



Tony J. Schmidt, ARM • President

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March 6, 2006

Mr. Steven Baker
President and CEO
Micronesia Registration Advisors, Inc.
300 Oceanfront Street, JD Building
Kolonias, Pohnpei, FSM 96941

RE: FSM - Captive Insurance Regime

Dear Steve,

Through my experiences in the captive insurance industry, I have had the opportunity to work with a number of captive insurance domiciles over the years. Part of this experience was through my work with the State of Hawaii Insurance Division as Chief Captive Insurance Examiner and the remainder through the private sector as a captive insurance manager and now independent captive insurance consultant. I have also had the opportunity to attend captive insurance meetings and seminars in Tokyo and also work with Japanese organizations which have formed captives in Hawaii. This has provided me with a unique insurance background and also allowed me to form Pacific Risk Solutions, LLC.

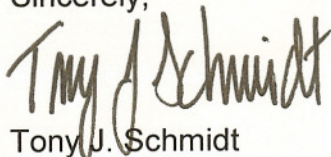
In December of 2005 I attended and presented information on developing a captive insurance domicile to Micronesia Registration Advisors ("MRA") and government members of the Federated States of Micronesia ("FSM"). It was after this meeting that we began a series of discussions regarding FSM and the development of a captive insurance regime. I was then provided with the

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opportunity to assist MRA in drafting the captive insurance bill that would be presented to FSM's Congress. In putting together this legislation we reviewed those captive insurance domiciles where Japanese corporations have previously formed captive insurance subsidiaries. These domiciles included: Bermuda, Cayman Islands, Guernsey, Hawaii, Ireland, and Singapore. We also reviewed captive insurance laws of other domiciles, such as Vermont and Isle of Man. This has allowed us to draft FSM's captive insurance law with a direct focus on the needs of Japanese corporations who plan to enter the alternative risk arena by forming captive insurance subsidiaries. I believe this focus will allow FSM to become the leading captive insurance domicile for Japanese corporations in the future.

During the process of developing the language for this bill, I had the opportunity to not only work with MRA, but also learn about the genuine desire to help FSM further diversify its economy through a corporate tax regime and the proposed captive insurance regime. Based on the business and international backgrounds of both Mark and yourself, I have no doubt that MRA will be able to succeed in its efforts in not only establishing FSM as a place for international business, but also as a leading captive insurance domicile for Japanese based businesses for years to come. I look forward to being a part of this exciting opportunity to assist MRA and the FSM.

Sincerely,



Tony J. Schmidt