

AN ACT

To amend Title 12 of the Palau National Code to modernize and update the Corporations Law of the Republic of Palau, and for other related purposes.

THE PEOPLE OF PALAU REPRESENTED IN THE OLBIL ERA KELULAU DO ENACT AS FOLLOWS:

Section 1. Legislative findings. On September 29, 2021, President Surangel Whipps, Jr. signed into law Public Law RPPL No. 11-10, an Act to amend Title 12 of the Palau National Code to modernize and update the Corporations Law of the Republic of Palau (“Corporations Act”). The President then designated the Financial Institutions Commission (FIC) as the Registrar in Executive Order No. 477. While preparing for the full implementation of the revised Corporations Act, the FIC has recommended certain amendments, which the President agrees with, which will ease the transition to the new legal structure and ensure that the Registrar can continue as a self-sustaining institution. Namely, the amendments create a Corporate Registry Expense Fund to be funded by fees paid to the Registrar and to be used by the Registrar for a new online registration system for business entities. The amendments also regulate additional types of business associations in the same manner that they were regulated by regulation prior to RPPL 11-10. Importantly, these amendments set the timeline for the issuance of regulations, and therefore the date that the new Corporations Act will take effect, for not later than three months. For these reasons, the Olbil Era Kelulau finds that the following amendments are necessary to optimize the effectiveness of the new corporation laws of the Republic.

Section 2. Amendment. Chapter 1 of Title 12 of the Palau National Code, as amended by RPPL No. 11-10 and RPPL No. 11-24, is hereby further amended to read as follows:

“DIVISION I

CHAPTER 1

General Provisions

...

1     **§ 109. Registrar of Corporations; Powers of the Registrar; fees.**

2     ...

3             **§ 107. Filing by the Registrar; effect.**

4             **(a) If a document delivered to the office of the Registrar for filing satisfies the**  
5     **requirements of Division 1 or Division 3 of this Title, and any regulations promulgated**  
6     **thereunder, the Registrar shall file it accordingly, record the date and time of filing,**  
7     **and deliver an acknowledgement to the filer. For each such document not filed within**  
8     **seven (7) days after the filer delivers the document, the Registrar shall issue such**  
9     **acknowledgement or communication as to why such acknowledgement is delayed or**  
10    **denied, to the filer not less than seven (7) days after the filer delivers the document.**

11    ...

12            **§ 109. Registrar of Corporations; powers of the Registrar; fees.**

13            **(a) There shall be a Registrar of Corporations designated by the President by**  
14    **Executive Order.**

15            **(b) The Registrar has the powers reasonably necessary to perform the duties**  
16    **required of the Registrar by Division 1 and Division 3 of this Title including, but not**  
17    **limited to, the following:**

18                    **(1) The Registrar may make regulations concerning any of the following**  
19    **matters:**

20                                **(A) setting fees, late fees and penalties payable under this Act;**

21                                **(B) prescribing forms for submitting filings to the register which,**  
22    **if prescribed, must be used;**

23                                **(C) establishing the format to be used for submitting online filings**  
24    **to the register; and**

25                                **(D) the overall implementation and regulation of registration**  
26    **under this Act and any matters incidental thereto, including the**  
27    **maintenance of the register in any manner and media deemed**  
28    **appropriate by the Registrar.**

29            **(2) ...**

1 (c) All fees paid to the Registrar under Division 1 and 3 of this Title shall be  
2 deposited in the National Treasury to the credit of a special non-lapsing fund. Such  
3 fund shall be known as the “Corporate Registry Expense Fund”. Such funds may be  
4 authorized to be appropriated and appropriated from year to year, and shall not be  
5 subject to the reprogramming authority of the President of the Republic of Palau. Except  
6 as otherwise provided for in statute, such funds shall be used exclusively for expenses  
7 related to the operation of an online registry.”

8 Section 3. Amendment. RPPL 11-10 is hereby amended to add a new division as  
9 follows:

10 “DIVISION 3

11 OTHER BUSINESS ASSOCIATIONS

12 CHAPTER 19

13 CORPORATIONS SOLE FOR ECCLESIASTICAL PURPOSES

14 §1901. Formation of Corporation Sole for Ecclesiastical Purposes.

15 §1902. Application for Charter: Petition; Contents.

16 §1903. Powers of Corporation Sole.

17 §1904. Amendment to Charter.

18 §1905. Name of Incumbent; Change in Incumbency.

19 §1906. Distribution of Assets: Inspection of Books.

20 §1907. Extensions and Renewals.

21 §1908. Dissolution.

22 §1909. Corporations Sole Heretofore Formed; General Laws.

23 §1901. Formation of Corporation Sole for Ecclesiastical Purposes.

24 A nonprofit corporation sole may be formed hereunder by the bishop, chief  
25 priest, presiding elder, or other presiding officer of any church, for the purposes of  
26 administering and managing the affairs, property, and temporalities of the church, in  
27 the district within which the bishop, chief priest, presiding elder, or other presiding  
28 officer has ecclesiastical jurisdiction.

29 §1902. Application for Charter: Petition; Contents.

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

4                   **(1) The name of the corporation;**

5                   **(2) The name, citizenship and address of the officer forming the**  
6 **corporation, the office which he holds in the church, and that he is duly**  
7 **authorized by the rules, regulations, or discipline of the church to take the**  
8 **action;**

9                   **(3) The boundaries of the district subject to the ecclesiastical jurisdiction**  
10 **of the officer forming the corporation sole, in accordance with the rules,**  
11 **regulations, or discipline of the church;**

12                   **(4) The place of the principal office of the corporation sole, which shall**  
13 **be in the Republic;**

14                   **(5) The term for which the corporation sole is organized, which may be**  
15 **perpetual;**

16                   **(6) The manner in which any vacancy occurring in the office of the**  
17 **bishop, chief priest, presiding elder, or other presiding officer forming the**  
18 **corporation sole is required to be filled by the rules, regulations, or discipline of**  
19 **the church;**

20                   **(7) Additional powers to be set forth in its charter and in accordance**  
21 **with law.**

22                   **(8) Any lawful provision for the regulation of the affairs of the**  
23 **corporation sole, including restrictions upon the power to amend all or any part**  
24 **of the charter;**

25                   **(9) That the corporation is not organized for profit;**

26 **If any petition for a charter of incorporation presented to the Registrar under this**  
27 **chapter is not in conformity with the requirements of this subchapter the Registrar**  
28 **shall, within thirty days, return the same to the petitioner specifying wherein the same**  
29 **fails to conform with this section and the petitioner may amend the petition and present**

1 it so amended. A proposed form of the charter of incorporation shall accompany the  
2 petition. The Registrar may require additional proofs from the Petitioner. If the  
3 petition or amended petition and the proposed charter are in conformity with law, the  
4 Registrar shall present the petition or amended petition, proposed charter, and  
5 accompanying proofs to the President for approval.

6 §1903. Powers of Corporation Sole.

7 Every corporation sole formed under this chapter shall have the powers set  
8 forth in any law or regulation related to preemptive rights of corporations and be  
9 subject to any law or regulation related to the power of a corporation to acquire, hold,  
10 and dispose of their own shares. Every such corporation shall have continuity of  
11 existence notwithstanding vacancies in the incumbency thereof, and during the period  
12 of any vacancy, shall have the same capacity and right to receive and take any gift,  
13 bequest, devise, or conveyance of property, either as grantee for its own use, or as a  
14 trustee (where the trusteeship is within its corporate purposes and subject to removal  
15 from such trusteeship as provided by law), and to be or be made the beneficiary of a  
16 trust, as though there were no vacancies. No agency created by a corporation sole by a  
17 written instrument which, in express terms, provides that the agency thereby created  
18 shall not be terminated by a vacancy in the incumbency of the corporation, shall be  
19 terminated or affected by the death of the incumbent of the corporation or by a vacancy  
20 in the incumbency thereof, however caused.

21 §1904. Amendment to Charter.

22 Subject to the proviso set forth in this section, and subject to any lawful  
23 restrictions upon the power to amend the charter of a corporation sole, set forth in its  
24 petition filed under Section 1902, the incumbent of the corporation may at any time  
25 amend the charter of the corporation by changing its name, the term of its existence,  
26 the boundaries of the district subject to its jurisdiction, the place of its principal office,  
27 the manner of filling any vacancy in the incumbency thereof, its powers, or any  
28 provision of the charter for the regulation of the affairs of the corporation (except  
29 restrictions upon the power to amend the charter), and may, by amendment of the

1 charter, make provision for any act or thing for which provisions is authorized in  
2 original charters of corporations sole formed under this chapter. The incumbent of the  
3 corporation sole shall subscribe and verify a certificate which shall set forth the  
4 amendment either by stating that the charter has been amended to read as set forth in  
5 the certificate in full or by stating that any provision or provisions of the charter, which  
6 shall be identified by the numerical or other designation or designations thereof in the  
7 charter or by stating the wording thereof, has or have been amended to read as set  
8 forth in the certificate. The certificate shall further state that the amendment has been  
9 duly authorized by the rules, regulations, or discipline of the church of which the  
10 incumbent is an officer; provided, that no amendment shall confer any other or greater  
11 powers or privileges than could lawfully be conferred or obtained in an original  
12 charter; provided, further, that no amendment shall become effective unless the same  
13 is allowed by the Registrar by and with the consent of the President.

14 **§1905. Name of Incumbent; Change in Incumbency.**

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

23 **§1906. Distribution of Assets: Inspection of Books.**

24 Except upon liquidation of the property of the corporation in case of dissolution,  
25 no part of the assets, income, or earnings of the corporation shall be withdrawn from  
26 or sent out of the Republic, unless the remaining assets of the corporation shall then  
27 equal in value twice the amount of the indebtedness of the corporation. The Registrar  
28 shall at all times have access to the books of the corporation.

29 **§1907. Extensions and Renewals.**

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

6           **§1908. Dissolution.**

7           A corporation formed under this chapter may be dissolved, voluntarily or  
8 involuntarily, in the manner provided in law or regulation related to the dissolution  
9 and revocation of corporate charters, save that:

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

17           (2) In lieu of the certificate of an officer, director, or manager of the  
18 corporation, therein, required for the involuntary dissolution of a corporation  
19 which has ceased to have any assets and has failed to function, the certificate  
20 may be made by any authorized officer of the church, to administer the affairs,  
21 property, and temporalities of which the corporation was organized. In lieu of  
22 the directors or managers of the corporation the incumbent shall be a trustee to  
23 wind up the corporation unless some other person or persons are appointed as  
24 therein provided. The church, to administer the affairs, property and  
25 temporalities of which the corporation was organized, shall stand in the place  
26 and stead of the stockholders, and may be represented in court by any  
27 authorized officer thereof or trustee acting in its behalf; the remaining assets  
28 shall be distributed to such church or to a trustee or trustees in its behalf, or in  
29 such other manner as may be decreed by a judge of the Trial Division of the

Palau Supreme; and the trustee or trustees in dissolution, the Registrar, the Attorney General, or any person connected with the church, may file a petition for the assets, or for the appointment of a trustee or trustees to act in behalf of the church.

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

**§1909. Corporations Sole Heretofore Formed; General Laws.**

Any corporation sole heretofore formed and existing under the laws of the Republic for ecclesiastical purposes may elect to continue its existence under this chapter by filing an application for amendment of its charter in the manner and form provided for an application for an original charter, together with the required certificates as to the incumbency of the corporation. If such amendment is allowed by the Registrar by and with the consent of the President, this chapter thereupon shall apply to such corporations sole the same as to corporations formed under this chapter. Any charter or amended charter granted or corporation created or existing under the authority of this chapter shall be subject to all general laws enacted in regard to corporations.

**CHAPTER 20**

**PARTNERSHIPS**

**SUBCHAPTER 1**

**PARTNERSHIPS IN GENERAL**

**§2001. Registration and Annual Statements.**

**§2002. Forms to be Furnished by Registrar; Acknowledgments.**

**§2003. Forms to be Furnished by Registrar; Acknowledgments. Partnership Name.**

**§2004. Partnership Name; Change of.**

**§2005. Foreign Partnerships, Power and Liabilities.**

**§2006. Admission, Withdrawal or Death of a Partner.**

**§2007. Statement of Dissolution.**

**§2008. Taxes, etc., a Prior Lien on Partnership Property on Dissolution.**

1     **§2009. Record of Statements.**

2     **§2010. Cancellation of Registration.**

3     **§2011. Partnerships Between Husband and Wife; Prima Facie Proof.**

4     **§2012. Minors and Incompetent Persons.**

5     **§2013. Not Applicable to Corporations.**

6     **§2014. Partnerships Heretofore Formed.**

7             **§2001. Registration and Annual Statements.**

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

18               (1) The name of the partnership;

19               (2) The nature of the partnership (whether general, limited, special or  
20    other);

21               (3) The name, citizenship, and residence of each partner, and whether he  
22    is a general, limited, special, or other kind of partner;

23               (4) The nature of the partnership business;

24               (5) The location (include mailing address and telephone number) of the  
25    principal place of business of the partnership in the Republic and, if the  
26    partnership is one formed under the laws of any other jurisdiction, the name of  
27    the jurisdiction and the location of the principal place of business of the  
28    partnership;

29               (6) The date the partnership was formed and, if the partnership is one

1           formed under the laws of any other jurisdiction, the date the partnership  
2           commenced business in the Republic;

3                   (7) The fact that none of the partners is either a minor or an incompetent  
4           person.

5           Every annual statement shall contain the information specified in the above  
6           subdivisions as well as any other information sought by the Registrar. The registration  
7           statement shall be acknowledged by each partner. Each annual statement shall be  
8           certified as correct by any general partner.

9                   **§2002. Forms to be Furnished by Registrar; Acknowledgments.**

10           The registration, annual, and other statements required by this subchapter shall  
11           be filed on forms to be furnished by the Registrar. Statements required to be  
12           acknowledged shall be acknowledged under penalty of perjury before a notary public  
13           or other officers in the manner provided by law for acknowledgments of deeds.

14                   **§2003. Forms to be Furnished by Registrar; Acknowledgments. Partnership**  
15           **Name.**

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

21                   **§2004. Partnership Name; Change of.**

22                   (a) Whenever any partnership changes its partnership name, it shall within  
23           thirty days thereafter file in the office of the Registrar a statement showing: (1) the  
24           registered name of the partnership, and (2) the new name of the partnership; provided,  
25           that the statement need not be filed by a limited partnership which has filed a writing  
26           to amend its certificate pursuant to Section 2045. The statement shall be signed and  
27           certified as correct by any general partner.

28                   **§2005. Foreign Partnerships, Power and Liabilities.**

29           A partnership formed under the laws of any other jurisdiction, shall, on filing a

1 registration statement as required by Section 2001 and subject to continuing  
2 compliance with the other provisions of this part, have the same powers and privileges,  
3 and be subject to the same disabilities as are by law conferred upon partnerships  
4 formed under the laws of the Republic, provided always that the purposes for which  
5 the partnership is formed are not repugnant to or in conflict with any law of the  
6 Republic; Provided, Further, That the partnership obtains approval from the Foreign  
7 Investment Board prior to conducting business in the Republic.

8 **§2006. Admission, Withdrawal or Death of a Partner.**

9 Whenever a new partner is admitted to any partnership, or a partner withdraws  
10 from any partnership, or whenever any partner dies, a statement of the admission,  
11 withdrawal, or death shall be filed in the office of the Registrar, within thirty days after  
12 the addition, withdrawal, or death; provided that the statement need not be filed by a  
13 limited partnership which has filed a writing to amend its certificate pursuant to  
14 Section 2045. The statement shall be acknowledged by each partner added or  
15 withdrawn, except as herein provided, and by all other remaining partners. If a partner  
16 withdraws and cannot be located, the statement shall set forth those facts and need not  
17 be signed or acknowledged by the partner.

18 **§2007. Statement of Dissolution.**

19 Whenever any partnership is dissolved, a statement thereof showing the cause  
20 of dissolution shall be filed in the office of the Registrar within thirty days after  
21 dissolution; provided, that the statement need not be filed by a limited partnership  
22 which has filed a writing to cancel its certificate pursuant to Section 2045. The  
23 statement shall be acknowledged by all partners except in such cases as the  
24 circumstances make it obviously impossible to secure the signature of one or more  
25 partners, which circumstances shall be set forth in the statement.

26 **§2008. Taxes, etc., a Prior Lien on Partnership Property on Dissolution.**

27 Upon dissolution of a partnership, any lawful taxes, license fees, or assessments  
28 for which the partnership, or any partner in respect thereof, is liable shall constitute a  
29 prior lien upon the assets of the partnership but not as against the interest of those

1 creditors who have prior recorded liens.

2 **§2009. Record of Statements.**

3 The Registrar shall cause books or files to be kept in his office, in which shall be  
4 recorded the several particulars required by this subchapter to be filed in his office.

5 **§2010. Cancellation of Registration.**

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

12 **§2011. Partnerships Between Husband and Wife; Prima Facie Proof.**

13 If any business tax return is filed by, or license to do business is issued in the  
14 names of, both husband and wife, the tax return or license shall constitute prima facie  
15 proof, insofar as the Republic or any of its agencies is concerned, that a partnership in  
16 the business exists between husband and wife in respect of the business. If the business  
17 tax return is filed by, or license is issued in the name of, one of them only, it shall  
18 constitute like proof that the husband and wife are not partners in respect of the  
19 business.

20 **§2012. Minors and Incompetent Persons.**

21 A minor or incompetent person may not be a partner, but may have a beneficial  
22 interest in a partnership through a trustee or duly appointed guardian. The trustee or  
23 guardian may be a limited partner.

24 **§2013. Not Applicable to Corporations.**

25 Nothing in this subchapter shall apply to corporations or incorporated  
26 companies.

27 **§2014. Partnerships Heretofore Formed.**

28 Any partnership heretofore formed and existing under the laws of the Republic  
29 may elect to continue its existence under this chapter by complying with the provisions

1 set forth in this chapter, whereupon this chapter shall apply to such partnerships the  
2 same as to partnerships formed under this chapter.

3 **SUBCHAPTER 2**

4 **LIMITED PARTNERSHIP**

5 **§2021. Limited Partnership Defined.**

6 **§2022. Formation.**

7 **§2023. Business Which May be Carried On.**

8 **§2024. Character of Limited Partner's Contribution.**

9 **§2025. Partnership Name.**

10 **§2026. Liability for False Statements in Certificate.**

11 **§2027. Limited Partner not Liable to Creditors.**

12 **§2028. Admission of Additional Limited Partners.**

13 **§2029. Rights, Powers, and Liabilities of a General Partner.**

14 **§2030. Rights of a Limited Partner.**

15 **§2031. Status of Person Erroneously Believing Himself a Limited Partner.**

16 **§2032. One Person Both General and Limited Partner.**

17 **§2033. Loans and Other Business Transactions With Limited Partner.**

18 **§2034. Relation of Limited Partners' Inter Se.**

19 **§2035. Compensation of Limited Partner.**

20 **§2036. Withdrawal or Reduction of Limited Partner's Contribution.**

21 **§2037. Liability of Limited Partner to Partnership.**

22 **§2037. Liability of Limited Partner to Partnership.**

23 **§2038. Nature of Limited Partner's Interest in Partnership.**

24 **§2039. Assignment of.**

25 **§2040. Effect of Retirement, Death, or Insanity of a General Partner.**

26 **§2041. Death of a Limited Partner.**

27 **§2042. Rights of Creditors of Limited Partner.**

28 **§2043. Distribution of Assets.**

29 **§2044. When Certificate Shall Be Cancelled or Amended.**

1       **§2045. Requirements for Amendment and for Cancellation of Certificate.**

2       **§2046. Parties to Actions.**

3       **§2047. Rules of Construction.**

4       **§2048. Rules for Cases Not Provided for.**

5               **§2021. Limited Partnership Defined.**

6               A limited partnership is a partnership formed by two or more persons under  
7       Section 2022, having as members one or more general partners and one or more limited  
8       partners. The limited partners as such shall not be bound by the obligations of the  
9       partnership.

10              **§2022. Formation.**

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

14                      (1) The certificate shall state:

15                              (A) The name of the partnership;

16                              (B) The character of the partnership;

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

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

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

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

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

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

29                              (I) The share of the profits or the other compensation by way of

income which each limited partner is to receive by reason of his contributions;

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

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

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

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

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

(2) The certificate shall be acknowledged by each of the persons before some officers authorized to take acknowledgments of deeds, and shall be filed in the office of the Registrar. The Registrar shall preserve the certificate and keep a record of the same, which shall be duly indexed.

**§2023. Business Which May be Carried On.**

A limited partnership may carry on any lawful business.

**§2024. Character of Limited Partner's Contribution.**

The contributions of a limited partner may be cash or other property, but not services.

**§2025. Partnership Name.**

(a) The surname of a limited partner shall not appear in the partnership name, unless:

(1) it is also the surname of a general partner; or

(2) prior to the time when the limited partner became such the business

1 had been carried on under a name in which his surname appeared.

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

6 **§2026. Liability for False Statements in Certificate.**

7 If the certificate contains a false statement, one who suffers loss by reliance on  
8 the statement may hold liable any party to the certificate who knew the statement to be  
9 false:

10 (1) at the time he signed the certificate; or

11 (2) subsequently, but within a sufficient time before the statement was  
12 relied upon to enable him to cancel or amend the certificate, or to file a petition  
13 for its cancellation or amendment as provided in Section 2045.

14 **§2027. Limited Partner not Liable to Creditors.**

15 A limited partner shall not become liable as a general partner unless, in addition  
16 to the exercise of his rights and powers as a limited partner, he takes part in the control  
17 of the business.

18 **§2028. Admission of Additional Limited Partners.**

19 After the formation of a limited partnership, additional limited partners may  
20 be admitted upon filing an amendment to the original certificate in accordance with  
21 the requirements of §2045.

22 **§2029. Rights, Powers, and Liabilities of a General Partner.**

23 A general partner shall have all the rights and powers and be subject to all the  
24 restrictions and liabilities of a partner in a partnership without limited partners, except  
25 that without the written consent or ratification of the specific act by all the limited  
26 partners, a general partner or all of the general partners have no authority to:

27 (1) Do any act in contravention of the certificates;

28 (2) Do any act which would make it impossible to carry on the ordinary  
29 business of the partnership;

(3) Confess a judgment against the partnership;

(4) Possess partnership property, or assign their rights in specific partnership property, for other than a partnership purpose;

(5) Admit a person as a general partner;

(6) Admit a person as a limited partner, unless the right to do so is given in the certificate;

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

**§2030. Rights of a Limited Partner.**

A limited partner shall have the same right as a general partner to:

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

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

(3) Have dissolution and winding up by decree of court.

A limited partner shall have the right to receive a share of the profits or other compensation by way of income, and to the return of his contribution as provided in Section 2035 and Section 2036.

**§2031. Status of Person Erroneously Believing Himself a Limited Partner.**

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

**§2032. One Person Both General and Limited Partner.**

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

7           **§2033. Loans and Other Business Transactions With Limited Partner.**

8           A limited partner also may loan money to and transact other business with the  
9 partnership, and, unless he is also a general partner, receive on account of resulting  
10 claims against the partnership, with general creditors, a pro rata share of the assets.  
11 No limited partner shall in respect to any such claim (1) receive or hold as collateral  
12 security any partnership property, or (2) receive from a general partner or the  
13 partnership any payment, conveyance, or release from liability, if at the time the assets  
14 of the partnership are not sufficient to discharge partnership liabilities to persons not  
15 claiming as general or limited partners. The receiving of collateral security, or a  
16 payment, conveyance, or release in violation of this section is a fraud on the creditors  
17 of the partnership.

18           **§2034. Relation of Limited Partners' Inter Se.**

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

24           **§2035. Compensation of Limited Partner.**

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

**§2036. Withdrawal or Reduction of Limited Partner's Contribution.**

(a) A limited partner shall not receive from a general partner or out of partnership property any part of his contribution until:

(1) all liabilities of the partnership, except liabilities to general partners and to limited partners on account of their contributions, have been paid or there remains property of the partnership sufficient to pay them;

(2) the consent of all members is had, unless the return of the contribution may be rightfully demanded under subsection (b); and

(3) the certificate is cancelled or so amended as to set forth the withdrawal or reduction.

(b) Subject to subsection (a) a limited partner may rightfully demand the return of his contribution:

(1) on the dissolution of a partnership; or

(2) when the date specified in the certificate for its return has arrived; or

(3) after he has given six months' notice in writing to all other members if no time is specified in the certificate either for the return of the contribution or for the dissolution of the partnership.

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

(d) A limited partner may have the partnership dissolved and its affairs wound up when:

(1) he rightfully but unsuccessfully demands the return of his contribution; or (2) the other liabilities of the partnership have not been paid or the partnership property is insufficient for their' payment as required by subsection (a) and the limited partner would otherwise be entitled to the return of his contribution.

**§2037. Liability of Limited Partner to Partnership.**

1 (a) A limited partner is liable to the partnership:

2 (1) for the difference between his contribution as actually made and that  
3 stated in the certificate as having been made; and

4 (2) for any unpaid contribution which he agreed in the certificate to  
5 make in the future at the time and on the condition stated in the certificate.

6 (b) A limited partner holds as trustee for the partnership:

7 (1) specific property stated in the certificate as contributed by him, but  
8 which was not contributed or which has been wrongfully returned; and

9 (2) money or other property wrongfully paid or conveyed to him on  
10 account of his contribution.

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

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

20 §2038. Nature of Limited Partner's Interest in Partnership.

21 A limited partner's interest in the partnership is personal property and is  
22 assignable.

23 §2039. Assignment of.

24 A substituted limited partner is a person admitted to all the rights of a limited  
25 partner who has died or has assigned his interest in a partnership. An assignee, who  
26 does not become a substituted limited partner, has no right to require any information  
27 or account of the partnership transactions or to inspect the partnership books; he is  
28 only entitled to receive the share of the profits or other compensation by way of income,  
29 or the return of his contribution, to which his assignor would otherwise be entitled. An

1 assignee may become a substituted limited partner if all the members (except the  
2 assignor) consent thereto or if the assignor, being thereunto empowered by the  
3 certificate, gives the assignee that right. An assignee becomes a substituted limited  
4 partner when the certificate is appropriately amended in accordance with Section 2045.  
5 The substituted limited partner has all the rights and powers, and is subject to all the  
6 restrictions and liabilities of his assignor, except those liabilities of which he was  
7 ignorant at the time he became a limited partner and which could not be ascertained  
8 from the certificate. The substitution of the assignee as a limited partner does not  
9 release the assignor from liability to the partnership under Section 2026 and Section  
10 2037.

11 **§2040. Effect of Retirement, Death, or Insanity of a General Partner.**

12 The retirement, death, or insanity of a general partner dissolves the  
13 partnership, unless the business is continued by the remaining general partners under  
14 a right to do so stated in the certificate, or with the consent of all members.

15 **§2041. Death of a Limited Partner.**

16 On the death of a limited partner his executor or administrator shall have all  
17 the rights of a limited partner for the purpose of settling his estate, and such power as  
18 the deceased had to constitute his assignee a substituted limited partner. The estate of  
19 a deceased limited partner shall be liable for all his liabilities as a limited partner.

20 **§2042. Rights of Creditors of Limited Partner.**

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

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

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

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

**§2043. Distribution of Assets.**

(a) In settling accounts after dissolution the liabilities of the partnership shall be entitled to payment in the following order:

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

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

(3) Those to limited partners in respect to the capital of their contributions;

(4) Those to general partners other than for capital and profits;

(5) Those to general partners in respect to profits;

(6) Those to general partners in respect to capital.

(b) Subject to any statement in the certificate or to subsequent agreement, limited partners share in the partnership assets in respect to their claims for capital and in respect to their claims for profits or for compensation by way of income on their contributions respectively in proportion to the respective amounts of their claims.

**§2044. When Certificate Shall Be Cancelled or Amended.**

The certificate shall be cancelled when the partnership is dissolved or all limited partners cease to be such. A certificate shall be amended when:

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

(2) A person is substituting as a limited partner;

(3) An additional limited partner is admitted;

(4) A person is admitted as a general partner;

(5) A general partner retires, dies, or becomes insane, and the business is continued under Section 2040.

(6) There is a change in the character of the business of the partnership;

(7) There is a false or erroneous statement in the certificate;

(8) There is a change in the time as stated in the certificate, for the dissolution of the partnership or for the return of a contribution;

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

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

**§2045. Requirements for Amendment and for Cancellation of Certificate.**

(a) The writing to amend a certificate shall:

(1) conform to the requirements of Section 2022 as far as necessary to set forth clearly the change in the certificate which it is desired to make; and

(2) be signed and acknowledged by all members.

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

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

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

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

(e) A certificate is amended or cancelled when there is filed in the office of the

**Registrar:**

**(1) a writing in accordance with subsection (a) or (b); or**

**(2) a certified copy of the order of court in accordance with subsection (d).**

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

**§2046. Parties to Actions.**

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

**§2047. Rules of Construction.**

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

**§2048. Rules for Cases Not Provided for.**

**In any case not provided for in this subchapter the rules of law and equity, including the law merchant, shall govern.**

**CHAPTER 21**

**CREDIT UNIONS**

**SUBCHAPTER 1**

**GENERAL PROVISIONS**

**§2101. Definitions.**

**§2101. Definitions.**

**As used in this chapter, unless the context otherwise requires, the term:**

**(1) "Registrar" means the Registrar of Corporations.**

**(2) "Charter" means an order of the President granting a corporation right to conduct business as a credit union in the Republic of Palau, together with articles and bylaws which comply with the requirements of law.**

**(3) "President" means the President of the Republic of Palau.**

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

**(5) “Insolvent” means inability of a credit union to pay its debts as they become due in the usual course of its business.**

**(6) “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.**

**(7) “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.**

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

## SUBCHAPTER 2

## FORMATION OF CREDIT UNIONS

**§2121. Incorporation; Shares Subordinate to Other Obligations.**

**§2122. Approval of Articles of Incorporation and ByLaws and other Prerequisites to**

**Commencing Business.**

**§2123. Contents of Articles.**

**§2124. Contents of Bylaws.**

**§2125. Payment for Shares; Transfer; Lien.**

**§2126. General Powers of Credit Unions.**

**§2127. Credit Union Members; Shares.**

**§2128. Supervision by Registrar of Corporations.**

**§2129. Reserve Funds.**

**§2121. Incorporation; Shares Subordinate to Other Obligations.**

Twenty-five or more citizens of the Republic may, pursuant to these provisions, establish a corporation for the purpose of accumulating and investing the savings of its members, making loans to members for provident purposes and conducting a credit union as herein provided. Every corporation organized under this subchapter shall include in the corporate name the words "credit union" as well as some other distinguishing word or words. Credit unions hereafter incorporated pursuant to this chapter, and credit unions heretofore incorporated shall hereafter be subject to the provisions of this chapter 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.

**§2122. Approval of Articles of Incorporation and ByLaws and other Prerequisites to Commencing Business.**

The incorporators shall adopt a set of articles of incorporation and bylaws in conformance with this chapter, and shall file a copy of the same with the Registrar. When the articles and bylaws are approved by the President, and all requirements of law as to organization are complied with, the President may thereupon issue a charter authorizing the credit union to commence business; provided, however, that the President shall not issue a charter to do business to a credit union when he has reason to believe that the corporation is formed for any other than legitimate credit union business, or that the moral fitness, financial responsibility, or business qualifications of

1 the persons named as officers and directors are not such as to command the confidence  
2 of the community in which the credit union proposes to operate.

3 §2123. Contents of Articles.

4 An association of persons seeking a charter as a credit union shall submit for  
5 the approval of the President articles of incorporation which shall provide at least the  
6 following information:

- 7 (1) Proposed name of the credit union;
- 8 (2) Location of office or place of business;
- 9 (3) Proposed duration;
- 10 (4) Purposes;
- 11 (5) Powers;
- 12 (6) Names of Incorporators;
- 13 (7) Number of directors which shall be not less than five (5), and  
14 proposed officers;
- 15 (8) Names of directors and officers to serve until first election;
- 16 (9) Provisions for voting by members;
- 17 (10) Provisions for shareholding;
- 18 (11) Disposition of financial surpluses;
- 19 (12) Provisions for dissolution;
- 20 (13) Provisions for amendment of articles or incorporation;
- 21 (14) Provisions for blanket surety bond to cover officers, committee  
22 members, and employees.

23 §2124. Contents of Bylaws.

24 The bylaws of every credit union shall specify:

- 25 (1) The date of the annual meeting which shall be in January, February,  
26 or March of each calendar year, and the requirements as to notice of all  
27 meetings of members.
- 28 (2) The number of directors which shall be odd in number and not be  
29 less than five nor more than fifteen, the powers and duties of the directors,

1           duties of all officers and maximum compensation of the treasurer;

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

6                   (4) The member or members of the credit committee and of the audit  
7           committee, with their respective powers and duties;

8                   (5) The conditions upon which shares may be issued, transferred to  
9           another member, or withdrawn;

10                  (6) The charges, if any, to be made for failure to meet obligations  
11           punctually;

12                   (7) The limit to which the credit union may borrow;

13                   (8) The conditions upon which loans may be made and repaid;

14                   (9) The method of receipting for money paid in on account of shares or  
15           loans;

16                   (10) The manner of effecting the forfeiture of a member's shares when a  
17           balance of less than five dollars has been maintained therein for a period of two  
18           years.

19           §2125. Payment for Shares; Transfer; Lien.

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

24           §2126. General Powers of Credit Unions.

25                   (a) To make contracts;

26                   (b) To sue and be used;

27                   (c) To adopt and use a common seal and alter the same at pleasure;

28                   (d) To purchase, hold and dispose of property necessary or incidental to its  
29           operations;

1 (e) To make loans with maturities not exceeding 3 years to its members for  
2 provident' productive purposes upon such terms and conditions as the credit  
3 committee or a loan officer may approve. No loans shall be made to a director  
4 or member of the credit or audit committee except as provided herein below:

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

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

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

13 (f) To receive from its members payments on shares and deposits;

14 (g) To invest its funds, as provided in Section 2136;

15 (h) To make deposits in banks;

16 (i) To borrow, from any source, in an aggregate amount not exceeding 50  
17 percent of its paid in and unimpaired capital and surplus;

18 (j) To levy fines in accordance with the bylaws, for failure of members to meet  
19 promptly their obligations to the credit union;

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

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

24 (m) To fix the interest rate to be paid on members deposits;

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

27 (o) To make loans exclusively to members in an amount not exceeding \$200 or  
28 10% of the credit union's paid in and unimpaired capital and surplus, whichever is  
29 greater. All loans in excess of \$100 shall be adequately secured. The assignment of a

1 member's shares and deposits, or the endorsement of his note, shall be deemed security.

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

6 (q) To issue shares in the name of a minor subject to such conditions as may be  
7 prescribed by the bylaws;

8 (r) To join in other organizations composed of credit unions;

9 (s) To undertake such other activities relating to the purposes of the credit union  
10 as its charter or bylaws may authorized, not inconsistent with the provisions of this  
11 chapter.

12 **§2127. Credit Union Members; Shares.**

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

22 **§2128. Supervision by Registrar of Corporations.**

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

27 **§2129. Reserve Funds.**

28 All entrance fees and fines provided by the bylaws and 20 percent of the net  
29 earnings each year, before the declaration of any dividends, shall be set aside as a

1 regular reserve against losses on bad loans and any other losses until it equals 10% of  
2 member's shareholdings. In addition to such regular reserve, special reserves to  
3 protect the interest of members shall be established when required (a) by regulation,  
4 or (b) by the Attorney General, or (c) when authorized by the board of directors.

5 **SUBCHAPTER 3**

6 **SUBSTANTIVE PROVISIONS**

7 **§2131. Suspension or Revocation of Charter.**

8 **§2132. Board of Directors; Committees.**

9 **§2133. Meeting Regular, Special and Voting.**

10 **§2134. Election of Officers; Powers and Duties of Directors.**

11 **§2135. Method of Calculation of Payment of Dividends.**

12 **§2136. Investment of Funds.**

13 **§2137. Loans Generally.**

14 **§2138. Reserve Fund.**

15 **§2139. Dividends: Ascertaining Value of Assets.**

16 **§2131. Suspension or Revocation of Charter.**

17 The terms of the credit union's existence shall be perpetual; provided, however,  
18 that for cause or upon the finding by the President that a credit union is insolvent, or  
19 has violated any provisions of law, rules and regulations applicable to credit unions in  
20 the Republic, its articles, or its bylaws including any amendments thereto, the  
21 President may suspend the operations of the credit union until the insolvency or  
22 violations have been corrected, or if not corrected, the articles of incorporation and  
23 charter of the credit union may be revoked pursuant to the dissolution provisions for  
24 corporations under this Title or regulations promulgated thereunder, thereby  
25 terminating the operations of the credit union.

26 **§2132. Board of Directors; Committees.**

27 The business affairs of each credit union shall be managed by a board of  
28 directors of not less than 5 directors; and a credit committee of not less than 3  
29 members; and by an audit committee of 3 members, to be appointed by the board, one

1 of whom may be a director other than the treasurer. Any vacancy in the audit  
2 committee shall be filled in the same manner as original appointments to such  
3 committee. All members of the board and of the committee shall hold office for such  
4 terms, respectively, as the bylaws may provide. A record of the names and addresses  
5 of the members of the board and such committees and of the officers of the credit union  
6 shall be filed with the Registrar within 10 days after their election or appointment. No  
7 member of the board or of either committee shall as such, be compensated, except that  
8 the Treasurer may be compensated to the extent authorized by the board of directors.

9       **§2133. Meeting Regular, Special and Voting.**

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

26       **§2134. Election of Officers; Powers and Duties of Directors.**

27       (a) At their first meeting following the annual meeting, the board of directors  
28 shall elect from their number a president, vice president, secretary, and a  
29 treasurer. The offices of secretary and treasurer may, if the bylaws so provided, be held

by one person. No one person may hold the offices of president and secretary at the same time. The board of directors shall have the general management of the affairs, funds and records of the credit union, shall meet as often as may be necessary, and it shall be the duty of the directors:

(1) To act upon application for membership and upon the expulsion of a member;

(2) 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.

(3) 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;

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

(5) to declare dividends;

(6) to determine the rate of dividends to be paid on shares;

(7) to fill vacancies on the board of directors or on the credit committee until the election and qualifications of successors;

(8) to have charge of the investment of the funds of the corporation;

(9) to perform such other duties as the members may from time to time authorize.

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

§2135. Method of Calculation of Payment of Dividends.

Month end balances, that is, the balance in the share account at the end of each

month, shall be totaled from December 1 through November 30. This total will be multiplied by the factor of the rate of dividend to be paid. The figure thus arrived at will be the total cash amount of the dividend of the year. All dividends shall be credited to the share account. Should the member wish to withdraw his dividend a regular share withdrawal will be made.

FACTOR TABLE

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

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

§2136. Investment of Funds.

The funds of a credit union may be invested in the following way only:

- (1) Lent to members of the credit union;
- (2) Lent to other credit unions and cooperatives doing business in the Republic in the total amount not exceeding 25 percent of its paid in and unpaired capital and surplus;
- (3) Deposited in banks doing business in the Republic;
- (4) Invested in the obligations of the Republic or securities fully guaranteed as to principal and interest;
- (5) Any other manner authorized by the Attorney General.

§2137. Loans Generally.

Loans to individuals in excess of one hundred dollars must be secured by

1 assignment of shares or other collateral. If the borrowers or endorser is a member of  
2 the credit committee the loan must be approved by the board of creditors instead of by  
3 the credit committee. A borrower may repay the whole or any par, of his loan at any  
4 time without fine or penalty. No loan shall be made to an individual who is not a  
5 member of the credit union. If the credit committee should knowingly approve such a  
6 loan its members shall be jointly and severally liable to the credit union for the  
7 immediate repayment thereof.

8 **§2138. Reserve Fund.**

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

18 **§2138. Special Reserve for Delinquent Loans.**

19 (a) The reserve fund shall be supplemented by a special reserve to be known as  
20 the Special Reserve for Delinquent Loans, which shall be equal to the excess of the sum  
21 of ten percent of the unpaid balances of loans delinquent more than two months and  
22 less than six months, plus twenty five percent of the unpaid balances of loans delinquent  
23 from six months to less than twelve months, and plus eighty percent of the unpaid  
24 balances of loans delinquent twelve months or more over the balance in the reserve  
25 fund. In the event it is necessary to supplement the Regular Reserve by a Special  
26 Reserve for Delinquent Loans, the transfer to the Special Reserve for Delinquent Loans  
27 shall be made as or December 31 of each year, and as of June 30 of each year if  
28 dividends are to be paid semiannually, from undivided earnings before any distribution  
29 of dividends. The maintenance of a Special Reserve for Delinquent Loans shall not

1 eliminate the necessity for transferring net earnings as of the end of each dividend  
2 period to the Regular Reserve as required by Section 2138. In the event the required  
3 transfer exceeds the balance of undivided earnings, only the balance of undivided  
4 earnings shall be transferred to the Special Reserve for Delinquent Loans.

5 (b) When as of the end of any dividend period, the amount in the Special Reserve  
6 for Delinquent Loans exceeds the amount required by this section, the board of  
7 directors of the credit union may authorize the transfer of the excess to undivided  
8 earnings.

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

13 **§2139. Dividends: Ascertaining Value of Assets.**

14 During the months of December or January, after provisions for the required  
15 reserves the board of directors may declare a dividend on shares not in excess of 6%  
16 of average low monthly balance of shares. No dividend shall be paid, if, after the  
17 payment thereof, the liabilities of the credit union would exceed its assets. In  
18 ascertaining the value of the assets of the credit unions, a loan delinquent for more than  
19 two but less than six months shall be valued at ninety percent of the unpaid balances;  
20 a loan delinquent for more than six but less than twelve months shall be valued at  
21 seventy five percent of the unpaid balance; and a loan delinquent for twelve months or  
22 more shall be treated as of no value.

23 **SUBCHAPTER 4**

24 **DISSOLUTION**

25 **§2141. Voluntary Dissolution by Consent of Members.**

26 A credit union may be voluntarily dissolved by the written consent of all its  
27 members. Upon the execution of such written consent, a statement of intent to dissolve  
28 shall be executed by its board of directors, and verified by one of the officers signing  
29 such statement, which statement shall set forth:

- 1 (1) The name of the credit union;
- 2 (2) The names and addresses of its board of directors;
- 3 (3) A statement that such written consent has been signed by all members of the
- 4 credit union.

5 **§2142. Voluntary Dissolution by Act of the Credit Union.**

6 A credit union may be dissolved by the act of the credit union when authorized  
7 in the following manner:

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

11 (2) Written notice shall be given to each member of record at least 14  
12 days before such meeting and shall state that the purpose or one of the purposes  
13 of such meeting is to consider the advisability of dissolving the credit union.

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

18 (4) Upon the adoption of such resolution, a statement of intent to dissolve  
19 shall be executed by its board of directors, and verified by the oath of one of the  
20 officers signing such statement, which statement shall set forth:

21 (A) The name of the credit union.

22 (B) The names and addresses of its board of directors.

23 (C) The names and addresses of its officers.

24 (D) A copy of the resolution adopted by the members authorizing  
25 the dissolution of the credit union.

26 (E) The number of members.

27 (F) The number of share outstanding.

28 (G) The number of members voting for and against the resolution  
29 respectively.

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

11           (6) After the issuance of the Decree of Dissolution and Revocation of  
12          Charter:

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

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

23           §2143. Revocation of Voluntary Dissolution.

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

1           **§2144. Articles of Dissolution.**

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

8                   **(1) The name of the credit union.**

9                   **(2) That the Registrar has heretofore filed a statement of intent to**  
10 **dissolve the credit union, and the date on which the statement was filed.**

11                   **(3) That all debts, taxes, obligations and liabilities of the credit union**  
12 **have been paid and discharged or that adequate provisions have been made**  
13 **thereafter.**

14                   **(4) That all the remaining property and assets of the credit union have**  
15 **been distributed among its members in accordance with their respective rights**  
16 **and interests.**

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

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

23           **§2145. Involuntary Dissolution.**

24           **A credit union may be dissolved involuntarily by order of the President when**  
25 **he finds that the corporation has continued to exceed or abuse the authority conferred**  
26 **upon it by law. Any such action taken by the President shall comply with the dissolution**  
27 **provisions as set forth in any law or regulation related to the dissolution and revocation**  
28 **of corporate charters.**

29           **§2146. Automatic Dissolution.**

1           If any credit union shall fail on two successive annual dates to file the annual  
2 report required by this chapter, the Registrar shall mail notice to it of impending  
3 dissolution as provided in any law or regulation related to the dissolution and  
4 revocation of corporate charters. Whether or not such notice be mailed, if the credit  
5 union fails within ninety days after the second such annual date to file the annual report  
6 such credit union shall be thereupon automatically dissolved and its properties and  
7 affairs shall pass automatically to its directors as trustees in dissolution.

8           **§2147. Reinstatement.**

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

14           **§2148. During Dissolution.**

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

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

24                   (1) expenses incurred during dissolution;

25                   (2) payment of creditors;

26                   (3) refund of members' deposits and interest due thereon, if any;

27                   (4) Thereafter, when all assets of the credit union have been converted to  
28 cash or found to be worthless and all loans and debts owing to it have been  
29 collected or found to be uncollectible, and all obligations of the credit union have

been paid with the exception of amount due its members on shares the books shall be closed and a pro rata distribution made to the members; provided, however, that upon application to the Attorney General, and approval by him, a partial distribution can be made to a shareowner prior to completion of the dissolution if the credit union's financial condition permits and the rights of the creditors are not impaired thereby.

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

**(d) 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.**

## SUBCHAPTER 5

## AMENDMENTS

**§2151. Right to Amend Articles of Incorporation or Bylaws.**

**§2153. Articles of Amendment.**

**§2154. Approval of Amendment.**

**§2155. Effect of Approval of Amendment.**

**§2151. Right to Amend Articles of Incorporation or Bylaws.**

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

**§2152. Right to Amend Articles of Incorporation or Bylaws.**

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

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

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

4                   (3) At such meeting a vote of the members shall be taken on the proposed  
5 amendment. The proposed amendment shall be adopted upon receiving the  
6 affirmative vote of a majority of the members of record. The articles of  
7 incorporation may require a greater vote than herein prescribed, either for all  
8 amendments or for particular amendments, and any such requirement can itself  
9 be changed only by the vote so prescribed. Any number of amendments may be  
10 submitted to the members, and voted upon by them at one meeting.

11                   §2153. Articles of Amendment.

12                   The articles of amendment shall be executed by the credit union by its president  
13 and vice president and by its secretary or assistant secretary verified by the oath of one  
14 of the officers signing such articles and shall set forth:

15                   (1) The name of the credit union.

16                   (2) The amendment so adopted.

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

23                   (4) The number of shares outstanding, and the number of members.

24                   (5) The number of members voting for and against such amendment.

25                   §2154. Approval of Amendment.

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

29                   §2155. Effect of Approval of Amendment.

Upon approval of the amendment by the President, the amendment shall become effective and the articles of incorporation or bylaws shall be deemed accordingly. No amendment shall effect any existing cause of action in favor of or against such credit union, or any pending suit to which such credit union shall be a party, or the existing rights of persons other than the members.

## SUBCHAPTER 6

## MISCELLANEOUS

### **§2161. Books and Records Auditing.**

**§2162. Bonding of officers and Employees.**

**§2163. Annual Report.**

### §2164. Inconsistent Articles of Incorporation or Bylaws.

**§2165. Violations Enjoinable.**

### **§2161. Books and Records Auditing.**

Each credit union shall keep correct and complete books and records of accounts and shall keep minutes of the proceedings of its members and board of directors; and shall keep at its registered office its books and records of account, or a duplicate copy thereof and a record of its members giving the names and addresses of all members and the number of shares held by each. These books and records shall be audited at the end of each fiscal year by a qualified accountant or bookkeeper, who shall not be an officer or director or employee. Where the total loan balance amounts to less than \$10,000, at the end of the fiscal year the audit maybe performed by an auditing committee of three, who shall not be directors, officers, or employees. A written report of the audit, including a statement of the amount of business transacted with members, the balance sheet, and the income and expenses, shall be submitted to the annual meeting of the credit union with a copy to the Registrar. The fiscal year of every credit union shall end at the close of business on the thirty-first day of December; an exception to this provision will be granted only on a year-to-year basis provided such request is made of the Attorney General in writing at least 90 days prior to the intended close of any fiscal year.

**§2162. Bonding of officers and Employees.**

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

**§2163. Annual Report.**

Each credit union shall file with the Registrar of Corporations and the President within the time prescribed by this chapter, an annual report setting forth:

(1) Name of the credit union.

(2) Names and post office address of the directors and principal officers of the credit union;

(3) A statement of the aggregate number of issued shares;

(4) A profit and loss statement, and a balance sheet;

(5) Such other information as the President deems necessary.

**§2164. Inconsistent Articles of Incorporation or Bylaws.**

Any articles or incorporation or bylaws that are inconsistent with this chapter are hereby superseded.

**§2165. Violations Enjoinable.**

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

**CHAPTER 22**

**COOPERATIVES**

**SUBCHAPTER 1**

**GENERAL PROVISIONS**

**§2201. Definitions.**

**§2201. Definitions.**

In this chapter unless the subject matter requires otherwise:

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

(b) "Association" means a group enterprise legally incorporated under this

1 chapter, and shall be deemed to be a nonprofit corporation.

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

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

6 (e) "Earnings returns" means the amount returned to the patrons; in  
7 proportion of their patronage or otherwise in accordance with the provisions of Section  
8 2271.

9 (f) "Cooperative basis" means:

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

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

15 (3) that net earnings after payment, if any, of said limited return on share  
16 capital and after making provisions for such separate funds as may be required  
17 or specifically permitted by statute, articles, or bylaws, be allowed or  
18 distributed, where an association has as its principal function trading or dealing  
19 in goods or produce of any kind, to members, or patrons eligible for and desiring  
20 membership, in proportion to their patronage during the fiscal period in  
21 question; or where an association has as its principal function the, production  
22 of goods or produce, be distributed to members in proportion to their wages or  
23 to the value of the products of each member; or may retained by the enterprise  
24 for the actual or potential expansion or improvement of its services, or the  
25 reduction of charges to its members, or for any other purpose not inconsistent  
26 with its nonprofit Cooperative character;

27 (4) cooperatives other than credit unions for the purposes of this chapter  
28 only, as credit unions are dealt with elsewhere in statute.

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

**SUBCHAPTER 2**

**FORMATION OF COOPERATIVE ASSOCIATIONS**

**§2221. Who May Incorporate.**

**§2222. Powers of Association.**

**§2224. Contents of Bylaws.**

**§2223. Articles of Incorporation Contents.**

**§2225. Filing of Articles and Bylaws Effect of Charter.**

**§2221. Who May Incorporate.**

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

**§2222. 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:

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

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

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

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

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

(6) to own and hold membership in and share capital of any other association or any other corporation or any other entity with the approval in writing of the Registrar, or to hold any types of bonds or other obligations approved by the Registrar; and while the owner thereof to exercise all the rights of ownership;

(7) 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

1 subject to the approval in writing of the President;

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

8 **§2223. Articles of Incorporation Contents.**

9 (a) Articles of incorporation shall be signed by each of the incorporators and  
10 acknowledged by at least three of them if natural persons, and by the presidents and  
11 secretaries if associations, before an officer authorized to take acknowledgments.

12 Within limitations of this chapter, the articles shall contain:

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

14 (2) the name of the association which shall include the word  
15 "cooperative";

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

17 (4) the location and address of the principal office of the association;

18 (5) the names and addresses of the incorporators of the association;

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

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

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

27 (9) the minimum value of shares which must be owned in order to  
28 qualify for membership; if organized without shares, a statement of whether the  
29 property rights of members shall be equal or unequal, and if unequal the rule

1 by which their rights shall be determined;

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

6 (11) the method by which any surplus, upon dissolution of association,  
7 shall be distributed in conformity with the requirements of Subchapter 6 for  
8 division of such surplus.

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

11 **§2224. Contents of Bylaws.**

12 The bylaws may, within the limitations of this chapter provide for:

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

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

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

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

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

22 (6) the method of distributing the net earnings;

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

25 **§2225. Filing of Articles and Bylaws Effect of Charter.**

26 The articles and bylaws shall be delivered to the Registrar. If he finds that the  
27 articles and bylaws conform to law, and if he is satisfied that proposed new association  
28 will not operate in such a way as to endanger the viability of any existing association,  
29 that it has a reasonable chance of achieving its objectives, and that a meeting or

1 meetings have been held, and that members and intending members understand and  
2 agree to the proposed articles and bylaws, he shall file the same. After such filing, the  
3 President shall issue a charter of incorporation, whereupon the corporate existence  
4 shall begin. Such charter shall be conclusive evidence of the fact that the corporation  
5 has been duly incorporated. An appeal shall lie to the President against the refusal of  
6 the Registrar to file articles and bylaws of an association, within one month from the  
7 date of such refusal.

### 8 SUBCHAPTER 3

### 9 AMENDMENTS

10 §2231. Amendments of Articles.

11 §2232. Bylaws Adoption, Amendment or Repeal.

12 §2231. Amendments of Articles.

13 Amendments to the articles may be proposed by a two-thirds vote of the board  
14 of directors, or by petition of 10 percent of the association's members. Notice of the  
15 meeting to consider such amendment shall be sent by the Secretary at least thirty days  
16 in advance thereof to each member at his last known address, accompanied by the full  
17 text of the proposal and by that part of articles to be amended. Two thirds of the  
18 members voting may adopt said amendment and when verified by the president and  
19 secretary, it shall be filed and recorded with the Registrar within thirty days of its  
20 adoption if approved by the President. If any amendment is to alter the preferences of  
21 outstanding shares of any type, or to authorize the issuance of shares having  
22 preferences superior to outstanding shares of any type the voting of two thirds of the  
23 members owning such outstanding shares affected by the change shall also be required  
24 for the adoption of the amendment; if the amendment is to alter the rule of which  
25 members' property rights in a nonshare association are determined, a vote of two  
26 thirds of the entire membership shall be required. The amount of capital and the  
27 number and par value of shares may be diminished or increased by amendment of the  
28 articles but the capital shall not be diminished below the amount of paid up capital  
29 existing at the time of amendment.

**§2232. Bylaws Adoption, Amendment or Repeal.**

Subject to approval of the President, bylaws shall be adopted, amended or repealed by at least a majority vote of the members voting.

## SUBCHAPTER 4

## SUBSTANTIVE PROVISIONS

**§2241. Meetings Regular and Special.**

**§2242. Notice of Meetings.**

**§2243. Meeting by Units of the Membership.**

**§2244. Voting One Member, One Vote.**

**§2245. Proxy Voting Prohibited.**

### **§2246. Voting by Mail.**

### **§2247. Application of Voting Provisions by Mail.**

### **§2248. Application of Voting Provisions by Delegates.**

**§2249. Directors.**

**§2250. Officers.**

**§2251. Removal of Directors and Officers.**

## §2252. Powers of Directors.

**§2253. Eligibility for Election to the Board of Directors.**

**§2254. Referendum of Acts of Directors.**

**§2255. Limitations Upon Return on Capital.**

**§2241. Meetings Regular and Special.**

**Regular meetings of members shall be held as prescribed in the bylaws, but shall be held at least once a year. Special meetings may be called at any time by the president, and must be called by him when so directed by a resolution of the board of directors or by a written request signed by 15 members or 20% of the total number of members of the association, whichever is less, provided that the resolution or request specifies the purpose of the special meeting, in which case it shall be the duty of the secretary to call such meeting to take place within thirty days after such demand. Special general meetings may also be called by the Registrar or the President or a person authorized**

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

5 §2242. Notice of Meetings.

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

13 §2243. Meeting by Units of the Membership.

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

18 §2244. Voting One Member, One Vote.

19 Each member of an association shall have one and only one vote, except that  
20 where an association includes among its members any number of other associations or  
21 groups organized on a cooperative basis, the voting rights of such member associations  
22 or groups may be as prescribed in the articles or bylaws. No voting agreement or other  
23 device to evade the one member one vote rule shall be enforceable at law or in equity.  
24 A motion on which the voting for and against is equal shall be deemed to be lost.

25 §2245. Proxy Voting Prohibited.

26 No member shall be permitted to vote by proxy.

27 §2246. Voting by Mail.

28 The articles or bylaws may provide for either or both of the following types of  
29 voting by mail:

1           (1) That the secretary shall send to the member a copy of any proposal  
2           scheduled to be offered at a meeting together with the notice of said meeting,  
3           and that the mail votes cast by the members shall be counted together with those  
4           cast at the meeting if such mail votes are returned to the association within a  
5           specified number of days.

6           (2) That the secretary shall send to all members absent from a meeting  
7           an exact copy of the proposal acted upon at the meeting, and than the mail vote  
8           of the member upon such proposal, if returned within a specified number of  
9           days, shall be counted together with votes cast at said meeting.

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

12          §2247. Application of Voting Provisions by Mail.

13          If an association has provided for voting by mail, any provision of this chapter  
14          referring to votes cast by the members shall be construed to include the votes cast by  
15          mail.

16          §2248. Application of Voting Provisions by Delegates.

17          If an association has provided for voting by delegates any provision of this  
18          chapter referring to votes cast by the members shall apply to votes cast by delegates;  
19          but this shall not permit delegates to vote by mail.

20          §2249. Directors.

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

26          §2250. Officers.

27          The officers of an association shall include a president, one or more vice  
28          presidents, a secretary and a treasurer, or a secretary treasurer. The officers shall be  
29          elected annually by the directors unless the bylaws otherwise provide. The president

1 and at least one vice president must be directors, but no other officer need be a director.  
2 Any two or more offices, except those of president and secretary, may be held by the  
3 same person.

4 **§2251. Removal of Directors and Officers.**

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

12 **§2252. Powers of Directors.**

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

17 **§2253. Eligibility for Election to the Board of Directors.**

18 A member shall not be eligible for election to the board of directors if he, or any  
19 entity of which he is a partner or member, is engaged in any trade or business:

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

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

28 **§2254. Referendum of Acts of Directors.**

29 The articles or bylaws may provide that within a specified period of time any

1 action taken by the directors must be referred to the members for approval or  
2 disapproval if demanded by petition of at least 10 percent of all the members or by vote  
3 of at least a majority of the directors, provided, however, that the rights of third parties  
4 which have vested between the time of such action, and such referendum shall not be  
5 impaired thereby.

6 **§2255. Limitations Upon Return on Capital.**

7 The return upon capital shall not exceed 6 percent per annum upon the paidup  
8 capital and shall be noncumulative. Total return upon capital distributed for any single  
9 period shall not exceed 50 percent of the net earnings for that period.

10 **SUBCHAPTER 5**

11 **MEMBERSHIP**

12 **§2261. Eligibility and Admission to Membership.**

13 **§2262. Subscribers.**

14 **§2263. Share and Membership Certificates Issuance and Content.**

15 **§2264. Transfer of Shares and Membership Withdrawal.**

16 **§2265. Share and Membership Certificates Recall.**

17 **§2266. Share and Membership Certificates Attachments.**

18 **§2267. Liability of Members.**

19 **§2268. Expulsion of Members Procedure Purchase of Holdings.**

20 **§2261. Eligibility and Admission to Membership.**

21 The election and admission of members to a chartered association shall be in  
22 such manner and upon such conditions as the bylaws shall provide.

23 **§2262. Subscribers.**

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

28 **§2263. Share and Membership Certificates Issuance and Content.**

29 No certificate for share of membership capital shall be issued until the par value

1 thereof has been paid for in full. There shall be printed upon each certificate issued by  
2 an association a full or condensed statement of the requirements of Section 2244,  
3 Section 2245, and Section 2264.

4 **§2264. Transfer of Shares and Membership Withdrawal.**

5 If a member desires to withdraw from the association or disposes of any or all  
6 of his holdings therein, the directors shall have the power to purchase such holding by  
7 paying him the par value of any or all of the holdings offered. The directors shall then  
8 reissue or cancel the same. A vote of the majority of the members voting at a regular  
9 or special meeting may order the directors to exercise this power to purchase. If the  
10 association fails, within sixty days of the original offer, to purchase all or any part of  
11 the holdings offered, the member may dispose of the unpurchased interest elsewhere,  
12 subject to the approval of the transferee by a majority vote of the directors. Any would  
13 be transferee not approved by the directors may appeal to the members at their first  
14 regular or special meeting thereafter, and the action of the meeting shall final. If such  
15 transferee is not approved, the directors shall exercise their power to purchase, if and  
16 when such purchase can be made without jeopardizing the solvency of the association.

17 **§2265. Share and Membership Certificates Recall.**

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

25 **§2266. Share and Membership Certificates Attachments.**

26 The holding of any member of an association, to the extent of the minimum  
27 amount necessary for membership, but not to exceed \$50, shall be exempt from  
28 attachment, execution, or garnishment for the debts of the owner. If any holdings in  
29 excess of this amount are subject to such liability, the directors of the association may

1 either admit the purchaser thereof to membership, if eligible, or may purchase from  
2 him such holdings at par value.

3 **§2267. Liability of Members.**

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

10 **§2268. Expulsion of Members Procedure Purchase of Holdings.**

11 A member may be expelled by the two thirds vote of the members voting at a  
12 regular or special meeting. The members against whom the charges are to be preferred  
13 shall be informed thereof in writing at least two days in advance of the meeting, and  
14 shall have an opportunity to be heard in person or by counsel at said meeting. On  
15 decision of the association to expel a member, the board of directors shall purchase the  
16 members's holdings at par value, if and when there are sufficient reserve funds.

17 **SUBCHAPTER 6**

18 **MISCELLANEOUS**

19 **§2271. Allocation and Distribution of Net Earnings.**

20 **§2272. Bonding of Officers and Employees.**

21 **§2273. Books, Auditing.**

22 **§2274. Annual Report of Association.**

23 **§2275. Suspension or Revocation of Charter.**

24 **§2276. Involuntary Dissolution.**

25 **§2277. Automatic Dissolution.**

26 **§2278. Dissolution, Methods, Procedure.**

27 **§2279. Amalgamation or Transfer of Associations.**

28 **§2280. Division of Association.**

29 **§2281. Promotion Expenses Limitation.**

1     **§2282. Additional Information.**

2     **§2283. Inconsistent Articles of Incorporation or Bylaws.**

3     **§2284. Violation Enjoinable.**

4             **§2271. Allocation and Distribution of Net Earnings.**

5             Upon the auditing of the accounts of an association, as required under Section  
6     2273, the net earnings of the association for the fiscal period under review shall be  
7     apportioned by the board of directors as follows, subject to the approval of the annual  
8     general meeting of members:

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

12            (2) In addition to such Mandatory Reserve, special reserves necessary  
13            further to protect the interests of members and for the proper conduct of the  
14            association shall be established as required:

15                    (A) by the President; or

16                    (B) when recommended by the board of directors and  
17                    approved by the general meeting.

18            (3) a return upon share capital, within the limits of Subchapter 4 may be  
19            paid, or if the bylaws so provided, upon the membership capital certificates of  
20            a nonshare association.

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

29                    (A) in case of a member patron, his proportionate amount of

1 savings return shall be distributed to him unless he agrees that the  
2 association should credit the amount to his account toward the purchase  
3 of an additional share or shares or additional membership capital;

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

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

20 (D) if within any period of time specified in the articles or bylaws,  
21 (i) any subscriber has not accumulated and paid in the amount of capital  
22 subscribed for; or (ii) any nonmember patron has not accumulated in his  
23 individual account the sum necessary for membership; or (iii) any  
24 nonmember patron has accumulated the sum necessary for membership  
25 but neither requests nor agrees to become a member, or fails to comply  
26 with the provisions of the bylaws, if any, for admission to membership,  
27 then the amounts so accumulated or paid in and any part of the general  
28 funds for nonmember patrons which has not been allocated to individual  
29 nonmember patrons shall have any rights in said paid in capital or

1 accumulated savings returns as such; Provided, further, that nothing in  
2 this section shall prevent an association under this chapter which is  
3 engaged in rendering services from disposing of the net savings from the  
4 rendering of such services in such manner as to lower the fees charged  
5 for services or otherwise to further the common benefit of the members;  
6 And, provided, further, that nothing in this section shall prevent an  
7 association from adopting a system whereby the payment of savings  
8 returns which would otherwise be distributed shall be deferred for a  
9 fixed period of months or years; nor from adopting a system, whereby  
10 the savings returns distributed shall be partly in cash, partly in shares,  
11 such shares to be retired at a fixed future date, in the order of the serial  
12 number or date of issue.

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

20 **§2272. Bonding of Officers and Employees.**

21 Every individual acting as officer or employee of an association and handing  
22 funds or securities amounting to \$1,000 or more, in any one year, shall be covered by  
23 an adequate bond as determined by the board of directors, and at the expense of the  
24 association; and the bylaws may also provide for the bonding of other employees or  
25 officers.

26 **§2273. Books, Auditing.**

27 To record its business operation, every association shall keep a set of books,  
28 which shall be audited at the end of each fiscal year by a qualified bookkeeper or  
29 accountant, who shall not be an officer, director or employee. Where the gross sales

1 amount to less than \$10,000 per fiscal year, the audit may be performed by an auditing  
2 committee of three, who shall not be directors, officers, or employees. A written report  
3 of the audit, including a statement of the amount of business transacted with members,  
4 and the amount transacted with nonmembers, the balance sheet, and the income and  
5 expenses, shall be submitted to the annual meeting of the association, with a copy to the  
6 President and the Registrar.

7 **§2274. Annual Report of Association.**

8 (a) Every association shall annually, within sixty days of the close of its  
9 operations for that year, make report of its conditions, sworn to by the president and  
10 secretary, which report shall be filed with the Registrar and the President. The report  
11 shall state:

12 (1) The name and principal address of the association.

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

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

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

22 (5) Such other information as the Attorney General through the  
23 President deem necessary.

24 (b) A copy of his report shall be kept on file at the principal office of this  
25 association.

26 (c) This association shall be under the supervision of the Attorney General  
27 through the President, and shall make financial reports to as and when he may require.  
28 This association shall be subject to examination by the Attorney General through the  
29 President and for this purpose shall make its books accessible to him at his request.

1           **§2275. Suspension or Revocation of Charter.**

2           The term of the cooperative's existence shall be perpetual; provided, however,  
3 that for cause or upon the finding by the Registrar or President that a cooperative is  
4 insolvent, or has violated any provisions of law, rules and regulations applicable to  
5 cooperatives in the Republic, its articles of incorporation, or its bylaws including any  
6 amendments thereto, the President may either temporarily suspend the operations of  
7 the cooperative until the insolvency or violations have been corrected, or if not  
8 corrected, he may revoke its articles of incorporation and corporate charter, thereby  
9 terminating the operations of the cooperative.

10           **§2276. Involuntary Dissolution.**

11           Any action taken by the Registrar or the President to involuntarily dissolve a  
12 cooperative shall comply with the dissolution provisions as set forth in any law or  
13 regulation related to the dissolution and revocation of corporate charters.

14           **§2277. Automatic Dissolution.**

15           If any cooperative shall fail on two successive annual dates to file the annual  
16 report required by this chapter, the Registrar shall mail notice to it of impending  
17 dissolution as provided in any law or regulation related to the dissolution and  
18 revocation of corporate charters. Whether or not such notice be mailed, if the  
19 cooperative fails within ninety days after the second such annual date to file the annual  
20 report such cooperative shall be thereupon automatically dissolved and its properties  
21 and affairs shall pass automatically to its directors as trustees in dissolution.

22           **§2278. Dissolution, Methods, Procedure.**

23           If the Registrar, after holding an inquiry, or on receipt of a copy of a resolution  
24 approved by a majority vote of the entire membership, be of the opinion that an  
25 association ought to be dissolved, he may issue a Decree of Dissolution and request the  
26 President to issue a Revocation of Charter of the association, and may appoint one or  
27 more persons to be, subject to his direction and control, the liquidator or liquidators  
28 of the association, who shall within a time fixed in their designation or within any  
29 extension thereof, liquidate its assets, and shall distribute them in the manner set forth

1 in this section. In case of any dissolution of an association, such dissolution shall be  
2 approved by the President and its assets shall be distributed in the following manner  
3 and order:

4 (1) by paying its debts and expenses;

5 (2) by returning to the members the par value of their shares or of their  
6 membership certificates, returning to the subscribers the amount paid on their  
7 subscriptions, and returning to the patrons the amount of savings returns  
8 credited to their accounts toward the purchase of shares or membership  
9 certificates; and

10 (3) by distributing any surplus in either or both of the following ways as  
11 the articles may provide:

12 (A) among those patrons who have been or subscribers at any  
13 time during the past six years, on the basis of their patronage during the  
14 period;

15 (B) as a gift to any consumers' cooperative association or other  
16 nonprofit enterprise which may be designated in the articles.

17 **§2279. Amalgamation or Transfer of Associations.**

18 Any two or more chartered associations may by a resolution passed by a three-  
19 fourths majority of the members at a special general meeting of such association held  
20 for that purpose, amalgamate as a single association; provided, that no such resolution  
21 may be put to the meeting without the prior approval of the Registrar in writing, and  
22 that each member shall be given fifteen days written notice of the resolution and the  
23 date of the meeting. Such amalgamation may be effected with or without any  
24 associations or either of them, and the resolution of associations concerned shall, on  
25 such amalgamation, be a sufficient conveyance or assignment to vest the assets and  
26 liabilities of the amalgamating associations in the amalgamated association. Any  
27 association may by resolution passed in accordance with the procedure laid down in  
28 the forgoing part of this chapter transfer its assets and liabilities to any other  
29 association which is prepared to accept them, and such resolution shall be sufficient

1 conveyance or assignment to vest the assets and liabilities by an association to any other  
2 association, it will not be made without giving three months' notice to the creditors of  
3 both or all such associations; Provided, further, that if any creditor of any of the  
4 associations concerned objects to such amalgamation or transfer of assets and liabilities  
5 and gives written notice to that effect to the association or associations concerned one  
6 month before the date fixed for such amalgamation or transfer, the amalgamation or  
7 transfer shall not be made until the dues of such creditor have been satisfied.

8 **§2280. Division of Association.**

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

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

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

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

25 (e) After the expiry of three months from the receipt of the preliminary  
26 resolution by all the members and creditors of the association and of the notice to other  
27 persons as required by the foregoing, another special general meeting of the  
28 association, for which at least fifteen days written notice shall be given to its members,  
29 shall be convened in order to consider the preliminary resolution. If at such meeting

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

8 (f) The opinion of the Registrar as to whether any changes made in the  
9 preliminary resolution are or are not material shall be final.

10 (g) At the special general meeting referred to in the foregoing part, provision  
11 shall be made by another resolution for:

12 (1) satisfaction of the claims of all creditors who have given the requisite  
13 notice; and

14 (2) satisfaction of the claims of the other persons who have given notice  
15 in accordance with the foregoing provisions of securing their claims in such  
16 manner as the Registrar may approve.

17 (h) Provided, that no credit or other person shall entitled to such repayment or  
18 satisfaction until the preliminary resolution has been confirmed as provided for in the  
19 foregoing.

20 (i) The incorporation of the new associations shall be a sufficient conveyance or  
21 assignment to vest the assets and liabilities of the original association in the new  
22 associations in the manner specified in the preliminary resolution as approved by the  
23 Registrar and the President.

24 **§2281. Promotion Expenses Limitation.**

25 An association shall not directly or indirectly, use any of its funds, nor issue  
26 shares not incur any indebtedness, for the payment of any compensation for the  
27 organization of the association except necessary legal fees; nor for the payment of any  
28 promotion expenses in excess of 5 percent of the amount paid in for the shares or  
29 membership certificates involved in the promotion transaction.

§2282. Additional Information.

The Attorney General, through the President, may require any additional information that he deems desirable and may designate the forms in which such information is to be contained.

§2283. Inconsistent Articles of Incorporation or Bylaws.

Any articles of incorporation or bylaws that are inconsistent with this chapter are hereby superseded.

§2284. Violation Enjoinable.

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

Section 4. Amendment. Section 4 of RPPL 11-10 is hereby repealed.

Section 5. Effective date of revised Corporations Act. Not later than three months after the effective date of this Act, the Registrar shall report any budgetary requirements necessary to implement RPPL 11-10 and shall promulgate regulations effectuating the purposes and procedures of RPPL 11-10, Section 2, thereby triggering the repealer and transition provision of RPPL 11-10 Section 3. Failure of the Registrar to do so shall result in the Registrar being in non-compliance with this Section.

Section 6. Amendment. Section 702 of Title 33 of the Palau National Code is hereby amended as follows:

“§ 702. Base salary schedule.

(a) The base salary schedule appearing in the table below provides the official annual salary rates that shall be paid to all civil service and contract employees of the National Government unless otherwise specifically established by law. Hourly rates shall be calculated by dividing the applicable annual salary level by two thousand eighty (being forty hours per week for fifty-two weeks in a year) and rounded to the nearest tenth of a dollar.

ANNUAL BASE SALARY SCHEDULE

| Grade    | Steps         |               |               |               |               |               |               |               |               |               |               |               |               |               |
|----------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
|          | <u>1</u>      | <u>2</u>      | <u>3</u>      | <u>4</u>      | <u>5</u>      | <u>6</u>      | <u>7</u>      | <u>8</u>      | <u>9</u>      | <u>10</u>     | <u>11</u>     | <u>12</u>     | <u>13</u>     | <u>14</u>     |
| <u>1</u> | <u>11,440</u> | <u>11,637</u> | <u>11,840</u> | <u>12,051</u> | <u>12,266</u> | <u>12,562</u> | <u>12,870</u> | <u>13,190</u> | <u>13,523</u> | <u>13,956</u> | <u>14,411</u> | <u>14,889</u> | <u>15,390</u> | <u>15,922</u> |

|    |        |        |        |        |        |        |        |        |        |        |        |        |        |        |
|----|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| 2  | 11,769 | 11,976 | 12,189 | 12,409 | 12,636 | 12,947 | 13,270 | 13,606 | 13,956 | 14,411 | 14,889 | 15,390 | 15,916 | 16,579 |
| 3  | 12,114 | 12,332 | 12,557 | 12,786 | 13,024 | 13,359 | 13,691 | 14,044 | 14,411 | 14,889 | 15,390 | 15,916 | 16,469 | 17,166 |
| 4  | 12,476 | 12,705 | 12,940 | 13,182 | 13,432 | 13,774 | 14,131 | 14,502 | 14,887 | 15,389 | 15,915 | 16,468 | 17,048 | 17,779 |
| 5  | 12,857 | 13,097 | 13,344 | 13,598 | 13,860 | 14,220 | 14,595 | 14,984 | 15,389 | 15,915 | 16,468 | 17,048 | 17,657 | 18,425 |
| 6  | 13,257 | 13,509 | 13,769 | 14,036 | 14,311 | 14,688 | 15,082 | 15,490 | 15,916 | 16,468 | 17,049 | 17,658 | 18,299 | 19,104 |
| 7  | 13,676 | 13,940 | 14,213 | 14,494 | 14,783 | 15,179 | 15,596 | 16,022 | 16,468 | 17,048 | 17,657 | 18,297 | 18,968 | 19,815 |
| 8  | 14,779 | 15,076 | 15,382 | 15,698 | 16,023 | 16,469 | 16,933 | 17,416 | 17,919 | 18,571 | 19,258 | 19,977 | 20,733 | 21,685 |
| 9  | 16,017 | 16,352 | 16,697 | 17,051 | 17,417 | 17,919 | 18,442 | 18,985 | 19,550 | 20,284 | 21,055 | 21,865 | 22,715 | 23,786 |
| 10 | 17,412 | 17,788 | 18,176 | 18,576 | 18,987 | 19,553 | 20,140 | 20,750 | 21,386 | 22,212 | 23,080 | 23,991 | 24,947 | 26,153 |
| 11 | 18,981 | 19,404 | 19,841 | 20,290 | 20,753 | 21,388 | 22,050 | 22,737 | 23,452 | 24,382 | 25,357 | 26,381 | 27,458 | 28,813 |
| 12 | 20,746 | 21,222 | 21,713 | 22,219 | 22,739 | 23,454 | 24,199 | 24,972 | 25,776 | 26,822 | 27,920 | 29,073 | 30,283 | 31,809 |
| 13 | 22,732 | 23,267 | 23,819 | 24,388 | 24,974 | 25,779 | 26,616 | 27,486 | 28,391 | 29,567 | 30,802 | 32,099 | 33,461 | 35,177 |
| 14 | 25,233 | 25,845 | 26,474 | 27,122 | 27,789 | 28,707 | 29,660 | 30,653 | 31,684 | 33,025 | 34,433 | 35,912 | 37,465 | 39,421 |
| 15 | 28,899 | 29,621 | 30,363 | 31,128 | 31,917 | 32,998 | 34,124 | 35,295 | 36,511 | 38,094 | 39,755 | 41,500 | 43,332 | 45,640 |
| 16 | 33,227 | 34,078 | 34,954 | 35,857 | 36,786 | 38,063 | 39,392 | 40,773 | 42,209 | 44,077 | 46,037 | 48,096 | 50,258 | 52,982 |
| 17 | 38,332 | 39,336 | 40,370 | 41,435 | 42,533 | 44,040 | 45,606 | 47,236 | 48,931 | 51,135 | 53,448 | 55,878 | 58,429 | 61,642 |
| 18 | 45,025 | 46,231 | 47,472 | 48,750 | 50,067 | 51,875 | 53,755 | 55,711 | 57,745 | 60,389 | 63,165 | 66,080 | 69,142 | 72,998 |

| Step  | 1           | 2           | 3           | 4           | 5           | 6           | 7            | 8            | 9            | 10           |
|-------|-------------|-------------|-------------|-------------|-------------|-------------|--------------|--------------|--------------|--------------|
| Grade |             |             |             |             |             |             |              |              |              |              |
| EPS1  | \$72,000.00 | \$73,500.00 | \$75,000.00 | \$77,500.00 | \$80,000.00 | \$82,500.00 | \$85,000.00  | \$87,500.00  | \$90,000.00  | \$92,500.00  |
| EPS2  | \$93,000.00 | \$94,000.00 | \$95,000.00 | \$96,000.00 | \$97,000.00 | \$98,000.00 | \$100,000.00 | \$105,000.00 | \$115,000.00 | \$120,000.00 |

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- (1) Transition to this new salary schedule shall take effect on October 1, 2025 and shall continue until all civil service employees and contract employees are transferred accordingly into this salary schedule. All regular civil service employees and contract employees shall be placed in this salary schedule in accordance with the classification guideline and procedures to be established by the Bureau of Public Service System and approved by the President, except that foreign contract employees employed prior to October 1, 2025 shall continue to be paid pursuant to the rate specified by contract. Once all civil service and contract employees are transferred into this salary schedule, then Section 703 and 704 and its applicable subsections will automatically be suspended.
- (b) Addition of two grades to the pay schedule.
- (1) [Grades 31 and 32], which shall be referred to herein and hereafter as Executive, Professional, and Special (“EPS”) grades EPS1 and EPS2, respectively, in all official personnel documents[,] tables and schedules, are designated exclusively for assignment of rates of pay for unique and

specialized executive, professional, and special contract positions, as defined by the appropriate management official and certified in accordance with 33 PNCA § 205(a)(1). Public Service System employees and those under contract prior to October 1, 2025 shall not be eligible for pay within grades EPS1 and EPS2.

(2) Contract employees not defined by the appropriate management official and not certified in accordance with 33 PNCA § 205(a)(1) as eligible for EPS1 and EPS2 grades shall be paid according to [grades 1 through 30] of the Base Wage and Salary Schedule provided in subsection (a) of this section.

(3) The Public Service System Regulations regarding step increases shall not apply to employees in the EPS1 and EPS2 grades, nor to any non-Public Service System employees within [grades 1 through 30].

(4) The minimum salary for any full-time civil service employee who is a Palauan citizen and who works as a Medical Doctor for the Ministry of Health and Human Services shall be sixty- five thousand dollars (\$65,000) per year, and the actual salary for such Medical Doctors, including all salary adjustments and differentials shall be established by comprehensive employment contract. The minimum salary established by this section shall not apply to a medical officer but shall only apply to a doctor who has earned an M.D. degree, M.B.B.S. degree or equivalent from an accredited and internationally recognized medical school, and whose job requires that he practice medicine full time, excluding administrative work, for the Ministry.

(c) Unless otherwise approved by a joint resolution of the Olbiil Era Kelulau, the following eligibility restrictions regarding maximum pay or grade allowable apply:

(1) Judicial Branch

(A) Contract employees not covered under the eligibility designations and restrictions provided in subparagraph (2) or as

1 otherwise provided herein shall be paid according to grades 1  
2 through 18 of the Base Wage and Salary Schedule provided in  
3 subsection (a) of this Section.

4 (B) EPS1, steps 1 through 10: Other Judicial Branch professionals,  
5 as determined by the Chief Justice.

6 (C) Salaries for Judges and Justices of the Court of Common Pleas  
7 and Land Court as may be determined by the Chief Justice of the  
8 Supreme Court of the Republic of Palau exclusive of housing and  
9 other benefits are as follows:

10 (i) Associate Judges of the Court of Common Pleas

11 (I) Attorney: annual base salary of no more than seventy-  
12 one thousand five hundred dollars (\$71,500).

13 (II) Non-Attorney: annual base salary of no more than  
14 fifty-five thousand dollars (\$55,000).

15 (ii) Senior Judges of the Court of Common Pleas

16 (I) Attorney: annual base salary of no more than eighty-  
17 eight thousand dollars (\$88,000).

18 (II) Non-Attorney: annual base salary of no more than  
19 seventy-seven thousand dollars (\$77,000).

20 (iii) Full-Time Associate Judges of the Land Court

21 (I) Attorney: annual base salary of no more than seventy-  
22 seven thousand dollars (\$77,000).

23 (II) Non-Attorney: annual base salary of between forty-  
24 four thousand dollars (\$44,000) and fifty-five thousand  
25 dollars (\$55,000).

26 (iv) Part-Time Associate Judges of the Land Court

27 (I) Attorney and Non-Attorney: annual base salary of no  
28 more than thirty-eight thousand five hundred dollars  
29 (\$38,500).

**(v) Senior Judge of the Land Court**

**(I) Attorney and Non-Attorney: annual base salary of no less than seventy-one thousand five hundred dollars (\$71,500) and no more than eighty-eight thousand dollars (\$88,000).**

**(D) Each Associate Justice of the National Court shall receive an annual salary of not less than forty-nine thousand five hundred dollars (\$49,500) and not more than sixty-six thousand dollars (\$66,000).**

**(E) The Presiding Justice of the Trial Division shall receive an annual salary of not less than seventy-seven thousand dollars (\$77,000) and not more than ninety-three thousand five hundred dollars (\$93,500).**

**(F) Each Associate Justice of the Trial Division shall receive an annual salary of not less than sixty-six thousand dollars (\$66,000) and not more than eighty-eight thousand dollars (\$88,000).**

**(G) Each Associate Justice of the Appellate Division shall receive an annual salary of not less than seventy-one thousand five hundred dollars (\$71,500) and not more than ninety-three thousand five hundred dollars (\$93,500).**

**(H) The Chief Justice shall receive an annual salary not to exceed ninety-nine thousand dollars (\$99,000).**

**(2) Executive Branch**

**(A) The President shall receive an annual salary of ninety-nine thousand dollars (\$99,000) to be paid in equal biweekly installments while the President is in office.**

**(B) The Vice President shall receive an annual salary of seventy-one thousand five hundred dollars (\$71,500) to be paid in equal biweekly installments while the Vice President is in office.**

1 (C) Each Minister shall receive an annual salary of fifty-five  
2 thousand dollars (\$55,000) to be paid in equal biweekly installments  
3 while the Minister is in office.”

4 Section 7. Section 6 of this Act shall take effect on October 1, 2025.

5 Section 8. Amendment. Section 1551 of Title 23 of the Palau National Code is  
6 hereby amended to add a new subsection (b) as follows:

7 “§ 1551. Election results.

8 (a) ...

9 (b) In the event any runoff election conducted under this Section or Section  
10 1606 fails to produce a plurality winner, such that no candidate may be certified as  
11 being elected President, Vice President, Senator, or Delegate in said runoff, the  
12 Election Commission shall conduct, no later than twenty days from the date of  
13 runoff election failing to produce a plurality winner, (a) further runoff election(s)  
14 as needed. In any such runoff, the Election Commission shall limit the voting pool  
15 to those registered and qualified to vote in the general or special election that  
16 produced no plurality winner.”

17 Section 9. Amendment. RPPL 11-37 is hereby amended by adding a new Section  
18 51 as follows, and renumbering subsequent Sections:

19 “Section 51. Minatobashi Bridge Project. The sum of \$600,000 is hereby  
20 authorized to be appropriated and is hereby appropriated for expenditure or  
21 obligation for Fiscal Year 2025, to the Minister of Public Infrastructure and  
22 Industries for the purpose of satisfying grant conditions set forth by the  
23 Government of Japan for the construction of the Minatobashi Bridge. The entire  
24 amount authorized to be appropriated and appropriated in this section shall come  
25 from local revenues and shall be non-lapsing.

26 Section 52. Severability. . . .

27 Section 53. Effective Date. . . .”

28 Section 10. Amendment. Section 33 of RPPL 11-37 is hereby amended to state  
29 as follows:

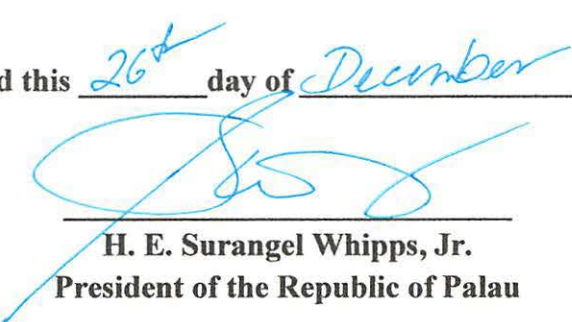
1           “Section 33. Appropriation for January 2025 Inauguration. The sum of  
2       \$170,000 is authorized for appropriation and is hereby appropriated for expenditure  
3       or obligation to the Office of the President, to fund the activities and programs related  
4       to the January 2025 inauguration and transition of government. The entire amount  
5       authorized to be appropriated and hereby appropriated in this section shall come from  
6       local revenues. This section shall be exempt from the competitive procurement  
7       requirements of Chapter 6 of Title 40 of the Palau National Code.”

8           Section 11. Amendment. The totals from the Title of RPPL 11-37, as amended,  
9       are amended for consistency with Section 9 and Section 10 of this Act.

10          Section 12. Effective date of this Act. This Act shall take effect upon its approval  
11       by the President of the Republic of Palau or upon its becoming law without such  
12       approval.

PASSED: December 24, 2024

Approved this 26<sup>th</sup> day of December, 2024

  
\_\_\_\_\_  
H. E. Surangel Whipps, Jr.  
President of the Republic of Palau