

FIFTH CONGRESS OF THE FEDERATED STATES OF MICRONESIA

FOURTH SPECIAL SESSION, 1989      CONGRESSIONAL BILL No. 5-429, C.D.1, C.D.2,  
C.D.3, C.D.4,  
C.D.5, C.D.6

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AN ACT

To amend title 58 of the Code of the Federated States of Micronesia by amending sections 512, 513, 521, 522, 524, 525, 531, 535, 562, and 564, as established by Public Law No. 5-121, and to further amend title 55 of the Code of the Federated States of Micronesia, as amended by Public Laws Nos. 5-16, 5-88, 5-119 and 5-121, by amending sections 625 and 627, for the purpose of authorizing bank borrowings, establishing procedures for pledges of funds, altering committee voting requirements, expanding the waiver of sovereign immunity, and for other purposes.

BE IT ENACTED BY THE CONGRESS OF THE FEDERATED STATES OF MICRONESIA:

1           Section 1. Section 512 of title 58 of the Code of the Federated  
2 States of Micronesia, as established by Public Law No. 5-121, is  
3 hereby amended to read as follows:

4           "Section 512. Definitions. As used in this chapter, these  
5 terms shall have the following meanings, unless otherwise  
6 required by context:

7           (1) 'Bond' or 'Bonds' means any bond, note or other  
8 evidence of indebtedness issued under this chapter  
9 including any indebtedness for borrowed money to any  
10 commercial bank or similar financial institution and any  
11 reimbursement obligation to a provider of Credit  
12 Enhancement;

13           (2) 'Bond Fund' means the fund created pursuant to  
14 section 523 of this chapter;

15           (3) 'Committee' means the committee referred to in  
16 section 524 of this chapter;

17           (4) 'Compact of Free Association' means the Compact  
18 of Free Association between the Federated States of  
19 Micronesia and the United States of America;

20           (5) 'Credit Enhancement' means bond insurance,  
21 letters of credit, or similar credit enhancement  
22 instruments;

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1                   (6) 'Federated Development Authority' means the FSM  
2 instrumentality of that name;

3                   (7) 'FSM' means the Federated States of Micronesia;

4                   (8) 'FSM Fiscal Agent' means any fiscal agent  
5 selected and acting pursuant to subchapter V of this  
6 chapter;

7                   (9) 'Indenture' means any indenture, agreement or  
8 other instrument pursuant to which the Bonds shall be  
9 issued, as approved by the resolution;

10                  (10) 'Pledged Compact Funds' means the amounts  
11 payable under the Compact of Free Association which the  
12 President of the Federated States of Micronesia is  
13 authorized to pledge to the payment of the Bonds following  
14 legislative action by the FSM and its constituent States;

15                  (11) 'Pledged Funds' means the Pledged Compact Funds  
16 and/or other pledged moneys, and investment earnings  
17 thereon;

18                  (12) 'Resolution' means the resolution or resolutions  
19 of the committee authorizing the issuance and sale of the  
20 Bonds in one or more series, on the terms and conditions,  
21 and substantially in the form, approved therein or pursuant  
22 to procedures provided therein;

23                  (13) 'Secretary' means the Secretary of Finance of  
24 the Federated States of Micronesia;

25                  (14) 'State' means any constituent State of the

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1 Federated States of Micronesia;

2 (15) 'Swap instruments' has the meaning set forth in  
3 section 531(1)(q) of this chapter; and

4 (16) 'Trustee' means the FSM Fiscal Agent appointed  
5 as such in the Indenture and any successors or assigns, who  
6 will act as such for the benefit of the holders of the  
7 Bonds."

8 Section 2. Section 513 of title 58 of the Code of the Federated  
9 States of Micronesia, as established by Public Law No. 5-121, is  
10 hereby amended to read as follows:

11 "Section 513. Purpose; Bonds; Costs of Issuance.

12 (1) The purpose of this chapter is to authorize  
13 borrowing by the FSM for the benefit of itself and/or any  
14 one or more of its constituent States in anticipation of  
15 receipt from the United States of America of grant funds  
16 under the Compact of Free Association. Any such borrowing  
17 may be from any commercially reasonable source whatsoever,  
18 and may be accomplished through the issuance of Bonds in  
19 any commercially reasonable manner, including, without  
20 limitation, Bonds publically offered in the United States  
21 of America or elsewhere, Bonds or other evidences of  
22 indebtedness issued in private placements, bank borrowings,  
23 and other types of financings, so long as the procedures  
24 set forth herein are followed. It is necessary and  
25 appropriate that the FSM, in cooperation with the State

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1 governments of the FSM, use all practical means to enhance  
2 the benefits derived from moneys payable to the FSM and the  
3 State governments pursuant to the Compact of Free  
4 Association by participating in a financing secured by all  
5 or a portion of such payments due from the United States of  
6 America. This method of financing is in the public  
7 interest and serves a public purpose.

8 (2) The securities evidencing this indebtedness may  
9 be general or limited obligations of the FSM, entitled  
10 'Federated States of Micronesia Compact Financing Bonds,'  
11 may bear additional designations indicating the purpose of  
12 the financing as the committee may determine, may be issued  
13 in one or more series (including refundings), and may be  
14 secured by the full faith and credit of the FSM, a pledge  
15 of grant funds under the Compact of Free Association,  
16 Credit Enhancement, or other moneys, all as specified in  
17 the resolution.

18 (3) The costs of issuance of such Bonds, including  
19 printing, filing fees with regulatory agencies, such as the  
20 United States Securities and Exchange Commission, legal,  
21 rating agency, financing advisors', placement agent's,  
22 underwriters', Trustee's and similar fees and expenses, and  
23 fees or premiums for Credit Enhancement, may also be paid  
24 from the proceeds of sales of the Bonds. The costs of  
25 issuance may also include prior expenditures incurred in

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1 connection with such issuance.

2 (4) In the event Bonds that are general obligations  
3 of the FSM are issued in a financing in which the FSM  
4 and/or any State does not participate in the proceeds  
5 therefrom, the participating State or States shall provide  
6 assurance satisfactory to the Secretary that the FSM and/or  
7 the non-participating States will be protected from any  
8 loss arising in connection with such Bonds before such  
9 Bonds may be issued."

10 Section 3. Section 521 of title 58 of the Code of the Federated  
11 States of Micronesia, as established by Public Law No. 5-121, is  
12 hereby amended to read as follows:

13 "Section 521. Authorization; Validity.

14 (1) The FSM is authorized to issue Bonds for the  
15 benefit of itself and/or any one or more of its constituent  
16 States in one or more series (including refundings), each  
17 series to be authorized by the Secretary acting for the  
18 committee, following the adoption of the resolution fixing  
19 the terms and conditions of the issue and the form of the  
20 Bonds or setting forth procedures for such determination.

21 (2) As specified in the resolution, the Bonds shall  
22 be valid general or limited obligations of the FSM, payable  
23 from one or more of the following: general funds of the  
24 FSM, general funds of any State, Pledged Funds, proceeds of  
25 any Credit Enhancement or swap instruments, and proceeds of

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1            refunding bonds or other indebtedness. The validity of the  
2            Bonds shall not be affected by the validity or regularity  
3            of the projects thereby funded. Except as required pursuant  
4            to section 522, no subsequent appropriation will be  
5            necessary by the Congress of the Federated States of  
6            Micronesia for moneys for payment of the principal of,  
7            or interest or premium, if any, on the Bonds. This  
8            chapter and the resolution shall constitute the sole  
9            and complete authorization for the pledge of such amounts  
10           as are pledged by a participating State pursuant to  
11           the requirements of section 522, and for the payment  
12           of the principal of, and interest and premium, if any,  
13           on the Bonds.

14           (3)(a) If the Bonds constitute general obligations of  
15           the FSM, all Bonds issued in certificate form shall contain  
16           on the face thereof a statement to the following effect:

17           'This Bond constitutes a general obligation of the  
18           Federated States of Micronesia and the full faith and  
19           credit of the Federated States of Micronesia is pledged to  
20           the payment of principal of, and interest and premium, if  
21           any, on this Bond.'

22           (b) If the Bonds constitute limited obligations of  
23           the FSM, all Bonds issued in certificate form shall contain  
24           on the face thereof a statement to the following effect:

25           'This Bond constitutes a limited obligation of the

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1 Federated States of Micronesia, payable solely [state  
2 sources of repayment]. Neither the taxing power nor the  
3 full faith and credit of the Federated States of Micronesia  
4 is pledged to the payment of the principal of, or interest  
5 or premium, if any, on this Bond.'"

6 Section 4. Section 522 of title 58 of the Code of the Federated  
7 States of Micronesia, as established by Public Law No. 5-121, is  
8 hereby amended to read as follows:

9 "Section 522. The Pledge of Funds.

10 (1) Upon the recommendation of the committee as set  
11 forth in the resolution or pursuant to procedures  
12 established thereby, the President may pledge all or any  
13 part of the Pledged Funds to secure payment of the Bonds  
14 and any payment to the provider of any Credit Enhancement.  
15 The Pledged Funds so pledged shall be made available  
16 pursuant to the relevant provisions of title 55 of the  
17 Code of the Federated States of Micronesia, except that  
18 all Pledged Compact Funds included in the pledge shall  
19 be paid directly by the United States of America to the  
20 Trustee for the benefit of the holders of the Bonds.  
21 Any pledge pursuant to the provisions hereof shall be  
22 irrevocable and valid and binding from the time such pledge  
23 is made and shall be deemed a valid obligation of the  
24 Pledged Funds, notwithstanding the provisions of section  
25 220 of title 55 of the Code of the Federated States of

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1           Micronesia. The Pledged Compact Funds so pledged and  
2           thereafter received by the Trustee, or any other Pledged  
3           Funds so pledged and thereafter deposited into the Bond  
4           Repayment Fund established pursuant to subchapter V of  
5           chapter 6 of title 55 of the Code of the Federated States  
6           of Micronesia, shall immediately be subject to the lien of  
7           such pledge without any physical delivery thereof or  
8           further act, and the lien of any such pledge shall be valid  
9           and binding as against all parties having claims of any  
10          kind in tort, contract, or otherwise against the FSM or any  
11          of its political subdivisions, irrespective of whether such  
12          parties have notice thereof. Neither the resolution nor  
13          the Indenture by which a pledge is created need be filed or  
14          recorded in the records of the FSM in order to perfect the  
15          lien or give notice of the pledge; PROVIDED that the FSM  
16          shall give due written notice of the pledge to the United  
17          States of America.

18                 (2) The committee shall determine the extent of the  
19                 pledge, provisions for release of moneys or other assets  
20                 from the pledge, and other matters relevant thereto, all as  
21                 evidenced in the resolution or the Indenture; PROVIDED,  
22                 however, that the committee may not make such a  
23                 determination nor any recommendation to the President  
24                 regarding the pledge until it receives from each  
25                 participating State and, if participating, from the FSM:



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- 1 (a) A copy of a statute or statutes that:
- 2 (i) Identifies the source and amount of
- 3 funds to be used to secure the borrowing;
- 4 (ii) Authorizes, if appropriate, the
- 5 President to pledge the specified security offered by the
- 6 participating State, or, if participating, the FSM as
- 7 security for all financial obligations related to or
- 8 resulting from the borrowing;
- 9 (iii) Authorizes the payment from the
- 10 specified security offered by the participating State or,
- 11 if participating, the FSM for the purpose of, and to the
- 12 extent required, to satisfy all financial obligations
- 13 attributable to the participating State or, if
- 14 participating, the FSM related to or resulting from the
- 15 borrowing;
- 16 (iv) Consents to and authorizes, if
- 17 appropriate, a reduction in the amount of Compact funds
- 18 received or to be received through the Compact Financial
- 19 Assistance Fund on behalf of the State, with such reduction
- 20 being commensurate with the amount of Pledged Compact Funds
- 21 pledged by the State, and waives all rights to the receipt
- 22 of such Pledged Compact Funds; and
- 23 (v) Authorizes the State to indemnify,
- 24 hold harmless, and defend any officer or employee of the
- 25 State who is subjected to any personal liability or

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1           accountability by reason of the issuance of the Bonds.

2                   (b) An opinion, addressed to the President, of  
3           the Attorney General or the highest legal officer of the  
4           participating State or, if participating, the FSM that the  
5           statute or statutes provided is or are legally sufficient  
6           to meet the requirements set forth in subsection (a),  
7           above, and that all other necessary legal steps,  
8           administrative or otherwise, have been completed by the  
9           participating State or, if participating, the FSM in order  
10          to make the specified security available, as required  
11          pursuant to subsection (1) of this section, directly  
12          through the Trustee or through the Bond Repayment Fund  
13          established pursuant to subchapter V of chapter 6 of  
14          title 55 of the Code of the Federated States of  
15          Micronesia for the purposes contemplated under this  
16          chapter. Such opinion shall be exclusively relied upon  
17          only by the President or the committee and no statement or  
18          any conclusion therein may be relied upon for any purpose  
19          by any other person, corporation or entity.

20                   (3) The pledge to be determined by the committee  
21           shall not exceed the sum of the pledges authorized by  
22           the participating States or, if participating, the FSM."

23          Section 5. Section 524 of title 58 of the Code of the Federated  
24          States of Micronesia, as established by Public Law No. 5-121, is  
25          hereby amended to read as follows:

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1           "Section 524. Committee.

2                   (1) The committee shall consist of five members, who  
3 shall have one vote each, including the Secretary or his  
4 designee, the Director of Administrative Services of Yap,  
5 the Director of Finance of Truk, the Director of the  
6 Department of Treasury of Pohnpei, and the Director of  
7 Finance and Treasury of Kosrae; PROVIDED, however, that,  
8 with respect to the representatives of the States on the  
9 committee, the Governor of each State may elect to  
10 designate an alternative individual to serve in the place  
11 of the relevant State director specified above. Members of  
12 the committee shall serve without compensation. The  
13 Secretary or his designee shall be the secretary of the  
14 committee and may certify its action. The committee,  
15 through the Secretary or his designee, shall render reports  
16 from time to time to the Federated Development Authority  
17 for informational purposes.

18                   (2) Subject to the express provisions of this  
19 subchapter II, the committee is authorized to determine,  
20 and by resolution shall determine, all matters set forth in  
21 this chapter to be determined by the committee; PROVIDED  
22 that any payments on the Bonds in any year shall not exceed  
23 the Pledged Funds held or to be received by the Trustee in  
24 such year; and PROVIDED FURTHER that the Secretary may  
25 take any action authorized in this Compact Financing Act,

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1 by the resolution or by the Indenture to be taken by him  
2 without any further authorization of, or other action by,  
3 the committee, unless this Compact Financing Act, the  
4 resolution or the Indenture expressly indicates that the  
5 committee is required to so authorize or otherwise act.

6 (3) The committee may adopt the resolution or any  
7 other resolution it may be required to adopt (a) by  
8 unanimous written consent, or (b) at a meeting of the  
9 committee, by an affirmative vote of the Secretary and not  
10 less than three of its other members. Presence at any  
11 meeting of the committee may be either in person or by  
12 conference telephone call during which each member can hear  
13 each other member present during such proceedings.

14 (4) Notwithstanding other provisions of this  
15 section 524, the actions which are required by this  
16 Compact Funds Financing Act to be taken by the committee  
17 may be taken by the Secretary and the member or members of  
18 the committee from one or more States if such State or  
19 States determine to borrow funds directly from a financial  
20 institution pursuant to this Compact Financing Act, as  
21 opposed to a public offering or private placement of  
22 Bonds. The actions taken by the Secretary and the member  
23 or members representing such State or States shall be  
24 deemed to be actions by the committee for all purposes of  
25 this Compact Financing Act with respect to such borrowing.

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1 All resolutions required to be adopted hereunder and all  
2 actions required to be taken hereunder shall be deemed  
3 to have been taken by the committee if taken by such  
4 member or members and the Secretary."

5 Section 6. Section 525 of title 58 of the Code of the Federated  
6 States of Micronesia, as established by Public Law No. 5-121, is  
7 hereby amended to read as follows:

8 "Section 525. Tax free nature of the Bonds. Bonds and  
9 the repayment of the principal of, and interest and  
10 premium, if any, thereon, and original issue discount  
11 and market discount, if any, with respect thereto, shall  
12 not be subject to any tax, assessment or levy, now or  
13 hereafter imposed, of the FSM or any of its political  
14 subdivisions, nor shall the FSM or any of its political  
15 subdivisions impose any tax, assessment or levy upon the  
16 sale or disposition of such Bonds. The Bonds shall be  
17 deemed obligations not located within the jurisdiction or  
18 legal boundaries of the FSM or any of its political  
19 subdivisions for purposes of any national, state or local  
20 taxation, assessment or levy."

21 Section 7. Section 531 of title 58 of the Code of the Federated  
22 States of Micronesia, as established by Public Law No. 5-121, is  
23 hereby amended to read as follows:

24 "Section 531. Resolution.

25 (1) Whenever the committee determines that the sale

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1 of any bonds, notes or other evidence of indebtedness is  
2 necessary or desirable, it shall adopt a resolution  
3 authorizing the issuance and sale of Bonds. The resolution  
4 shall authorize and direct the Secretary to arrange for the  
5 preparation of the requisite number of suitable Bonds, in  
6 registered form (unless the resolution directs the Bonds to  
7 be issued in book entry form), and either shall specify as  
8 to such Bonds then to be sold, or shall authorize the  
9 execution of the Indenture or certificates or orders  
10 pursuant to an existing Indenture, which together  
11 shall contain, the following information:

12 (a) Whether the Bonds shall be general or  
13 limited obligations of the FSM;

14 (b) The currency in which any or all of the  
15 Bonds are to be repaid, aggregate number, denominations and  
16 the date of the Bonds to be sold;

17 (c) The dates of maturity, the amount of the  
18 Bonds maturing at each date of maturity, which amounts need  
19 not be equal, and the establishment of any sinking fund  
20 schedule or schedules;

21 (d) Whether the Bonds are to be subject to  
22 optional and/or mandatory redemption prior to maturity,  
23 and, if so, the provisions for such redemption, the manner  
24 of the call thereof, and the price or prices at which the  
25 Bonds shall be subject to redemption;

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1                   (e) The annual rate, or rates, of interest which  
2                   the Bonds to be issued shall bear, which rate or rates may  
3                   be determined at the time of the sale of the Bonds and  
4                   which rate or rates may be fixed or variable in accordance  
5                   with a formula provided for in the resolution or the  
6                   Indenture;

7                   (f) The interest payment dates;

8                   (g) Whether the Bonds shall be issued in  
9                   certificate form and/or in book entry form; if the Bonds  
10                  are to be issued in certificate form, the form and language  
11                  of the Bonds, and, if the Bonds are to be issued in book  
12                  entry form, whether the book entry system and register  
13                  shall be maintained by the Secretary, the Trustee, or  
14                  another agent;

15                  (h) Whether the right is reserved to make  
16                  delivery in the form of temporary or interim bonds,  
17                  certificates, or receipts, exchangeable for definitive  
18                  Bonds when executed and available for delivery, and, if  
19                  such right is reserved, the denominations and form of  
20                  such temporary securities;

21                  (i) Whether the Bonds are to be sold at public  
22                  sale or negotiated sale and, if a public sale, the method  
23                  of determining the lowest interest cost bid, and, if a  
24                  negotiated sale, the lowest purchase price to be received  
25                  by the FSM in any public offering or private placement of

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1 the Bonds;

2 (j) Whether the Bonds shall be in the nature of  
3 commercial paper (i.e., issued in large denominations and  
4 scheduled to mature in 270 days or less);

5 (k) Whether all or any portion of the Bonds  
6 shall be additionally secured by Credit Enhancement and, if  
7 so, an authorization of the terms and conditions thereof;

8 (l) The restrictive and financial covenants  
9 governing the Bonds, if any;

10 (m) The appointment of the Trustee, and  
11 additional fiscal agents, registrars or paying agents, if  
12 any;

13 (n) The place of issuance of the Bonds, which  
14 may be inside or outside the territorial limits of the FSM;

15 (o) The law governing the Indenture and the  
16 Bonds;

17 (p) If applicable, the designated sub-fund  
18 within the Bond Repayment Fund into which all moneys  
19 pledged to the payment of the Bonds shall be placed in  
20 accordance with section 522(1) and subchapter V of  
21 chapter 6 of title 55 of the Code of the Federated  
22 States of Micronesia;

23 (q) Whether in conjunction with issuance and  
24 sale of the Bonds, the FSM shall enter into one or more  
25 agreements relating to transfer or mitigation of currency



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1 or interest rate risks, minimization of borrowing costs or  
2 similar fiscal purposes between the FSM and any counter-  
3 parties, commercial or investment banks, dealers or similar  
4 parties ('swap instruments'), which may include  
5 indemnities; and

6 (r) Any and all other terms and conditions of  
7 the Bonds and of the execution, issuance and sale thereof,  
8 which shall be consistent with all of the provisions of  
9 this chapter or any other applicable law of the FSM or a  
10 participating State.

11 (2) The resolution or the Indenture may also  
12 authorize the Secretary to determine certain terms as  
13 specified in the resolution or the Indenture, including but  
14 not limited to, the interest rate or rates, maturity or  
15 redemption date or dates, and purchase price of the Bonds,  
16 provided, however, that the committee shall determine  
17 in the resolution or the Indenture shall specify the  
18 maximum rate of interest, latest maturity date and lowest  
19 purchase price permitted for the Bonds."

20 Section 8. Section 535 of title 58 of the Code of the Federated  
21 States of Micronesia, as established by Public Law No. 5-121, is  
22 hereby amended to read as follows:

23 "Section 535. Signatures; Seal. Each Bond issued in  
24 certificate form shall bear the manual or facsimile  
25 signature of the Secretary and an impress or a facsimile of

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1 the seal of the FSM. Each such signature shall be that of  
2 the person who shall be in office at the date of  
3 authorizing the affixing thereof. Bonds so executed, when  
4 sold and authenticated by an FSM Fiscal Agent, shall be  
5 valid and binding notwithstanding any of such persons  
6 having ceased to hold their respective offices before the  
7 issuance and delivery of the Bonds."

8 Section 9. Section 562 of title 58 of the Code of the Federated  
9 States of Micronesia, as established by Public Law No. 5-121, is  
10 hereby amended to read as follows:

11 "Section 562. Liability of committee members, officers  
12 and employees. No member of the committee, officer or  
13 employee of the committee, or any officer or employee  
14 of the FSM or any political subdivision thereof,  
15 including, without limitation, the FSM Attorney General  
16 or any person executing any Bonds shall be subject to  
17 any personal liability or accountability by reason  
18 of the issuance thereof. If, despite the foregoing,  
19 any action is brought against any member of the  
20 committee, any officer or employee of the committee,  
21 or any officer or employee of the FSM, then the  
22 FSM shall indemnify, hold harmless and defend such  
23 individual against any personal liability or account-  
24 ability by reason of the issuance of any Bonds. This  
25 section shall not apply in the case of fraud or gross

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CONGRESSIONAL BILL No. 5-429, C.D.1, C.D.2,  
C.D.3, C.D.4,  
C.D.5, C.D.6

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1 negligence."

2 Section 10. Section 564 of title 58 of the Code of the Federated  
3 States of Micronesia, as established by Public Law No. 5-121, is  
4 hereby amended to read as follows:

5 "Section 564. Waiver of sovereign immunity. Only with  
6 respect to Pledged Funds, the FSM waives, for the benefit of  
7 the holders of the Bonds, the Trustee acting on their  
8 behalf, any agent or underwriter acting with respect to the  
9 Bonds, or the provider of any Credit Enhancement, its  
10 sovereign immunity from suit before the Federal court of the  
11 United States in the district in which the principal office  
12 of the Trustee is located in any action brought by the  
13 holders of the Bonds, the Trustee acting on their behalf, or  
14 such provider of Credit Enhancement arising out of the  
15 issuance and sale of the Bonds or performance under the  
16 Bonds or the Indenture. Except as expressly so waived,  
17 nothing in this chapter, including, but not limited to,  
18 sections 561 and 564 hereof, is intended to be, nor shall be  
19 construed as a waiver, implicit or explicit, of the FSM's  
20 sovereign immunity from suit in the courts of the United  
21 States of America. Nothing in this chapter shall be  
22 construed as a waiver, implicit or explicit, of the FSM's  
23 sovereign immunity, or to permit any judgment or execution  
24 against the FSM with respect to any property other than  
25 Pledged Funds. In the event of conflict between this section

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1 and any provision in chapter 7 of title 6 of the Code of the  
2 Federated States of Micronesia, this section shall prevail."

3 Section 11. Section 625 of title 55 of the Code of the  
4 Federated States of Micronesia, as established by Public Law No.  
5 5-121, is hereby amended to read as follows:

6 "Section 625. Purpose. The purpose of the Bond Repayment  
7 Fund is to provide for the deposit and disbursement of  
8 funds pledged by a State government and/or the National  
9 Government which participates in a Borrowing if such funds  
10 are not otherwise deposited with the Trustee pursuant to  
11 section 522(1) of chapter 5 of title 58 of the Code of the  
12 Federated States of Micronesia."

13 Section 12. Section 627 of title 55 of the Code of the  
14 Federated States of Micronesia, as established by Public Law No.  
15 5-121, is hereby amended to read as follows:

16 "Section 627. Deposits. All funds pledged by and  
17 received, other than those funds deposited with a Trustee  
18 pursuant to section 522(1) of chapter 5 of title 58 of the  
19 Code of the Federated States of Micronesia, from a State  
20 government or from the National Government for the purpose  
21 of securing its financial obligations related to or  
22 resulting from a Borrowing shall be deposited into the  
23 sub-fund of the Bond Repayment Fund established in  
24 connection with that Borrowing. Any unexpended moneys in a  
25 sub-fund of the Bond Repayment Fund shall not revert to the

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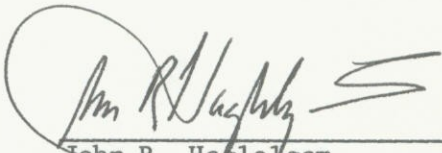
CONGRESSIONAL BILL No. 5-429, C.D.1, C.D.2,  
C.D.3, C.D.4,  
C.D.5, C.D.6

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1                   General Fund at the end of the fiscal year."  
2           Section 13. This act shall become law upon approval by the  
3 President of the Federated States of Micronesia or upon its becoming  
4 law without such approval.

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May 9, 1989

  
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John R. Hagelgam  
President  
Federated States of Micronesia