# COMPACT OF FREE ASSOCIATION

## Trust Fund

**Agreement between**
**the UNITED STATES OF AMERICA**
**and MICRONESIA**

Signed at Palikir May 14, 2003

NOTE BY THE DEPARTMENT OF STATE

Pursuant to Public Law 89—497, approved July 8, 1966 (80 Stat. 271; 1 U.S.C. 113)—

". . .the Treaties and Other International Acts Series issued under the authority of the Secretary of State shall be competent evidence . . . of the treaties, international agreements other than treaties, and proclamations by the President of such treaties and international agreements other than treaties, as the case may be, therein contained, in all the courts of law and equity and of maritime jurisdiction, and in all the tribunals and public offices of the United States, and of the several States, without any further proof or authentication thereof."

# MICRONESIA

## Compact of Free Association: Trust Fund

*Agreement signed at Palikir May 14, 2003;*
*Entered into force June 25, 2004.*

Agreement Between
the Government of the United States of America and
the Government of the Federated States of Micronesia
Implementing Section 215 and Section 216 of the Compact, as Amended
Regarding a Trust Fund

The Government of the United States of America and the Government of the Government of the Federated States of Micronesia (hereafter the Original Parties);

Desiring to contribute to the long-term budgetary self-reliance of the Federated States of Micronesia by establishing a trust fund to provide the Government of the Federated States of Micronesia with an ongoing source of revenue after Fiscal Year 2023;

Recognizing that it is the mutual intention of the Governments of the United States and the Federated States of Micronesia that the Government of the United States discontinue Annual Grant Assistance beyond fiscal year 2023;

Have agreed as follows:

## Part I
## Definitions

### Article 1
### Definitions of Terms

For purposes of this Agreement, the following terms shall have the following meanings when capitalized:

"A Account" has the meaning assigned to such term in Article 16, paragraph 2.

"Agreement" means this Agreement Between the Government of the Federated States of Micronesia and the Government of the United States of America Implementing Section 215 and Section 216 of the Compact, as Amended, Regarding a Trust Fund.

"Allowable Expenses" means expenses related to rental of hotel meeting space, and incidentals thereto, but does not include salaries, honoraria, travel or per diem expenses.

"Annual Income" means the Income credited to any given Fiscal Year.

"Annual Grant Assistance" means annual monetary assistance provided by the Government of the United States to the Government of the Federated States of Micronesia for the purposes set forth in section 211 of the Compact, as amended.

"Auditor" has the meaning assigned to such term in Article 19, paragraph 1.

"B Account" has the meaning assigned to such term in Article 16, paragraph 4.

"C Account" has the meaning assigned to such term in Article 16, paragraph 5.

"Compact" means the Compact of Free Association Between the United States and the Federated States of Micronesia and the Marshall Islands, that was approved by the United States Congress in section 201 of Public Law 99-239 (Jan. 14, 1986) and went into effect with respect to the Federated States of Micronesia on November 3, 1986.

"Compact, as amended" means the Compact of Free Association Between the United States and the Federated States of Micronesia, as amended. The effective date of the Compact, as amended, shall be on a date to be determined by the President of the United States, and agreed to by the Government of the Federated States of Micronesia, following formal approval of the Compact, as amended, in accordance with section 411 of this Compact, as amended.

"Contributor" means a government, international organization, financial institution, or other entity or person who grants, not lends, funds into the Fund.

"Corpus" means a collection of bonds, stocks or other holdings which form the Principal. It also includes all accumulated Income that has been reinvested and not available for distribution.

"Cumulative Full Inflation" means the Full Inflation applied each Fiscal Year up to the specified Fiscal Year.

"Depository" means the office or bureau within the United States Department of State which retains copies of all international agreements, and documents of withdrawal from agreements.

"Distribution" means the transfer of funds from the Fund to the Government of the Federated States of Micronesia.

"Fiscal Year" means each one year period beginning October 1 and ending on the next following September 30. Each Fiscal Year shall be designated by the number of the calendar year in which such Fiscal Year ends. For example, "Fiscal Year 2022" means the Fiscal Year ending in calendar year 2022.

"Full Inflation" means the full percent change in the United States Gross Domestic Product implicit price deflator in the applicable Fiscal Year compared to the immediate preceding Fiscal Year.

"Fund" has the meaning assigned to such term in Article 2, paragraph 1.

"Government of the Federated States of Micronesia" means the Government established and organized by the Constitution of the Federated States of Micronesia including all the political subdivisions and entities comprising that Government.

"Government of the United States" means the federal government of the United States of America.

"Gross Domestic Product Implicit Price Deflator" means the "Gross Domestic Product Implicit Price Deflator" as published from time to time in the *Survey of Current Business* by the Bureau of Economic Analysis of the United States Department of Commerce, or any successor thereto. It is a weighted average of the detailed price indices used in the deflation of the United States Gross Domestic Product. In each period, it uses as weights the composition of constant dollar output in that period. Changes in the implicit price deflator reflect both changes in prices and changes in the composition of output.

"Income" means the profit or increase in market value of the Fund, including dividends and interest and other special items allocated to income.

"Investment Adviser" means the individual or firm responsible for: providing investment advice to the Joint Trust Fund Committee; taking direction from the Joint Trust Fund Committee regarding investments; and, overseeing day-to-day investments by the money managers.

"Joint Trust Fund Committee" means the governing body of the Fund.

"Majority Vote" means controlling vote on the Joint Trust Fund Committee.

"Money Manager" means the individual or firm who contracts with the Joint Trust Fund Committee to invest funds in a particular investment vehicle or category.

"Original Party" means the Government of the United States or the Government of the Federated States of Micronesia, "Original Parties" means, collectively, the Government of the United States and the Government of the Federated States of Micronesia.

"Party" means any one of the Original Parties or a Subsequent Contributor granted membership in the Joint Trust Fund Committee.

"Present Market Value" means, as of any time, the value of the Fund assets if those assets were liquidated or sold at such time.

"Principal" means the contributions to the Fund by the Parties, that are invested in bonds, stocks, or other holdings.

"Qualified Instruments" means all stocks, bonds, and other securities issued or recognized in any United States stock exchange, or other Trust Fund Committee-approved instruments.

"Special Needs" means projects that the Government of the Federated States of Micronesia deems necessary as a supplement to that portion of an annual budget to be financed by the Fund, so long as the project(s) are for the purposes of Section 211 of the Compact, as amended.

"Subsequent Contributor" means any government, international organization, financial institution, or other entity or person who grants, not lends, funds into the Fund, not including the Original Parties.

"Trustee" means the financial institution holding legal custody of the Fund.

"Trust Fund Period" means the period that begins twenty (20) years after the effective date of the Compact, as amended.

"United States" means the United States of America.

## Part II
## Establishment

### Article 2
### Establishment of a
### Trust Fund for the People of the Federated States of Micronesia

1. A trust fund known as the "Trust Fund for the People of the Federated States of Micronesia" (in this Agreement called the "Fund") shall be established:

(a) by the Government of the United States in consultation with the Government of the Federated States of Micronesia pending Joint Trust Fund Committee operations; or,

(b) by the Joint Trust Fund Committee, if the Joint Trust Fund Committee is operational when the Compact, as amended, takes effect.

2. The Fund shall be governed by the provisions of this Agreement.

3. The situs of the Fund shall be within the United States. The governing law of the Fund shall be the law from any appropriate jurisdiction within the United States.

4. The Original Parties to this Agreement shall be the Government of the United States and the Government of the Federated States of Micronesia. The Original Parties shall contribute to the Fund in accordance with section 215 and section 216 of the Compact, as amended.

5. Subsequent Contributors to the Fund shall be approved by the Joint Trust Fund Committee.

### Article 3
### Purpose of the Fund

The purpose of the Fund is to contribute to the economic advancement and long-term budgetary self-reliance of the Federated States of Micronesia by providing an annual source of revenue, after Fiscal Year 2023, for assistance in the sectors described in Section 211 of the Compact, as amended, or other sectors as mutually agreed by the Original Parties, with priorities in education and health care.

### Article 4
### Powers of the Fund

The Fund shall have all powers necessary, consistent with this Agreement, to fulfill its purpose.

## Article 5
## Limitation of Liability

1. No Party to the Fund shall be liable, by reason of being a Party or for acts or obligations of the Fund.

2. Obligations of the Fund are not obligations of the Governments of the Federated States of Micronesia, the United States of America, or any other Party.

3. Members of the Joint Trust Fund Committee shall have a fiduciary relationship to the Fund. No member of the Joint Trust Fund Committee shall be responsible for any loss or depreciation in value of any assets held in the Fund, except by reason of such member's gross negligence or willful default. Every decision made by a member of the Joint Trust Fund Committee shall be deemed to have been made with reasonable care and diligence unless the contrary is proved by affirmative evidence and any such action shall be conclusively binding upon all parties interested in the Fund.

## Article 6
## Legal Status, Privileges and Immunities

1. To enable the Fund to carry out its purpose, each Party shall accord to the Fund in its territory, the legal status, privileges and immunities set out in this Article.

2. The Fund shall possess juridical personality and in particular capacity to:

(a) contract;

(b) acquire and dispose of immovable and movable property;

(c) institute legal proceedings; and,

(d) take other action to protect the Fund.

3. The Fund shall be exempt from any exchange control regulations, restriction or moratoria.

4. In accordance with section 215 of the Compact, as amended, within the scope of its official activities, the Fund, its property, and its assets shall be exempt from taxation.

## Part III
## Joint Trust Fund Committee

### Article 7
### Joint Trust Fund Committee

1. There shall be a Joint Trust Fund Committee composed of voting and, when applicable, non-voting members to administer the Fund.

2. Unless otherwise amended in accordance with Article 23, the composition of the Joint Trust Fund Committee shall be:

(a) three voting members appointed by the Government of the United States, which shall include the Chairman of the Joint Trust Fund Committee; and, two voting members appointed by the Federated States of Micronesia. The Government of the United States shall consult with the Government of the Federated States of Micronesia in appointing the Chairman, and the Federated States of Micronesia shall have an opportunity to present its views, which shall be considered; and,

(b) in addition, by a Majority Vote of the Joint Trust Fund Committee, other voting or non-voting members may be appointed from Subsequent Contributors that contribute to the Fund from time to time, provided that the Unitied States maintains the Majority Vote in the Joint Trust Fund Committee.

(c) after the initial twenty (20) years (beginning October 1, 2023), the Original Parties will consult regarding the future composition of the Joint Trust Fund Committee. The Joint Trust Fund Committee shall remain the same, unless otherwise agreed by the Original Parties.

3. If a voting member is temporarily unable to attend a meeting of the Joint Trust Fund Committee, an alternate shall be designated by the Party appointing the voting member under paragraph 2 of this Article, and the designated alternate shall participate and vote in such meeting of the Joint Trust Fund Committee.

4. All the powers of the Fund shall be vested in and exercisable by the Joint Trust Fund Committee.

5. The functions of the Joint Trust Fund Committee shall include overseeing:

(a) the operation, supervision, and management of the Fund;

(b) the investment and distribution of resources of the Fund; and

(c) the conclusion of agreements and arrangements with Subsequent Contributors and other organizations.

6. Voting and non-voting members shall serve as such without payment of salaries, honoraria, or expenses, including travel, from the Fund. Allowable expenses, as defined, may be covered from the Income, but not from the Corpus, except as provided in Article 16, paragraph 3.

7. The Joint Trust Fund Committee shall meet at least annually or as necessary, and reasonable notice shall be given of meetings.

8. For the purposes of meetings, all voting members of the Joint Trust Fund Committee, or their designated alternates when a voting member may be unable to attend, shall constitute a quorum. Meetings may be in person, via video conferencing or by other technological means.

9. Except where otherwise provided in this Agreement, questions before the Joint Trust Fund Committee shall be decided by a Majority Vote of all the voting members or their designated alternate(s).

10. The Joint Trust Fund Committee shall establish rules of procedure consistent with this Agreement.

## Article 8
## Technical Assistance

From time to time, the Joint Trust Fund Committee may obtain technical advisory services as needed and appropriate.

## Part IV
## Resources of the Fund

### Article 9
### Resources

The resources of the Fund shall consist of all contributions to the Fund, from whatever sources, and all Income. The resources of the Fund shall be held in trust and administered by the Joint Trust Fund Committee and used only for the purpose of, and in accordance with, this Agreement.

### Article 10
### Initial Contributions by Parties

1. Each Original Party agrees to contribute to the Fund at least the amounts specified in section 215 and 216 of the Compact, as amended, subject to the provisions of Article 5 of Title IV of the Compact, as (sections 451(b), 452(b), and 453(c)).

2. Any Subsequent Contributor that accedes to this Agreement in accordance with the provisions of Article 26 shall make contributions to the Fund in accordance with arrangements agreed by the Joint Trust Fund Committee with the agreement of all voting members.

3. The Fund may accept additional contributions from Subsequent Contributors, in accordance with Article 11, in the form of a grant.

4. The Joint Trust Fund Committee may refuse a contribution if it considers that it would not be in the interest of the Fund, the United States, or the Federated States of Micronesia.

5. The Fund shall not issue negotiable or transferable obligations evidencing indebtedness for contributions received under paragraph 3 of this Article. Further, the Corpus may not be encumbered in any way.

### Article 1I
### Conditions Governing Contributions

1. No contributions to the Fund shall be refunded except in accordance with Articles 21 and 22.

2. The provisions of sections 451 through 453, inclusive, of the Compact, as amended, and Article 22 of this Agreement, in the event the Compact, as amended, is terminated, shall govern treatment of any Government of the United States contributions to the Fund and accrued interest thereon.

3. The Original Parties shall seek contributions to the Fund from other sources.

## Part V
## Trustee(s), Investment Adviser(s), Money Manager(s)

### Article 12
### Appointment of Trustee(s)

1. Appointment of Trustee(s)

(a) If, pursuant to Article 2, paragraph 1(a), the Government of the United States establishes the Fund, the Government of the United States shall appoint one or more Trustees. Thereafter, the Joint Trust Fund Committee may appoint and employ, pursuant to the terms of this Agreement, a successor Trustee(s).

(b) If, pursuant to Article 2, paragraph 1(b), the Joint Trust Fund Committee establishes the Fund, the Joint Trust Fund Committee shall appoint and employ the initial Trustee(s), pursuant to the terms of this Agreement.

2. The Joint Trust Fund Committee shall be empowered to remove any Trustee acting hereunder or to appoint or select a successor Trustee(s). Any Trustee hereunder may, for cause, be removed by the Joint Trust Fund Committee by giving thirty (30) days written notice to the Trustee.

3. The Trustee(s) and any successor Trustee(s) shall:

(a) be selected from among trust institutions organized in the United States;

(b) have a net worth in excess of $100 million;

(c) have at least 10 years experience as a custodian of financial assets; and

(d) have experience in managing trust funds of at least $500 million.

4. When applicable, upon the appointment of a successor Trustee(s), the resigning or removed Trustee(s) shall transfer and deliver the Fund and any such records pertaining thereto to the successor Trustee(s) after reserving, as Trustee(s), such reasonable amount from the Income to provide for his expenses in the settlement of the Fund account and the amount of any compensation due to him. However, any such amounts so reserved by, and eventually paid to, the resigning or removed Trustee(s) shall be subject to the written approval of the Joint Trust Fund Committee.

5. The Trustee(s) may resign by filing with the Joint Trust Fund Committee and the Original Parties his written resignation. No such resignation shall take effect until sixty (60) days from the date said resignation is filed with the Joint Trust Fund Committee and the Original Parties unless prior thereto a successor Trustee(s) shall have been appointed by the Joint Trust Fund Committee.

6. The Trustee(s) shall hold the Corpus, in trust, for the use and benefit of the people of the Federated States of Micronesia in accordance with the provisions of this Agreement and the Compact, as amended.

## Article 13
## Trustee's Powers and Duties

1. The Trustee shall use reasonable and prudent care and reasonable and prudent diligence in the exercise of his/her powers and the performance of his/her duties as Trustee.

2. With respect to the Fund, the Trustee shall have the following duties and powers, in addition to and not in limitation of the powers granted or conferred by law, all of which shall be exercised in a fiduciary capacity:

(a) To collect and receive any and all money and other property of whatever kind or nature due or owing or belonging to the Fund and to give full discharge and acquittance therefor, and to extend for a reasonable period of time, the time of payment of any obligation at any time owing to the Fund.

(b) To disburse Income or Corpus only pursuant to the conditions set forth in Articles 16, 21, and 22 of this Agreement.

3. The Trustee shall follow the written directions of the Joint Trust Fund Committee with respect to the retention, purchase, sale or encumbrance of trust property and the investment and reinvestment of Principal and Income held hereunder, the sole authority and discretion for which shall belong to the Joint Trust Fund Committee (provided, however, that the Joint Trust Fund Committee shall not be authorized to direct the Trustee to purchase any asset that would violate federal, state or local law, or the provisions of this Agreement). The Joint Trust Fund Committee shall have full authority to direct the Trustee to take any action with respect to the trust assets that the Trustee is authorized to take under this Agreement.

4. The Trustee shall not be accountable for any loss or depreciation in value sustained by reason of action taken pursuant to direction of the Joint Trust Fund Committee.

5. The Trustee shall have the entire care and custody of all of the assets comprising the Fund and shall have sole responsibility for:

(a) making all payment of liabilities and administration expenses; and,

(b) effecting all distributions pursuant to the instruction of the Joint Trust Fund Committee, whether of Principal or of Income, to the Federated States of Micronesia under this Agreement.

6. The Trustee shall maintain full and accurate books of account and records of all financial transactions relative to the Fund, which shall be available at all reasonable times for inspection by the Joint Trust Fund Committee or its representatives.

7. The Trustee shall be entitled to reasonable fees and expenses as compensation for his services as Trustee hereunder. Such fees shall be subject to the prior written agreement and approval by the Joint Trust Fund Committee. Such fees and expenses shall be paid from Income or, when necessary, from the Corpus, pursuant to the terms of Article 16.

## Article 14
## Investment Adviser(s) and Money Manager(s)

1. The Joint Trust Fund Committee, at any time and from time to time, shall have the power and authority to:

(a) select one or more Investment Adviser(s), including the corporate Trustee(s) or any of its affiliates;

(b) negotiate the terms of, and execute management agreements with, such Investment Advisers; and

(c) direct the Trustee to pay the compensation and costs of such Investment Advisers(s) from the assets of the Fund, in accordance with Article 16 of this Agreement.

2. The Investment Adviser(s) shall advise and recommend to the Joint Trust Fund Committee, one or more Money Managers who will invest the assets of the Fund to produce a diversified portfolio. The Investment Adviser(s) shall provide the Joint Trust Fund Committee with data relating to any prospective Money Manager, indicating performance and relevant comparisons with similar money managers, to assist the Joint Trust Fund Committee in evaluating the performance of the prospective Money Managers.

3. Money Managers shall enter into separate agreements with the Joint Trust Fund Committee.

4. The Joint Trust Fund Committee, at any time and from time to time, shall have the power and authority to direct brokerage instructions through the Investment Adviser(s) for any security transactions executed with respect to the Fund. In connection therewith, the Joint Trust Fund Committee may:

(a) enter into such contracts, agreements or other arrangements as the Joint Trust Fund Committee deems appropriate with such Investment Adviser(s) and Money Manager(s).

(b) direct the Trustee, in writing, to pay the compensation and costs of brokers, as previously negotiated and agreed, from the Fund assets, in accordance with Article 16.

5. The rights and powers herein conferred on the Joint Trust Fund Committee shall be exercisable only in a fiduciary capacity, and any Investment Adviser(s) accepting the delegation of a discretionary function of the Joint Trust Fund Committee also shall be considered to be acting in a fiduciary capacity.

## Part VI
## Operation of the Fund

### Article 15
### Investment and Distribution Policy

1. The Joint Trust Fund Committee shall establish and revise from time to time, an investment and distribution policy consistent with this Agreement, with the intent that on October 1, 2023, and thereafter the Income shall be used for the purposes described in Article 3 of this Agreement.

2. The Investment Adviser(s) and Money Manager(s) shall cause to have the Fund invested only in Qualified Instruments that are identified from time to time by the Joint Trust Fund Committee. Issues of bonds, notes, or other redeemable instruments of the Government of the United States shall be considered Qualified Instruments and the Money Manager(s), under direction of the Joint Trust Fund Committee and the Investment Adviser(s), may invest the Fund in such issues without transaction fees or intermediary charges imposed by the Government of the United States.

3. The Fund and any Income derived from it shall not be taxable by the governments of the Parties to this Agreement to the extent that Income is derived from investment of the Fund in instruments of the Government of the United States or other Qualified Instruments.

### Article 16
### Investment and Distribution to the Government of the Federated States of Micronesia

1. The Fund shall consist of three accounts to be referred to hereinafter as the "A Account," the "B Account" and the "C Account," respectively (collectively, the "Accounts"). Each Account shall become effective as described in this Article.

2. The A Account, which shall be established upon the effective date of the Compact, as amended, shall form the Corpus and consist of contributions from the Original Parties, and Subsequent Contributors. Except as otherwise provided in this Agreement, it also consists of the Income from the investments made from the Principal, and transfers from the B Account and C Account in accordance with this Article.

3. Through September 30, 2022, payment of Allowable Expenses of the Fund shall be made from the A Account. During this period, the amount, if any, of Fund Income in each Fiscal Year which remains after such payment of expenses shall be reinvested into the A Account. Except as provided in this Article, or under Article 13 paragraph 7, or Article 14 paragraph 1(c), or Article 14 paragraph 4(b), or upon withdrawal of contributions under Article 21, or upon termination of the Fund under Article 22, no funds may be removed from the A Account.

4. The B Account:

(a) On October 1, 2022 the B Account shall be created.

(b) During Fiscal Year 2023, all Income earned in Fiscal Year 2023 shall be deposited into the B Account for disbursement, in accordance with this Article, in Fiscal Year 2024.

(c) For Fiscal Year 2024, and thereafter, the B Account shall consist of the prior year's Income from investment of funds in the A Account.

5. The C Account:

(a) shall be created at the same time as the A Account and, beginning in Fiscal Year 2004, through Fiscal Year 2022, any annual Income on the Fund over six percent (6%) shall be deposited in the C Account, up to the limit specified in (b) below. Beginning in Fiscal Year 2023, the C Account shall be replenished from the B Account in accordance with paragraph 8 below;

(b) shall contain no more than three times the estimated equivalent of the fiscal year 2023 Annual Grant Assistance, including estimated inflation calculated in accordance with section 217 of the Compact, as amended. Any excess above the estimated amount shall return to the A Account; and,

(c) may be drawn on, to the extent it contains sufficient funds, to address any shortfall in the B Account after Fiscal Year 2023, if Income on the A Account falls below the previous year's distribution (not including any amount distributed that year for Special Needs) adjusted for inflation, to the Government of the Federated States of Micronesia, and for Special Needs agreed to by the Joint Trust Fund Committee.

6. After Fiscal Year 2023, if the Income in the B Account is less than the previous year's distribution to the Government of the Federated States of Micronesia, and the C Account cannot cover the shortfall in the B Account, then the Corpus shall not be accessed to compensate for the shortfall.

7. The Joint Trust Fund Committee may disburse to the Government of the Federated States of Micronesia, from the B Account (supplemented from the C Account if the B Account is insufficient):

(a) in Fiscal Year 2024, an amount equal to the Annual Grant Assistance in Fiscal Year 2023, plus Full Inflation; and

(b) beginning in Fiscal Year 2025, and thereafter, an amount of funds no more than the amount equal to the Annual Grant Assistance in Fiscal Year 2023 plus

Cumulative Full Inflation thereon, plus any additional amounts for Special Needs approved under paragraph 5(c) above.

8. Beginning in Fiscal Year 2023, the Joint Trust Fund Committee shall transfer to the A Account any funds in the B Account in excess of the amount approved for disbursement in the following Fiscal Year, in accordance with paragraph 7 of this Article, unless such excess funds are needed to bring the C Account to the level specified in paragraph 5(b) of this Article.

9. A special account, hereinafter referred to as the D account, may be established to allow contribution by the Federated States of Micronesia for revenues or income from unanticipated sources. This account shall not be mixed with the Fund, but shall have a separate account number. The Federated States of Micronesia shall have access to funds in this account for unanticipated shortfalls or other purposes. Funds in this account are not part of the Corpus.

10. Accountability

(a) Implementing procedures

(1) The Joint Trust Fund Committee shall determine the fiscal procedures, including remedies, to be used in implementing this Agreement, provided that the Fiscal Procedures Agreement, referred to in sections 211 and 212 of the Compact, as amended, together with any amendments to it over the 20-year Compact, as amended, period, shall be the basis for such fiscal procedures, unless otherwise agreed by the Original Parties.

(2) No disbursements shall be made to the Government of the Federated States of Micronesia under this Article, from the Fund, until fiscal procedures have been agreed to under sub-clause (1) of this sub-paragraph (a).

(b) In the event that the remedies determined under sub-clause (1) of this sub-paragraph (a) of this paragraph do not correct any misuse of Income by the Government of the Federated States of Micronesia, and the Government of the Federated States of Micronesia continues to use, or causes to be used, Income or the Corpus for other than agreed purposes, remedies may be taken as provided in Article 21, paragraph 1 (a) of this Agreement.

11. Notwithstanding the foregoing, no funds shall be distributed from the A Account, the B Account or the C Account to the Government of the Federated States of Micronesia prior to October 1, 2023.

## Article 17
## Financial Year

The financial year of the Fund is the Fiscal Year.

## Part VII
## Accounts, Audit, and Reports

### Article 18
### Accounts

1. The Joint Trust Fund Committee shall cause the Trustee to keep all proper books and records of account of the assets, property, liabilities, income expenditure, and transactions of the Fund and to produce these promptly in order to facilitate audit.

2. The Trustee shall create one sub-fund for each Party, reflecting that Party's share of the Principal and Income. The Trustee shall keep all records for each sub-fund.

3. All records and reports of Fund returns shall clearly segregate and identify gross Income, management fees, and net Income.

4. The Government of the Federated States of Micronesia will provide to the Joint Trust Fund Committee full information and documents concerning its national budget and accounts, and any report of its public auditor.

### Article 19
### Audit

1. From its establishment and through Fiscal Year 2023, the Fund shall be audited at appropriate intervals by an independent auditor appointed by the Joint Trust Fund Committee (the "Auditor"). Thereafter the Fund shall be audited annually by the Auditor.

2. The Auditor shall satisfy himself that the accounts of the Fund have been properly prepared in accordance with United States accounting standards and he shall either:

(a) state in his report that:

(1) the accounts have been properly prepared in accordance with the books and records of the Fund;

(2) the books and records of the Fund have been properly kept and contain information adequate for the purposes of his audit;

(3) the balance sheet and income and expenditure account of the Fund give a true and fair view of the Fund's financial position; and

(4) the financial affairs of the Fund have been properly conducted in accordance with this Agreement; or

(b) notify the Joint Trust Fund Committee that he is unable to complete his report as provided in sub-paragraph (a) of this paragraph 2 giving his reasons.

3. The Auditor shall include in his/her report information on the performance of the Trustee and Money Manager(s) in the investment of the Fund in accordance with the guidelines laid down by the Joint Trust Fund Committee with comparative references to the performance of managers of other funds of a similar size and nature.

4. The Auditor shall submit his/her report to the Joint Trust Fund Committee.

## Article 20
## Annual Reports

Within six months of the end of each Fiscal Year, the Joint Trust Fund Committee shall publish and shall submit to the Government of the United States and to the Government of the Federated States of Micronesia:

(a) an annual report on the activities and management of the Fund, including on the operations of the Accounts described in Article 16 of this Agreement, and on the effectiveness of the fund to accomplish its purpose as described in Article 3 of this Agreement, which annual report may include recommendations regarding improving the effectiveness of the Fund to accomplish that purpose;

(b) the accounts of the Fund for that year audited in accordance with Article 19; and,

(c) reports of the Auditor under Article 19.

## Part VIII
## Withdrawal and Termination

### Article 21
### Withdrawal of Contributions

1. The Government of the United States may withdraw the Present Market Value of its contributions to the Fund, and any undistributed Income therefrom:

(a) in the event the Government of the United States determines, after consultation with the Government of the Federated States of Micronesia that the Government of the Federated States of Micronesia grossly failed to use the Income for the purposes described in Article 2 of this Agreement;

(b) should the Government of the Federated States of Micronesia fail to fulfill its obligations under the separate agreement regarding mutual security concluded pursuant to sections 321 and 323 of the Compact, as amended, or take any action which the Government of the United States determines after appropriate consultation with the Government of the Federated States of Micronesia, to be incompatible with the Government of the United States' responsibility for security and defense matters in or relating to the Federated States of Micronesia, as set forth in such agreement(s).

2. Except as provided in paragraph 1 of this Article, any other Party may withdraw from this Agreement by depositing an instrument of withdrawal with the Depository.

3. In the event of withdrawal by a Party, no distribution of assets shall be made to that Party until that Party discharges its proportionate share of operating expenses, fees, and other administrative costs. Subsequently, the Present Market Value of the remaining Principal and Income attributable to that Party, shall be paid back to that Party.

4. A Party that withdraws from this Agreement shall have no rights under this Agreement except as provided in this Article and Article 24 and no refund of its contributions shall be made to it except as a distribution of assets under this Article and Article 22.

### Article 22
### Termination and Distribution of Assets

1. The Fund's operations may be terminated by written agreement of the Original Parties.

2. Upon termination of operations the Fund shall immediately cease all activities, except those incidental to the orderly realization and conservation of its assets and the settlement of its obligations.

3. On final settlement of the obligations of the Fund and the distribution of its assets this Agreement shall terminate. Until then, the Fund shall remain in existence and all rights and obligations for the Fund and the Parties and Subsequent Contributors under this Agreement shall continue unimpaired.

4. In the event of termination, no distribution of assets shall be made until all liabilities have been discharged. Subsequently, the assets of the Fund shall be distributed as follows:

(a) the Present Market Value of the Principal and Income attributable to the Government of the United States shall be paid back to that Government; and,

(b) the Present Market Value of the Principal and Income attributable to the Government of the Federated States of Micronesia shall be paid back to that Government.

(c) the Present Market Value of the Principal and Income attributable to Subsequent Contributors shall be paid back to those Subsquent Contributors, unless such Subsequent Contributors agree otherwise.

## Part IX
## Miscellaneous Provisions

### Article 23
### Amendments

The Agreement may be amended at any time in writing by mutual consent of the Original Parties.

### Article 24
### Dispute Resolution

1. Any dispute arising out of this Agreement between the Original Parties, whether during the life of the Fund or on its termination of its operations, that cannot be resolved by the Joint Trust Fund Committee:

(a) shall, if the dispute involves Articles 4, 6, 8, 9, 12, 13, 14, 15, 17, 19, 23, 25, and 26, be referred for resolution to the Original Parties. The Original Parties shall confer and resolve the dispute. If either government feels it is necessary, it may give written notification to the other government that it wants the issue to be referred to the Under Secretary of State (or equivalent) of the other Government.

(b) All other disputes may be resolved in accordance with the procedure described in sub-paragraph 1(a) above, or through the conference and dispute resolution process set forth in Article II of Title Four of the Compact, as amended.

2. Disputes involving Subsequent Contributors should be handled as mutually agreed by the Original Parties and Subsequent Contributors.

### Article 25
### Depository

The Depository for this Agreement shall be the Government of the United States.

### Article 26
### Final Provisions

1. This Agreement shall be open for signature by the Governments of the Federated States of Micronesia and the United States.

2. This Agreement shall enter into force on the effective date of the Compact, as amended.

3. After entry into force, this Agreement shall be open for accession by Subsequent Contributors, other than the Original Parties, at the invitation of the Joint Trust Fund

Committee and in accordance with such arrangements including an initial contribution to the Fund as may be agreed by the Joint Trust Fund Committee.

4. For a Subsequent Contributor which accedes to this Agreement, the Agreement shall enter into force 30 days after the deposit of its instrument of accession.

5. Interpretation. In this Agreement, all references herein to Articles, paragraphs, sub-paragraphs, clauses, and sections shall be deemed references to this Agreement unless the context shall otherwise require. References to statutes or regulations are to be construed as including all statutory or regulatory provisions, as applicable, consolidating, amending or replacing the statute or regulation referred to. All references to agreements and other documents shall be to such documents as amended, modified, supplemented or restated from time to time in a manner consistent with the terms and conditions of this Agreement. Except as otherwise expressly provided herein, all terms of an accounting or financial nature shall be construed in accordance with Generally Accepted Accounting Principles, as in effect from time to time in the United States of America.

DONE at Palikir, in duplicate, this 14th day of May, 2003, each text being equally authentic.

FOR THE GOVERNMENT OF THE UNITED STATES OF AMERICA:

FOR THE GOVERNMENT OF THE FEDERATED STATES OF MICRONESIA: