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July 31, 1974

James E. White, Esq.  
 Post Office Box 47  
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 Saipan, Mariana Islands 96950

Dear Jim:

As you know, we have been working on various matters related to the organization of a non-profit corporation to receive and administer the public lands of the Mariana Islands in trust for the people. I want to take this opportunity to discuss various matters related to the organization of the corporation with you.

During our December 1973 meetings we reviewed various options that were available to us and determined that it would be most appropriate to organize the corporation under Title 37 of the Trust Territory Code as a Trust Territory corporation. Since those meetings we have studied the Trust Territory corporation law and reviewed the series of regulations that have been promulgated thereunder by the Registrar of Corporations. We noted that regulations governing the operations of non-profit corporations have not been adopted and believe that, if the corporation is organized under the Trust Territory law, it would be useful to have regulations promulgated. To that end, we have prepared a draft of regulations that can be submitted to the Registrar with a request that regulations be promulgated. I believe you already have a copy of the February 13 draft, which has now been superseded by the enclosed draft of non-profit corporation regulations.

The draft regulations have not been prepared with a view to creating any special advantages for the land

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corporation. We have attempted to draft noncontroversial regulations which the Registrar could promulgate without extensive revision or modification. Our point of departure in preparing the draft was the Model Non-Profit Corporation Act prepared by the Section on Corporation, Banking and Business Law of the American Bar Association. We relied upon the Model Act because we noted that Chapter I of Title 4 of the Code of Regulations, the regulations governing business corporations, had been derived in large part from the provisions of the Model Business Corporation Act.

We are enclosing the following documents for your review and for submission to the Registrar of Corporations :

(1) three copies of the draft regulations and

(2) three copies of a memorandum discussing the method of preparing the draft regulations supported by exhibits consisting of (i) a copy of the draft regulations marked to indicate the changes from the provisions of the Model Act, (ii) a schedule indicating the source of each provision in the draft regulations and explaining or commenting on substantive additions or deletions and (iii) a copy of the Model Act.

During a recent meeting with representatives of the Department of the Interior concerning public land legislation, we mentioned that we were preparing draft regulations. One of the Interior attorneys, Steven Sander, expressed an interest in reviewing the draft regulations and discussing them with us. He may forward the draft to the Attorney General for transmittal to the Registrar of Corporations. We think it advisable, however, because of the time that might be involved in having the regulations promulgated, for you to submit the draft directly to the Registrar and request the issuance of regulations.

We are also in the process of preparing proposed articles of incorporation for the public land corporation. The failure of the Congress to enact the Administration land bill during its February session and the possibility that an acceptable land bill will not emerge from the current special session, makes it difficult to prepare the definitive articles of incorporation at this time. The powers and purposes of the corporation would, of course, be subject to any limitations set forth

in the enabling legislation as well as to those embodied in the U.S. policy statement.

We are also preparing by-laws for the corporation. If the corporation is organized under Title 37, it will be necessary for the incorporators to file the application described in Section 3 together with the articles of incorporation and the by-laws.

We understand that it is now extremely unlikely that acceptable legislation will be enacted during the special session of the Congress of Micronesia. Based on recent developments concerning the proposed timetable for separate administration, we expect to recommend that the corporation be organized this fall under Title 37 of the Trust Territory Code. We expect that the transfer of lands to the corporation will be accomplished pursuant to executive order of the Secretary of the Interior.

Please cable any questions regarding the draft regulations and any suggestions or comments having to do with the organization or structure of the corporation. We will send drafts of the articles to the Commission and to you in the near future.

Very truly yours,



Howard P. Willens

Enclosures

cc: Senator Pangelinan