, condition, illness or impairment which would make the holder incapable of possessing and using a firearm or dangerous device without danger to the public safety;

(i) Is found to be under twenty-one years of age.

8.2. Suspension. A Registration and Identification Card or Dealer's, Wholesaler's or Manufacturer's License may be suspended by the Office of the Attorney General without notice and/or an opportunity for a hearing for a period not to exceed one year, if the holder thereof:

(a) Has, in his application for Registration and Identification Card or License, willfully failed to disclose any material information, or has made any false statement as to any material fact in connection with his application;

(b) Has failed to comply with Section 7 of the Act;

(c) Has exceeded the extent of his eligibility to deal in or to possess, use and carry firearms, dangerous devices, or ammunition.

Part 9. Surrender of Prohibited Weapons.

9.1. Surrender. Within ninety days after the effective date of these regulations, any person owning or possessing on such date the following list of prohibited weapons and dangerous devices shall surrender them to the District Chief of Police:

(a) Any firearm silencer or muffler;

(b) Any handgun; any automatic or semi-automatic weapon;

any rifle larger than a .22 caliber or any shotgun larger than .410 gauge.

(c) Any firearm or dangerous device which such person has been determined to be ineligible to possess by the Office of the Attorney General.

9.2. Compensation. Any person required by Section 27 of the Act to surrender any firearm, weapon or dangerous device shall be reasonably compensated for such weapons.

As used in Section 27 of the Act and these regulations, the term "reasonably compensated" shall mean that the owner of the confiscated or surrendered weapon shall receive therefor a sum of money equal to the fair market value of such weapon in the Western Pacific (or nearest market area thereto) at the time of confiscation or surrender of the weapon to the District Chief of Police.

9.3. Time of Compensation. All persons surrendering firearms or dangerous devices pursuant to the Act shall receive compensation therefor at the time of surrender of the weapon or within ninety days thereafter. If the compensation is not made at the time of surrender the person authorized to receive the surrendered weapon shall issue a receipt therefor stating the name of the owner, the serial number, caliber or gauge, and model of the surrendered weapon, and the date of surrender. The receipt shall be issued and signed by the District Chief of Police. The form of the receipt is prescribed in Part 20.7 of this Chapter.

Parts 10 to 18 of this Chapter Are Reserved for Future Regulations.

Part 19. Appeals.

19.1. Any denial, suspension or revocation of an identification card or license or any determination of compensation under Section 27 of the Act and Part 9 of this Chapter, shall be subject to review by the High Commissioner upon request by the aggrieved party and thereafter by the District Court of any District having jurisdiction thereof. Such request must be made to the High Commissioner within thirty days of said denial, suspension, revocation or determination of compensation.

Part 20. Forms. (In preparation. To be released at a later date.)

The following prescribed forms shall not be altered in any manner except that the Office of the Attorney General may make minor modifications from time to time without amending these regulations.

20.1. Application for Registration of an Unserviceable Weapon.

20.2. Application for Registration and Identification Card.

20.3. Registration and Identification Card.

20.4. Application for Dealer's, Manufacturer's or Wholesaler's License.

20.5. Dealer's License.

20.6. Dealer's Inventory and Transfer Record.

20.7. Report to the Attorney General of Transfer or Possession of Firearm, Dangerous Device, or Ammunition.

20.8. Receipt for the Surrender of Weapons."

Article 2. Filing With the Clerk of Courts.

It is further ordered that this release shall be filed with the Clerk of Courts in each administrative District of the Trust Territory before September 1, 1971, and the rules and regulations hereinabove set forth shall be published in the Trust Territory Code of Public Regulations.

Article 3. Effective Date.

The rules and regulations set forth in this release after filing with the Clerk of Courts shall become effective as of September 7, 1971.

TITLE 69

PUBLIC OFFICERS AND OTHER AGENCIES

CHAPTER 1

MICRONESIA POLICE (Regulation 10-74)

PART 1 GENERAL PROVISIONS

1.1 Authority. These regulations have been promulgated by the Attorney General, Trust Territory of the Pacific Islands, in accordance with Section 4 of Title 69 of the Code of the Trust Territory. These regulations and any amendments thereto shall have the force and effect of law.

1.2 Mission. The Micronesia Police shall have the duties and responsibilities as set forth in Section 3 of Title 69 of the Trust Territory Code. The primary mission of the Police shall be to preserve law and order among the inhabitants of the Trust Territory.

PART 2 ORGANIZATION

2.1 Headquarters.

a. Attorney General. The Attorney General has supervisory powers over the Micronesia Police as set forth in Section 1 of Title 69 of the Trust Territory Code. The Attorney General shall exercise immediate supervision over the Superintendent of Public Safety.

b. Superintendent of Public Safety. The Superintendent of Public Safety has immediate supervision over the Micronesia

Police in its entirety as set forth in Section 2 of Title 69 of the Trust Territory Code.

2.2 Districts.

a. District Administrator. The District Administrator may exercise general supervisory powers over the district detachment of the Micronesia Police as provided for in Section 2 of Title 69 of the Trust Territory Code. Immediate supervisory powers over any district detachment, however, rests in the Superintendent of Public Safety.

b. Chiefs of Police. The Chiefs of Police for the various districts shall have the supervisory responsibilities as set forth in Section 51 and 52 of Title 69 of the Trust Territory Code. His primary duty shall be to command the district detachment of the Micronesia Police under both the administrative and operational supervision of the Superintendent of Public Safety.

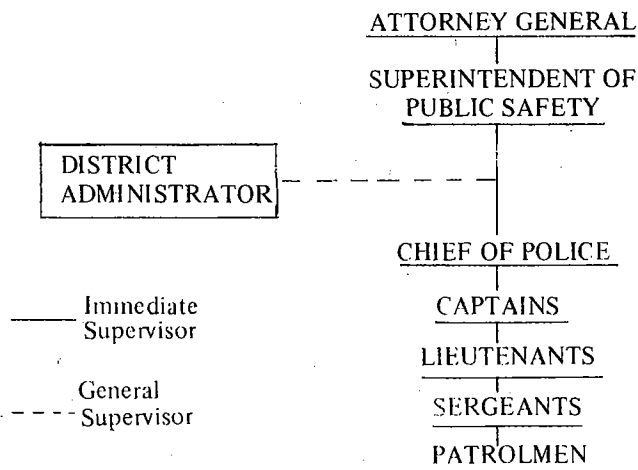
c. Captains of Police. Police Captains shall perform the command duties as set forth in Section 54 of Title 69 of the Trust Territory Code. A Captain of Police shall act under the immediate supervision of the Chief of Police but he shall also have all the authority and responsibility of the Chief of Police in his absence.

d. Lieutenants. Police Lieutenants shall act under the immediate supervision of Captains of Police.

e. Sergeants. Sergeants shall act under the immediate supervision of the Police Lieutenants.

f. Patrolmen. Patrolmen are under the immediate supervision of their Sergeants and under the general supervision of the District Chief of Police and Police Captains.

2.3 Organizational Chart.



PART 3 DUTIES

3.1 Duties of the Attorney General. The Attorney General shall exercise general and, if necessary, immediate supervisory powers over the Micronesia Police or any district detachment

thereof. He shall also perform all the duties prescribed by law in Section 1 of Title 69 of the Trust Territory Code.

3.2 Duties of the Superintendent of Public Safety. The Superintendent of Public Safety's duties shall include, but not be limited to the following:

a. Inspections. Inspection of all District Police Detachments with particular attention to:

- (1) State of efficiency and training;
- (2) Degree of compliance with existing directives;
- (3) Condition of records and files;
- (4) Degree of harmony existing between the Police, the District Administrator, and native inhabitants;
- (5) Conditions of places of confinement and of prisoners confined therein;
- (6) Appearance and cleanliness of personnel;
- (7) Condition of clothing, equipment, and other facilities;
- (8) Morale;
- (9) Fire fighting equipment and facilities.

b. Reports. At the completion of each inspection, the Superintendent shall prepare and forward to the Attorney General a full report of his findings in the matters in subheading (a), above. This report shall contain comparative evaluations in all matters and shall specifically set forth all deficiencies noted.

c. Recommendations. The preparation of timely recommendations to the Attorney General of any matters tending to increase the degree of efficiency with which the Micronesia Police may accomplish its assigned mission.

d. Training. Establish and maintain the Public Safety Academy and conduct such courses of instruction as may be directed by the Attorney General.

e. Special Investigations. Conduct such special investigations as may be directed by the Attorney General.

3.3 Duties of the District Chief of Police. The duties of the Chief of Police as prescribed in Title 69, Chapter 3, Section 52 of the Trust Territory Code shall also include the following:

a. Command. He shall command the District Detachment of the Micronesia Police under the immediate supervision of the Superintendent of Public Safety.

b. Responsibility. He shall be responsible to the Superintendent of Public Safety for the performance of duty and the state of training of the district police detachment.

c. Inspections. Conduct periodic inspections of all outlying areas and substations and make a report to the Superintendent of Public Safety.

d. Records and Reports. Maintain an adequate system of records and reports in accordance with current orders and directives.

e. Jail. Be responsible for the security, sanitation, and administration of the District jail in accordance with existing directives.

f. Property. Be responsible for the care and maintenance of facilities, equipment, clothing and supplies.

g. Investigations. Conduct such special investigations as may be directed by the Superintendent of Public Safety.

3.4 Duties of Police Captains. Police Captains shall perform the duties as set forth in Title 69, Chapter 3, Section 54 of the Trust Territory Code and such other duties as may be directed by the Chief of Police.

3.5 Duties of Lieutenants. Lieutenants may be used as acting police captains and shall perform all work as assigned.

3.6 Duties of Sergeants. In general, sergeants shall be utilized as jail wardens, patrol supervisors, criminal investigators and as officers in charge of police activities at outlying areas and population centers. Sergeants may also be used as acting police captains.

3.7 Duties of Patrolmen. Patrolmen may be utilized as patrolmen, jail guards, and shall perform any other related work as assigned.

3.8 Jail Duties.

a. General. The Micronesia Police is responsible for the operation and maintenance of the District jails and the Chief of Police shall assign the personnel in such numbers and ranks as to accomplish this mission adequately. In general, the Police personnel assigned to jail duties should include a Sergeant and a sufficient number of guards to maintain proper security.

b. Deputy Guards. In order to make a maximum use of prisoners in performing labor on public projects with a minimum number of regular Police personnel, the Chief of Police is authorized to deputize as deputy guards responsible persons connected with the municipality under whose supervision the work is being done. However, no police powers other than that of prisoner guard is hereby authorized.

c. Specific Duties. Personnel assigned to jail duty shall comply with all applicable regulations prescribed in Part 7 of these regulations.

3.9 Fire Protection Duties.

a. Fire Marshal. The Chief of Police is designated as Fire

Marshal and may delegate these duties to a Fire Chief of his selection.

b. Inspections. The Fire Marshal and/or the Fire Chief, not less than once each calendar month, shall make the following inspections:

(1) All government buildings within the area,

(2) All fire fighting equipment, to insure that all such equipment is in operable condition,

(3) A report of this inspection shall be transmitted to the District Administrator and a copy sent also to the Superintendent of Public Safety.

c. Control. The Micronesia Police is responsible, at the scene of any fire, for the orderly and unimpeded fire fighting operation, and to this end shall insure that unauthorized persons are prohibited from entering the fire area.

PART 4 RECORDS

4.1 Chief of Police Records. The Chief of Police shall keep current records of the following:

a. Police Blotter. A chronological diary-type record reflecting the day by day activities of the District Detachment containing a summary of all matters of Police interest occurring throughout the District. This District blotter shall be kept in English.

b. Jail log. A chronological diary-type record reflecting the day by day activities of the District jail. This record shall be known as the jail log. It shall be kept in English.

c. Personnel Records. Personnel records shall be maintained on each member of the Micronesia Police reflecting his full name, nationality, domicile, next of kin, marital status and dependents, age, physical characteristics including finger prints, cumulative service, pay, rank, record of training completed, disciplinary record, record of commendations and meritorious service, record of promotion and reduction, record of clothing and equipment issued, and record of any other item of special interest.

d. Property Inventory. Current inventory of clothing and equipment, both individual and organizational.

e. Other Records. The Chief of Police shall keep and maintain such other records as required by the Superintendent of Public Safety.

4.2 Chief of Police Reports. The Chief of Police shall be directly responsible for having the following monthly reports prepared and forwarded to the Superintendent of Public Safety on or before the tenth day of the month following the month of the report:

a. Monthly Report of Prisoners

- b. Roster of District Detachment
- c. Monthly Report of Incidents

PART 5 CLOTHING AND EQUIPMENT

5.1 Authority. Uniform clothing of the type and quantity, as determined by the Superintendent of Public Safety shall be worn and furnished to each regular member of the Micronesia Police. The clothing shall be issued without cost to the officer. Articles worn out in service shall be replaced without cost to the officer. Articles of clothing lost, destroyed, or damaged by reasons of neglect or other willful act not in the line of duty shall be replaced by the individual concerned at his own expense. Title to all uniforms shall remain vested in the Trust Territory.

5.2 Insignia of Rank. Insignia of rank shall be of a design approved by the Superintendent of Public Safety.

5.3 Organizational and Individual Equipment. Such organizational and individual equipment as determined by the Superintendent of Public Safety to properly carry out the mission of the Police shall be on hand. These items shall be carried on department inventory and be issued on a need basis.

PART 6 TRAINING

6.1 General. It shall be the responsibility of the Superintendent of Public Safety to see that a progressive training program is in effect at all times.

6.2 Training Programs. Training programs shall consist of:

a. Basic Training. An intensive training schedule for recruits encompassing all general aspects of police procedure and criminal investigation, and such local police problems as are peculiar to the district concerned.

b. Supervisors Training. This advanced training shall be tailored for sergeants and lieutenants, or prospective candidates therefor.

c. Command Training. This training shall be for officers in command roles, such as captains and chiefs of police.

d. Special Training. From time to time special training programs shall be effected for the purpose of providing instructions in specific subject areas.

e. Fire Training. This training, basic and advanced, shall be for all men assigned to the fire protection divisions of the respective District Public Safety detachments.

6.3 Cost of Training. In preparing the annual estimated budget for the Micronesia Police, the Superintendent of Public Safety shall include therein the estimated requirement of the above described training programs, and shall include funds for

sufficient ammunition to provide for marksmanship training in the amount of 50 rounds per man for the weapon with which he is customarily armed, and for 25 rounds per man for each type of weapon maintained at the District Headquarters.

PART 7 REGULATIONS CONCERNING JAILS

7.1 Policy. There shall be a District jail located at each District Headquarters for the confinement and safekeeping of all persons committed thereto. It is the policy of the Trust Territory Government that prison confinement be executed uniformly throughout the Trust Territory and all confinement of detentioners shall be no more rigorous than security measures demand, and that all confinement over and above the punitive aspect shall be of a corrective nature.

7.2 Treatment of Prisoners. The Superintendent of Public Safety is responsible, through the Chief of Police, for the protection of all prisoners from abuse and mistreatment. Prisoners are to be treated fairly and impartially. They must be properly clothed and fed. They must be provided clean properly equipped living quarters, adequate medical attention, an opportunity to practice their religious beliefs, and reasonable communication with their families and defense counsel.

7.3 Types of Prisoners. It should be distinctly understood that the District jail houses two different types of prisoners namely:

a. Serving Sentence. Those sentenced and serving their term for imprisonment or awaiting other disposition, and,

b. Detentioners. Those held in a safekeeping status, pending trial or undergoing investigation.

7.4 Security. Security measures shall be adequate to fulfill the mission of the prison but not so restricted as to prevent work and exercise. The degree of security shall be commensurate with the custodial risk involved in the type of prisoner under supervision.

7.5 Discipline. Discipline shall be maintained at a high level. Abuse, mistreatment and special forms of punishment which only serve to brutalize both prisoners and guards are hereby prohibited. The imposition of punishment is restricted to:

a. Judicial Punishment. That lawfully imposed by a duly constituted Territorial Court.

b. Non-Judicial Punishment. Withholding of special privileges such as smoking, entertaining of visitors, and the use of recreational facilities form the only punishment which may be imposed by the Chief of Police for minor infractions of prison discipline. Prisoners shall not be permitted to exercise any authority or impose any punishment on other prisoners.

7.6 Hard Labor. Any person sentenced by a Territorial Court shall be required to perform hard labor during the period of confinement unless the terms of the sentence specifically direct otherwise. Accordingly, the following rules will be

observed in the employment of prisoners at hard labor:

a. Authorized Labor. Any person serving a sentence of imprisonment will be required to perform hard labor in accordance with physical ability on any public project. Such public projects are envisioned to be those directly affecting and benefitting the local population.

b. Work Week. Hard labor shall be performed on the basis of not exceeding a 6-day work week of not more than 8 hours per day.

c. Exemptions. Detentioners will not be required to perform hard labor but may be called to perform housekeeping tasks in and around the jail proper.

d. Other Labor. On days when hard labor is not performed such useful rehabilitative projects such as handicraft manufacture, fishing, gardening, and animal husbandry under proper supervision shall be encouraged. The proceeds derived from any such projects shall be utilized for the benefit of the jail population only.

7.7 Jail Regulations. All reasonable precautions must be taken to maintain security and prevent the escape of prisoners. Guards in charge of labor details shall exercise every precaution to insure that the prisoners are under observation at all times. At least two official counts shall be made daily. The Superintendent of Public Safety is responsible for the origination of, and compliance with, special security regulations at each District jail. These regulations shall include a suitable provision covering escapes as well as fire and typhoons. The provisions of these jail regulations shall be made known to each prisoner at the time of his initial confinement, in writing and in a language he or she understands.

7.8 Personal Property of Prisoners. Prisoners shall not be permitted to retain in their possession money, jewelry or other personal property with the exception of necessary personal items such as clothing, toilet articles, wedding rings, tobacco, religious material, eye glasses and dentures. Upon admission to the jail, a complete inventory of personal gear and valuables shall be made in the prisoner's presence. This inventory shall be itemized and receipted for and the prisoner shall be furnished a signed copy of the receipt which receipt he shall be allowed to retain in his possession throughout confinement. Upon his release from confinement the property of the prisoner shall be returned to him and a receipt therefor shall be obtained.

7.9 Medical Examination. All prisoners shall be given a medical examination as soon after initial confinement as is practicable and prisoners suffering from communicable or contagious diseases or mental illness shall be segregated in a locked ward and given daily medical attention. Prisoners at all times shall be afforded adequate medical care

7.10 Subsistence. Prisoners shall be furnished sufficient

properly prepared food and shall be allowed adequate time to complete their meal in a normal manner. Subsistence of prisoners shall be from an allotment budgeted for that purpose. Prisoners confined in District jails shall under no circumstances be required to subsist themselves, nor shall their friends or relatives be required to furnish subsistence. However, no unreasonable restrictions shall be invoked so as to prevent a prisoner from receiving gifts of food from friends and relatives. Care shall be taken that such food gifts come under the control of the person for whom they are intended with due regard to health, sanitation, and security requirements.

7.11 Clothing. Prisoners shall be provided with clothing adequate to the weather.

7.12 Health and Comfort. Prisoners possessing funds may be required to purchase their own toilet articles. If a prisoner does not possess such funds, such toilet articles will be furnished in such quantities to maintain adequate standard of sanitation and preclude undue hardships, and will be paid for from budgeted funds. Prisoners possessing funds may be permitted to purchase articles of comfort such as tobacco and supplemental food. However, no prisoner shall be required to contribute to any special fund to provide for articles of health and comfort for other prisoners in confinement.

7.13 Visitors. Prisoners shall be allowed as much contact with members of their families and others interested in their welfare as is practicable within the limitations of their sentence and the administrative facilities available. Specific visiting periods shall be established by the Superintendent of Public Safety. Such privileges should not be curtailed except as disciplinary action resulting for violation of jail regulations, but such curtailment shall not affect the right to counsel or bail. Visitors shall be subjected to search only if this is deemed necessary by the Warden and then only by the consent of the visitor. If permission for such search is refused, the Warden may prohibit the visit.

7.14 Mail. All prisoner mail and/or packages shall be inspected, both incoming and outgoing, to prevent traffic in contraband such as weapons, drugs, obscene material, etc. but such inspection shall not be effected unless authorized by the prisoner. If the prisoner refuses such inspection, authorization, incoming mail or packages shall be returned to the sender or held until the release of the prisoner, whichever he desires, and permission to mail outgoing matter shall be denied. The Warden will be charged with the responsibility of inspecting such letters and packages. Letters or packages containing objectionable material but not otherwise unlawful, shall be returned to the sender. Letters and/or packages containing generally unlawful material shall be delivered to the District Attorney for appropriate action.

7.15 Search. Prisoners shall be searched at all times upon entering the jail and at such other times as may be deemed appropriate by the Warden or guards. Every effort will be made to prevent the introduction of contraband material into the jails. Periodic searches at irregular intervals will be made of the jail facilities.

7.16 Computation of Sentence. It shall be the responsibility of the Chief of Police to see that all sentences are properly computed and executed precisely in accordance with the Court sentence.

7.17 Records. Separate records shall be kept of detentioners and those committed to jail to serve a court sentence. These records shall reflect the name, residence, occupation, next of kin, date of release, and declared destination upon release.

PART 8 MISCELLANEOUS PROVISIONS

8.1 Policewomen.

a. Authority. In the discretion of the various Chiefs of Police and with the consent of the Superintendent of Public Safety, women may be enlisted in the Micronesia Police.

b. Jail Matrons. Whenever female prisoners are confined in a District jail, a police matron will be available at all times. Such police matrons may be employed on a temporary basis.

8.2 Service of Foreign Process. Whenever a summons or other process is received from a court whose jurisdiction is outside of the Trust Territory of the Pacific Islands, with a request that the same be served upon any person within the Trust Territory, said summons or other process and accompanying correspondence shall be forwarded to the Office of the District Attorney of that district for appropriate instructions or other disposition.

TITLE 77

TAXATION AND FINANCE

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TITLE 77

TAXATION AND FINANCE

CHAPTER 3

EXPORT AND IMPORT TAXES (Release 10-73)

PART 1. GENERAL PROVISIONS IMPORTS

1.1 Authority. The rules and regulations in this chapter have been promulgated by the High Commissioner, Trust Territory of the Pacific Islands pursuant to the provisions of Section 154. Title 77 of Code of the Trust Territory.

1.2 Definition. For the sake of convenience the term Tax Assessor as used in this chapter shall also include Customs Officer.

PART 2. ENTRY OF IMPORTS

2.1 Entry of Imports - Requirement and Time. Except as otherwise provided the consignee of imported merchandise shall make entry therefor either in person or by an agent authorized by him at the office of the District Tax Assessor within forty-eight hours exclusive of Sundays and holidays after the entry of the importing vessel or plane.

2.2 Entry Documents.

a. Entry may be made upon presentation to the Tax Assessor of a non-negotiable copy of the bill of lading and vendors' invoices convering all merchandise arriving on one vessel and consigned to one consignee. If proper documents are not available within forty-eight (48) hours after arrival of the merchandise the estimated import tax shall be paid subject to adjustment when documents arrive.

b. In addition to the non-negotiable copy of the bill of lading and vendors' invoices each importer shall sign an Entry Certificate stating under penalty of perjury that the vendors' invoices are true and correct and that no alterations or changes have been made thereto. The Entry Certificate shall be obtained from the Tax Assessor and signed at the time of entry.

2.3 Damage or Non-Receipt. Any merchandise subject to import tax which is not received by the importer or is in a damaged condition may be exempted from such tax upon presentation of a certificate of damage or non-receipt from the carrier or his agent. The carrier or his agent shall either deny the claim or furnish the certificate of damage or non-receipt within fifteen (15) days after such damage or non-receipt within fifteen days after such damage or non-receipt is reported by the importer. Terminal operators shall not be required to open shipments for damage inspection. Importers may apply for a refund of taxes paid to the extent of losses incurred on damaged merchandise where such damage was concealed, however, the importer must submit a certificate of damage from the carrier, his agent, or terminal operator.

2.4 Reporting Cargo. All cargo, including ship's stores, carried on the vessel or aircraft entering the Trust Territory must be included on the manifest and related bills of lading. Willful failure to so include such cargo or the presentation of a willfully falsified manifest shall be deemed to be a violation of this regulation.

2.5 Master's Responsibilities. Within four (4) hours after arrival the matter of a vessel or aircraft shall deliver to the Tax Assessor two copies of the manifest and bills of lading and he shall also deliver a true and correct copy of any correction of such manifest and bills of lading filed on entry of his vessel or aircraft.

2.6 Payment and Release. Cargo shall be retained at the place of unloading until the import tax has been paid or permission given by the Tax Assessor for its release. Any cargo not released shall remain in the physical possession of the terminal operator at the expense of the consignee but under technical customs custody until entry is made and the import tax paid. The Tax Assessor will give permission for the release of cargo after payment of taxes in full by making the following notation on one copy of the two copies of bills of lading submitted pursuant to section 2.5 above:

All import taxes for the items included on this bill of lading have been paid. This merchandise may be released to the consignee.

Date Tax Assessor (Customs Officer)

A partial release of cargo may be authorized by the Tax Assessor by making the following notation on the bill of lading and by initialling, each item to be released. Those items not initialed will not be released.

The merchandise identified by my initials on each line item of this bill of lading may be released to the consignee.

Date Tax Assessor (Customs Officer)

2.7 Release of Perishable Merchandise. The Tax Assessor is authorized to permit the release and delivery, prior to formal entry thereof, of perishable articles, and other merchandise the immediate delivery of which is considered necessary, such as where adequate holding or storage facilities are not available. Provided, however, that such merchandise shall remain under technical customs custody and no disposition of such merchandise by the consignee is authorized without payment of the tax or the execution of a promissory note for the full amount of the tax.

2.8 Entry of Merchandise without Tax Assessor's Clearance. No carrier, agent, or terminal operator shall release or turn over to a consignee any merchandise being imported into the Trust Territory without prior clearance of the Tax Assessor.

2.9 Boarding of Vessels and Aircraft. The Tax Assessor may board and examine any vessel or aircraft bringing merchandise into the Trust Territory when in his opinion it is necessary to carry out the provisions of Title 77 of the Trust Territory

Code, or any rule or regulation promulgated thereunder and require the master or captain thereof the exhibit for examination by the Tax Assessor the manifest or any other documents or papers, or any trunk, package or cargo on board.

2.10 Penalty. Any person including a corporation, company and association, who willfully violates any of the provisions of this chapter shall be subject to imprisonment for a period of not more than one year or a fine of not more than \$500.00, or both, as specified in Section 201, Title 77 of the Trust Territory Code.

2.11 Regulations Superseded. These Regulations supersede all previously issued Budget and Finance Regulations.

CHAPTER 11

REGULATIONS ON THE TAXING OF SALARIES, WAGES, AND GROSS REVENUES OF BUSINESSSES

PART 10. GENERAL PROVISIONS

10.1 Authority. Rules and Regulations in this chapter have been promulgated by the High Commissioner of the Trust Territory of the Pacific Islands in accordance with the provisions of Section 12 of Public Law 4C-2. These Rules and Regulations and any additions and/or amendments thereto, shall have the force and effect of law.

PART 11. WITHHOLDING TAX ON WAGES AND SALARIES

11.1 Effective Date. Withholding tax on wages and salaries by employers pursuant to Section 3 of Public Law 4C-2 shall commence on the first day of each employer's first payroll period beginning after June 30, 1971. Employers shall not change their customary payroll periods if such change would result in the postponement of the effective date on which to commence withholding the tax on wages and salaries.

Example (1). An employer's customary payroll period is weekly from Sunday to the following Saturday. The first payroll period for which tax is to be withheld is the payroll period beginning July 4, 1971.

Example (2). An employer's customary payroll period is semimonthly from the first day to the fifteenth day of each month and from the sixteenth day to the last day of each month. The first payroll period for which tax is to be withheld is the payroll period beginning July 1, 1971.

PART 12. WAGES AND SALARIES OF EMPLOYEES SUBJECT TO TAXATION.

12.1 Moving Expenses. Moving expenses or allowances provided an employee for the convenience and at the direction of the employer is not to be included in determining the taxable wages or salaries of an employee. However, any

portion of the moving expense or allowance not used by the employee for his cost of moving will be deemed taxable wages or salaries.

Example (1). Mr. Jones is transferred to Moen, Truk District from Saipan, Mariana Islands District by his employer, the ABC Company. The ABC Company pays for his transportation, household effects shipment, meals and temporary lodging. These payments made by the ABC Company are not taxable to Mr. Jones.

Example (2). Mr. Smith is transferred to Koror, Palau District from Majuro, Marshalls District. His employer, the Fish Company, pays Mr. Smith a \$2,000.00 moving allowance. The cost of Mr. Smith's move including personal transportation, household effects shipment and temporary lodging is \$1,500.00. The unused portion of the moving allowance, \$500.00 is taxable to Mr. Smith.

12.2 Payments to Students. Certain payments made to full-time bona fide students at accredited educational institutions within the Trust Territory are exempt from taxation pursuant to Section 1 (c) (8) of Public Law 4C-2, as amended. However, in most instances it is not possible for an employer to ascertain the tax status of payments of wages and salaries to employees who may claim to be exempt. As an example, wages and salaries paid to a high school student during the summer school vacation may or may not be exempt depending on, among other things, whether the student returns to school for the fall semester. Therefore, the 3% wage and salary tax shall be withheld by the employer from all wages and salaries paid to employees who may claim the student exemption. Such employees may at the end of each year make claim for refund of tax withheld from wages and salaries paid to them and their claim for the exemption will be determined at the time of the application for refund. Claims for refund shall be made in accordance with Section 17 of Public Law 4C-2, as amended.

PART 13. BUSINESS OPERATIONS SUBJECT TO TAXATION

13.1 Casual Sales of Farm Produce, Fish or Native Handicraft. Any individual having annual gross revenue of less than \$200.00 from the sale of farm produce, fish, or native handicraft will not be deemed a business under the provisions of Public Law 4C-2 and will not be required to pay the tax on the gross revenue. Any individual having annual gross revenue of \$200.00 or more from the sale of farm produce, fish or native handicraft will be deemed a business and will be required to pay the tax on the gross revenue.

Example (1). Mr. X sometimes takes his boat and goes fishing at night and on weekends. When he returns with his fish, he gives some of the fish to his friends, family and relatives, and he sells some of the fish for cash. At the end of a year, Mr. X finds that he has received \$186.50 for fish sold during the year. Mr. X is not required to file a return of business gross revenue, nor pay tax for his sale of fish for that year.

Example (2). Mr. M has a farm that produces large quantities of bananas and taro. Every week Mr. M takes his farm produce to a village market and sells the produce. At the end of a year, Mr. M finds that he has received \$1,950.00 for farm produce sold during the year. Mr. M is required to file a return of business gross revenue and pay tax (in this case, \$40.00) for his sale of farm produce for that year.

13.2 Form of Businesses Subject to Taxation.

a. Unincorporated "Unitary Business". A "unitary business" is one carrying on one kind of business of which the component parts are too closely connected and necessary to each other to justify division or separate consideration. Unincorporated "unity businesses" will be assessed, levied, collected and paid the tax as required under Section 8 of Public Law 4C-2.

b. Unincorporated "Non-Unitary Businesses". A "non-unitary" business is one which shows units of substantial separateness and completeness, such as might be maintained as an independent business and capable of producing profit in and of themselves. A "non-unitary" business will be assessed, levied, collected and paid the tax as required under Section 8 of Public Law 4C-2 on each unit of substantial separateness and completeness.

c. Incorporated Businesses. A corporation consisting of two or more separate and distinct businesses would pay the tax on the combined gross revenues of all the business as one entity.

Example (1). Mr. Walker owns a movie theater and in the theater he has a snack bar serving refreshments to the patrons of the theater. The gross income from the theater and the snack bar would be taxed as one business since it is a "unitary business".

Example (2). Mr. Johnson owns a grocery store and next to the grocery store he owns a restaurant. Mr. Johnson would have to pay tax on the gross revenue of the grocery and a separate tax on the gross revenue of the restaurant, because it would be a "non-unitary" business with each unit being substantially separate and complete.

Example (3). Mr. Stein is the sole stockholder of a corporation which consists of a restaurant, grocery store, and a car rental agency. The combined gross revenues of the three businesses would be taxed as one business.

PART 14. RATE OF TAX AND DEDUCTIONS FOR CALENDAR YEAR 1971. Public Law 4C-2, as amended, became effective on July 1, 1971, and the taxes levied and deductions allowed thereunder are payable on a calendar year basis. Accordingly, taxes for calendar year 1971 shall be paid for the period July 1, 1971, through December 31, 1971, which six month period shall constitute the 1971 taxable year. As the initial year during which taxes shall be paid is partial, that is, only for six months, the following rates of tax and deductions will be in effect from July 1, 1971 through December 31, 1971, namely:

a. Tax on Gross Revenues of Business. There shall be assessed, levied, collected, and paid a tax of twenty dollars (\$20) upon that portion of the amount of gross revenues received by every business for the period July 1, 1971, through December 31, 1971 subject to the provisions of Public Law 4C-2, as amended, which does not exceed five thousand dollars (\$5,000), and there shall be assessed, levied, collected, and paid a tax of one per cent (1%) upon that portion of the amount of gross revenues for the period July 1, 1971 through December 31, 1971, received by every business subject to the provisions of Public Law 4C-2, as amended, which is in excess of five thousand dollars (\$5,000).

b. Employee Deduction From Wages and Salaries. Every employee, as defined in Public Law 4C-2, as amended, shall be allowed a deduction of five hundred dollars (\$500) from all wages and salaries subject to tax levied under Public Law 4C-2, as amended, and received by the employee for the period July 1, 1971, through December 31, 1971, in which period the deduction is claimed. The deduction shall be claimed by the employee filing for a refund with the Director of the Department of Finance, Trust Territory Government, under the provisions of Public Law 4C-2, as amended, and the rules and regulations issued pursuant thereto by the Director.

PART 15. DEFINITIONS RELATING TO GROSS REVENUES OF BUSINESS.

15.1 Exclusion of Taxes Collected. Gross revenue as defined by Section 1 (g) of Public Law 4C-2 as amended does not include business revenue or receipts which represent taxes imposed upon the purchaser by a taxing authority and collected by the seller. Taxes imposed by Public Law 4C-2 as amended are not imposed upon the purchaser and thus may not be excluded.

Example (1). Mr. Z owns a movie theater. The price of a ticket is 75¢ per person which includes a District imposed 10¢ head tax on each ticket. Mr. Z would report his gross revenue on the basis of 65¢ per ticket and exclude the amount of the head tax.

Example (2). Mr. X owns a grocery store. The District imposes a 1% sales tax on all sales. Mr. X collected \$101.00 in sales and sales tax. Mr. X would report his gross revenue as \$100.00 and exclude the \$1.00 collected for sales tax.

15.2 Exclusion of Amounts not Collected. Gross revenue as defined by Section 1(g) of Public Law 4C-2, as amended, does not include revenues which are accrued but which subsequently are found to be uncollectible. The amounts of such accrued revenue which are determined to be uncollectible may be deducted from gross revenue in the year in which it is determined that the revenue is not collectible, provided that the uncollectible amounts were accrued after June 30, 1971.

Example (1). A business sells merchandise both for cash and on credit, establishing accounts receivable for the credit sales. In 1971, this business has the following sales:

Cash	\$20,000
Credit	15,000
Total	\$35,000

The business pays tax on \$35,000 for 1971. At December 31, 1971, the business has uncollected accounts receivable in the amount of \$2,400 of which \$1,000 represented sales accrued after June 30, 1971.

If in 1972, the business found that any part of the \$1,000 could not be collected and so recorded this in its accounting records, this amount written off would be deducted from the taxable gross revenue for 1972. The write off of any part of the \$1,400 which represented sales accrued before July 1, 1971, would have no effect on the 1972 tax computation.

PART 16. PAYMENT OF TAX AND FILING OF RETURNS.

16.1 Place of Payment and Filing. Employers who have their principal place of business (i.e. the place where accounting, payroll, and tax records are maintained and controlled) outside the Trust Territory shall file all returns and make all payments of the tax in accordance with Public Law 4C-2 to the Director of Finance, Headquarters, Trust Territory of the Pacific Islands, Saipan, Mariana Islands 96950.

Employers who are doing business in more than one district of the Trust Territory shall file all returns and make all payments of the tax in accordance with Public Law 4C-2 to the Director of Finance, Headquarters, Trust Territory of the Pacific Islands, Saipan, Mariana Islands 96950.

PART 17. EXCLUSIONS

17.1 Military and Naval Forces of the United States: Exclusion. "Wages and salaries received from the United States by members of the Military or Naval Forces of the United States or the Armed Forces of the United States" shall hereby refer to salaries and wages paid as a result of active duty service in the uniformed services of the Naval Forces of the United States or the Armed Forces of the United States and all other wages and salaries earned in the Trust Territory of the Pacific Islands shall be deemed taxable under the provisions of this act.

PART 18. REFUNDS.

18.1 Procedure for Filing for Refunds - Employees. Employees who have claims for refunds of excess tax withheld from their wages or salaries need not file individual claims with the Director. The Wage and Tax Statements furnished by employers to the Director, pursuant to Section 4(b) of Public Law 4C-2, as amended, will be accepted as the claimants' applications for refunds and the Director will process these refunds without further action on the part of the claimants. (10-73)

PART 19. EXAMINATION OF BOOKS.

19.1 Production of Records of Taxpayers Under Trust

Territory Income Tax Law. For the purpose of ascertaining the correctness of any return, making a return where none has been made, determining the liability of any person for any income tax or the liability at law or in equity of any transferee or fiduciary of any person in respect of any income tax, or collecting any such liability, the Director or his delegate is authorized to:

- (a) Examine any books, papers, records, or other data which may be relevant or material to such inquiry. The required records shall be made available no later than ten days beginning the date when the request is received;
- (b) Summon the person liable for tax or required to perform the act, or any officer or employee of such person or any person having possession, custody, or care of books of account containing entries relating to the business of the person liable for tax or required to perform the act, or any other person the Director or his designee may deem proper, to appear before the Director or his delegate at the time and place named in the summons and to produce such books, papers, records, or other data, and to give such testimony, under oath, as may be relevant or material to such inquiry; and
- (c) Take such testimony of the person concerned, under oath, as may be relevant or material to such inquiry. (3-74)

CODE OF PUBLIC REGULATIONS

Release No. 4-71

Subject: Promulgation of Regulations Concerning the Transportation, Movement and Disposition of Human Remains; Title 7 - Health Services Regulations; Chapter 14, Parts 171 to 180.

WHEREAS, Subsections 6 and 7 of Section 3, Title 63 of the Trust Territory Code gives authority to the Director of Health Services to prescribe rules and regulations concerning the control and disposition of human remains which rules and regulations when approved by the High Commissioner shall have the force and effect of law; and

WHEREAS, in accordance with Section 3 of Title 63, the Director of Health Services has prepared and prescribed certain rules and regulations dealing with the transportation, disposition and movement of human remains into, from and between the several districts of the Trust Territory of the Pacific Islands and has submitted these regulations to me for may approval.

NOW, THEREFORE, pursuant to the authority vested in me as High Commissioner and in accordance with the provisions of Section 3 of Title 63 of the Trust Territory Code, it is hereby ordered that:

Article 1. Addition of Chapter 14, Parts 171 to 180, to Title 7

There is hereby added as an amendment to Title 7 of the Code of Public Regulations a new chapter numbered 14, consisting of Parts 171 to 180, entitled "Regulations Concerning the Transportation, Movement and Disposition of Human Remains." This new chapter shall read as follows:

"Chapter 14 - Regulations Concerning the Transportation, Movement and Disposition of Human Remains

Part 171. General Provisions and Definitions

171.1. Authority. Rules and Regulations in this chapter have been prepared by the Director of Health Services and promulgated by the High Commissioner of the Trust Territory of the Pacific Islands in accordance with Section 3 of Title 67 of the Trust Territory Code.

171.2. 'Human Remains' or 'Remains' means the body of a deceased person, including in any state of decomposition or cremation.

171.3. 'Cremation' means the reduction of the body of a deceased person to ashes by incineration.

171.4 'Embalming' means the treatment of human remains with chemicals to prevent decay.

Part 172. Movement of Human Remains Between the Administrative Districts of the Trust Territory of the Pacific Islands

No human remains shall be moved from one district to another within the Trust Territory unless the following requirements are first met:

(a) A removal permit is issued by the District Director of Health Services of the district originating the removal of the human remains, such removal permit to state that the remains constitute no health hazard.

(b) The District Director of Health Services of the district originating the removal shall (1) notify in writing prior to the shipping of any human remains the approximate date of shipment and (2) shall send two certified copies of the death certificate of the deceased to the District Director of Health Services of the district of destination of the human remains.

Part 173. Entrance of Human Remains Into the Trust Territory.

Except in the case of a death or fetal death occurring in international areas, which event shall be reported at the first port of entry of the Trust Territory as provided by Chapter 1, Part 11 of the Health Services Regulations, no human remains shall be allowed entrance into the Trust Territory unless the following requirements are first met:

(a) A permit for disposition is issued, in accordance with

the law and health regulations of the place originating the removal of the human remains, the original and two copies of which are to accompany the remains, one additional copy to be sent to the District Director of Health Services of the district of destination of the remains, and one additional copy to be sent to the Director of Health Services, Headquarters, Saipan, Mariana Islands 96950.

(b) A certificate from the agency issuing the permit stating that the human remains pose no public health hazard, the original of which is to accompany the human remains and one copy to be sent to the District Director of Health Services of the district of destination of the human remains.

(c) The District Director of Health Services of the district of destination shall be notified in writing prior to the shipping of any human remains the approximate date of shipment and such notification shall include three certified copies of the death certificate of the deceased and the documents specified for him in paragraph (a) and (b) of this section.

(d) The requirement for certified copies of the death certificate as specified in (c) of this section may be waived if:

(1) the issuance of a removal permit requires a death certificate having been filed prior to its issuance, and

(2) the cause of death has been sufficiently determined to provide the agency a means to fulfill the requirement (b) of this section, and

(3) that the required certified copies of the death certificate shall be forthcoming as soon as available.

Part 174. Removal of Human Remains From the Trust Territory.

No human remains shall be removed from the Trust Territory unless a removal permit has been issued by the District Director of Health Services of the district originating the removal and the requirements of the receiving country or state have been met prior to shipment.

Part 175. Authority of District Director of Health Services to Refuse Entry.

The District Director of Health Services of the district of destination shall refuse entrance of human remains into said district if such entrance does not comply with the requirements stated in Parts 172 and 173 of this chapter.

Part 176. Requirement for Transportation.

No human remains shall be transported into the Trust Territory or from one district to another within the Trust

Territory unless the human remains are embalmed or cremated, placed in a suitable container and enclosed in a transportation case.

Part 177. Custody of Human Remains.

The District Director of Health Services shall have custody of all human remains entering and within his district of responsibility until released by him for interment or removal.

Part 178. Responsibility of Carrier.

It shall be the responsibility of any carrier transporting human remains into the Trust Territory to insure that the proper documents have been obtained to effect lawful entry of such human remains into and between the several districts of the Trust Territory. Human remains arriving at a Trust Territory port without the proper documentation shall be denied entry by the District Director of Health Services and the human remains shall not be allowed to be removed from the aircraft or ship until proper documentation is obtained. In the event the District Director of Health Services denies entry the carrier shall be fully responsible for

returning the human remains to the place of origin.

Part 179. Human Remains Resulting From World War II.

Nothing in this chapter shall be interpreted or construed to control or regulate the removal or interment of human remains resulting from hostilities or post secure action of military forces during World War II. The High Commissioner shall continue to regulate and control the removal and interment of such remains as he shall see fit.

Part 180. Effective Date.

The rules and regulations as set forth in this chapter shall become effective on September 1, 1971.

Article 2, Approval and Filing with the Clerk of Courts.

The rules and regulations prepared and prescribed by the Director of Health Services as set forth above are hereby approved, ordered to be filed with the Clerk of Courts in each administrative district of the Trust Territory before August 15, 1971 and published in the Trust Territory Code of Public Regulations.