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A BILL FOR AN ACT

To further amend title 55 of the Code of the Federated States of Micronesia, as amended, by adding a new chapter 5 for the purpose of authorizing borrowing by the Federated States of Micronesia in anticipation of receipt from the United States of America of grant funds under the Compact of Free Association, with the security for such borrowing being a pledge of all or a portion of such grant funds and the indebtedness created thereby being a general obligation of the Federated States of Micronesia, and for other purposes.

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

1 Section 1. Title 55 of the Code of the Federated States of
2 Micronesia is hereby further amended by adding a new chapter 5,
3 entitled "Compact Funds Monetization", with subchapters I, entitled
4 "General"; II, entitled "Authorization"; III, entitled "Issuance of
5 Bonds"; IV, entitled "Payment, Cancellation and Redemption of Bonds";
6 V, entitled "FSM Fiscal Agents"; and VI, entitled "Legal Matters."

7 Section 2. Title 55 of the Code of the Federated States of
8 Micronesia is hereby further amended by adding a new section 511 of
9 subchapter I of chapter 5 to read as follows:

10 "Section 511. Short title. This chapter shall be known as
11 the Compact Funds Monetization Act."

12 Section 3. Title 55 of the Code of the Federated States of
13 Micronesia is hereby further amended by adding a new section 512 of
14 subchapter I of chapter 5 to read as follows:

15 "Section 512. Definitions. As used in this chapter:

16 (1) 'Bond' or 'Bonds' means any bond, note or other
17 evidence of indebtedness issued under this chapter;

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

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

22 (4) 'Compact of Free Association' means the Compact of
23 Free Association between the Federated States of Micronesia
24 and the United States of America;

25 (5) 'Federated Development Authority' means the FSM

- 1 instrumentality of that name;
- 2 (6) 'FSM' means the Federated States of Micronesia;
- 3 (7) 'FSM Fiscal Agent' means any fiscal agent selected
4 and acting pursuant to subchapter V of this chapter;
- 5 (8) 'Indenture' means any indenture, agreement or
6 other instrument pursuant to which the Bonds shall be
7 issued, as approved by the resolution;
- 8 (9) 'Pledged Compact Funds' means the amounts payable
9 under the Compact of Free Association which the committee is
10 authorized to pledge to the payment of the Bonds following
11 legislative action by the FSM and its constituent States;
- 12 (10) 'Pledged Fund' means the Pledged Compact Funds and
13 moneys in the Bond Fund and investment earnings;
- 14 (11) 'Resolution' means the resolution or resolutions
15 of the committee authorizing the issuance and sale of the
16 Bonds in one or more series on the terms and conditions, and
17 substantially in the form, approved therein;
- 18 (12) 'Secretary' means the Secretary of Finance of the
19 Federated States of Micronesia;
- 20 (13) 'Swap instruments' has the meaning set forth in
21 section 531(1)(p) of this chapter; and
- 22 (14) 'Trustee' means the FSM Fiscal Agent appointed as
23 such in the Indenture and any successors or assigns, who
24 will act as such for the benefit of the holders of the
25 Bonds."

1 Section 4. Title 55 of the Code of the Federated States of
2 Micronesia is hereby further amended by adding a new section 513 of
3 subchapter I of chapter 5 to read as follows:

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

5 (1) The purpose of this chapter is to authorize
6 borrowing by the FSM in anticipation of receipt from the
7 United States of America of grant funds under the Compact of
8 Free Association. It is necessary and appropriate that the
9 FSM, in cooperation with the State governments of the FSM,
10 use all practical means to enhance the benefits derived from
11 moneys payable to the FSM and the State governments pursuant
12 to the Compact of Free Association by participating in a
13 financing secured by all or a portion of such payments due
14 from the United States of America. This method of financing
15 is in the public interest and serves a public purpose.

16 (2) The securities evidencing this indebtedness are
17 general obligations of the FSM, entitled 'Federated States
18 of Micronesia Compact Financing Bonds,' may be issued in one
19 or more series (including refundings), and shall be secured
20 by the full faith and credit of the FSM, a pledge of grant
21 funds under the Compact of Free Association or other moneys,
22 all as specified in the resolution.

23 (3) The costs of issuance of such Bonds, including
24 printing, filing fees with regulatory agencies, such as the
25 United States Securities and Exchange Commission, legal,

1 rating agency, financing advisors', Trustee's and similar
2 fees and expenses, and fees or premiums for letters of
3 credit, insurance policies or similar credit enhancement
4 instruments, may also be paid from the proceeds of sales of
5 the Bonds. The costs of issuance may also include prior
6 expenditures incurred in connection with such issuance."

7 Section 5. Title 55 of the Code of the Federated States of
8 Micronesia is hereby further amended by adding a new section 514 of
9 subchapter I of chapter 5 to read as follows:

10 "Section 514. Accounts and records. The Secretary and the
11 committee shall keep full and particular accounts and
12 records of all their proceedings under this chapter and they
13 shall transmit to the President an abstract of all such
14 proceedings in any calendar year, with a report, to be
15 transmitted by the President to the Speaker of the Congress,
16 the Governor of each State, and the Speaker of the
17 legislature of each State annually on or before the 30th day
18 of April of each year. All books and papers pertaining to
19 the matters provided for in this chapter shall at all times
20 be open to the inspection of authorized representatives of
21 the National or any State government, any citizen of the
22 FSM, or any other interested party."

23 Section 6. Title 55 of the Code of the Federated States of
24 Micronesia is hereby further amended by adding a new section 521 of
25 subchapter II of chapter 5 to read as follows:

1 "Section 521. Authorization; Limited obligation; Validity.

2 (1) The FSM is authorized to issue Bonds in one or
3 more series (including refundings), each series to be
4 authorized by the Secretary acting for the committee,
5 following the adoption of the resolution fixing the terms
6 and conditions of the issue and the form of the Bonds.

7 (2) The Bonds shall be valid obligations of the FSM
8 payable from the following: general funds of the FSM,
9 Pledged Funds, proceeds of any credit enhancement or swap
10 instruments, and proceeds of refunding bonds or other
11 indebtedness. All or a portion of the foregoing shall be
12 the sources of payment for each series of Bonds, as
13 specified in the resolution. Bonds issued under this
14 chapter shall be deemed to constitute general obligations of
15 the FSM. The validity of the Bonds shall not be affected by
16 the validity or regularity of the projects thereby funded.
17 No subsequent appropriation will be necessary by this
18 Congress for moneys for payment of the principal, interest
19 and premium, if any, on the Bonds, this chapter and the
20 resolution constituting the sole and complete authorization
21 for payment of principal of, and premium and interest on,
22 the Bonds.

23 (3) All Bonds shall contain on the face thereof a
24 statement to the following effect: 'This Bond constitutes a
25 general obligation of the Federated States of Micronesia and

the full faith and credit of the Federated States of
Micronesia is pledged to the payment of principal of, and
premium and interest on this Bond.'"

Section 7. Title 55 of the Code of the Federated States of
Micronesia is hereby further amended by adding a new section 522 of
subchapter II of chapter 5 to read as follows:

"Section 522. Pledged Funds.

(1) Upon the recommendation of the committee as set
forth in the resolution, the President may pledge all or any
part of the Pledged Funds to secure payment of the Bonds.
The Pledged Compact Funds so pledged shall be paid directly
by the United States of America to the Trustee. Any pledge
pursuant to the provisions hereof shall be irrevocable and
valid and binding from the time such pledge is made. The
Pledged Funds so pledged and thereafter received by the
Trustee shall immediately be subject to the lien of such
pledge without any physical delivery thereof or further act,
and the lien of any such pledge shall be valid and binding
as against all parties having claims of any kind in tort,
contract, or otherwise against the FSM or any of its
political subdivisions, irrespective of whether such parties
have notice thereof. Neither the resolution nor the
Indenture by which a pledge is created need be filed or
recorded except in the records of the FSM in order to
perfect or give notice of the pledge; PROVIDED that the FSM

1 shall give due notice of the pledge to the United States of
2 America.

3 (2) The committee, following adoption by each State
4 and the FSM (to the extent each State and the FSM desires to
5 participate in the financing contemplated by this chapter)
6 of legislation authorizing pledge of the Pledged Compact
7 Funds, shall determine the extent of the pledge, provisions
8 for release of moneys or other assets from the pledge, and
9 other matters relevant thereto, all as evidenced in the
10 resolution or the Indenture."

11 Section 8. Title 55 of the Code of the Federated States of
12 Micronesia is hereby further amended by adding a new section 523 of
13 subchapter II of chapter 5 to read as follows:

14 "Section 523. Bond Fund. The proceeds of sale of the
15 Bonds, net of any issuance costs, shall be paid into one or
16 more trust fund with an FSM Fiscal Agent, as determined by
17 the committee, and shall be managed and made available for
18 the distributions and uses as set forth in the Agreement
19 Regarding Pledge of Compact Funds and Investment and
20 Distribution of Bond Proceeds Among the National and State
21 Governments of the Federated States of Micronesia."

22 Section 9. Title 55 of the Code of the Federated States of
23 Micronesia is hereby further amended by adding a new section 524 of
24 subchapter II of chapter 5 to read as follows:

25 "Section 524. Committee.

1 (1) The committee shall consist of five members, who
2 shall have one vote each, including the Secretary, the
3 Director of Administrative Services of Yap, the Director of
4 Finance of Truk, the Director of the Department of Treasury
5 of Pohnpei, and the Director of Finance and Treasury of
6 Kosrae, or their designees. Members of the committee shall
7 serve without compensation. The Secretary or his designee
8 shall be the secretary of the committee and may certify its
9 action. The committee, through the Secretary or his
10 designee, shall render reports from time to time to the
11 Federated Development Authority for informational purposes.

12 (2) Subject to the express provisions of this
13 subchapter II, the committee is authorized to determine, and
14 the resolution shall determine, all matters set forth in
15 section 531 of this chapter; PROVIDED that any payments on the
16 Bonds in any year shall not in any year exceed the Pledged
17 Funds held or to be received by the Trustee in such year.

18 (3) The committee may adopt the resolution by an
19 affirmative vote of not less than four of its members.
20 Presence may be either in person or by conference telephone
21 call during which each member can hear each other member
22 present during such proceedings."

23 Section 10. Title 55 of the Code of the Federated States of
24 Micronesia is hereby further amended by adding a new section 525 of
25 subchapter II of chapter 5 to read as follows:

1 "Section 525. Tax free nature of the Bonds. The Bonds and
2 the repayment of their principal and the interest, premium,
3 if any, thereon, and original issue discount and market
4 discount, if any, with respect thereto, shall not be subject
5 to any tax, assessment or levy, now or hereafter imposed, of
6 the FSM or any of its political subdivisions, nor shall
7 there be imposed any tax, assessment or levy upon the sale
8 or disposition of such Bonds. The Bonds shall be deemed
9 obligations not located within the jurisdiction or legal
10 boundaries of the FSM or any of its political subdivisions
11 for purposes of any national, state or local taxation,
12 assessment or levy."

13 Section 11. Title 55 of the Code of the Federated States of
14 Micronesia is hereby further amended by adding a new section 531 of
15 subchapter III of chapter 5 to read as follows:

16 "Section 531. Resolution.

17 (1) Whenever the committee determines that the sale
18 of all or any part of the Bonds authorized to be issued is
19 necessary or desirable, it shall adopt a resolution to that
20 effect. The resolution shall be consistent with, but may
21 provide additional particulars, concerning the plan of
22 finance presented to legislatures of the FSM and its
23 constituent States in connection with the designation of
24 Pledged Compact Funds. The resolution shall authorize and
25 direct the Secretary to arrange for the preparation of the

1 requisite number of suitable Bonds, in registered form
2 (unless the resolution directs the Bonds to be issued in
3 book entry form), and either shall specify as to such Bonds
4 then to be sold or shall authorize the execution of the
5 Indenture which shall contain such information:
6 (a) The currency in which any or all of the Bonds
7 are to be repaid, aggregate number, denominations and the
8 date of the Bonds to be then sold;
9 (b) The dates of maturity, the amount of the
10 Bonds maturing at each date of maturity, which amounts need
11 not be equal, and the establishment of any sinking fund
12 schedule or schedules;
13 (c) Whether the Bonds are to be subject to
14 optional and/or mandatory redemption prior to maturity, and,
15 if so, the provisions for such redemption, the manner of the
16 call thereof, and the price or prices at which the Bonds
17 shall be subject to redemption;
18 (d) The annual rate, or rates, of interest which
19 the Bonds to be issued shall bear, which rate or rates may
20 be determined at the time of the sale of the Bonds and which
21 rate or rates may be fixed or variable in accordance with a
22 formula provided for in the resolution or the Indenture;
23 (e) The interest payment dates;
24 (f) Whether the Bonds shall be issued in
25 certificate form and/or in book entry form; if the Bonds are

to be issued in certificate form, the form and language of
the Bonds, and, if the Bonds are to be issued in book entry
form, whether the book entry system and register shall be
maintained by the Secretary, the Trustee, or another agent;

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

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

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

(j) Whether all or any portion of the Bonds shall
be additionally secured by bond insurance, letters of credit
or similar credit enhancement instruments;

(k) The restrictive and financial covenants, if
any;

(l) The appointment of the Trustee, additional

fiscal agents, registrars or paying agents;

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

(n) All matters pertaining to the Pledged Funds required by section 522 of this chapter;

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

(p) Whether in conjunction with issuance and sale of the Bonds, the FSM shall enter into one or more agreements relating to transfer or mitigation of currency or interest rate risks, minimization of borrowing costs or similar fiscal purposes between the FSM and any counter-parties, commercial or investment banks, dealers or similar parties ('swap agreements'), which may include indemnities;

(q) All other terms and conditions of the Bonds and of the execution, issuance and sale thereof, which shall be consistent with all of the provisions of this chapter.

(2) The resolution may also specify that the Secretary may determine the interest rate or rates, maturity or redemption date or dates, and purchase price of the Bonds if the committee determines in the resolution the maximum rate of interest, latest maturity date and lowest purchase price for the Bonds."

Section 12. Title 55 of the Code of the Federated States of Micronesia is hereby further amended by adding a new section 532 of subchapter III of chapter 5 to read as follows:

1 "Section 532. Medium of payment; Place of payment.
2 Principal of, interest and premium, if any, on the Bonds
3 shall be payable in United States dollars at the office of
4 any FSM Fiscal Agent or at the office of the Secretary."

5 Section 13. Title 55 of the Code of the Federated States of
6 Micronesia is hereby further amended by adding a new section 533 of
7 subchapter III of chapter 5 to read as follows:

8 "Section 533. Reference to Act. Each Bond shall contain a
9 reference to this Compact Funds Monetization Act, and if
10 subject to call or redemption prior to maturity, a recital
11 to that effect."

12 Section 14. Title 55 of the Code of the Federated States of
13 Micronesia is hereby further amended by adding a new section 534 of
14 subchapter III of chapter 5 to read as follows:

15 "Section 534. Duties of Secretary. Immediately after the
16 adoption by the committee of any resolution in conformity
17 with section 531 of this chapter, the Secretary shall make
18 any determinations required at or immediately prior to the
19 sale of the Bonds and shall arrange for the preparation of
20 the requisite number of suitable Bonds, in accordance with
21 the resolution."

22 Section 15. Title 55 of the Code of the Federated States of
23 Micronesia is hereby further amended by adding a new section 535 of
24 subchapter III of chapter 5 to read as follows:

25 "Section 535. Signatures; Seal. Each Bond shall bear the

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

9 Section 16. Title 55 of the Code of the Federated States of
10 Micronesia is hereby further amended by adding a new section 536 of
11 subchapter III of chapter 5 to read as follows:

12 "Section 536. Temporary Bonds. If the right so to do has
13 been reserved in the resolution adopted in conformity with
14 section 531 of this chapter, temporary or interim Bonds,
15 certificates, or receipts may be issued and delivered in
16 lieu of definitive Bonds, and shall be exchangeable for such
17 definitive Bonds when they are executed and available."

18 Section 17. Title 55 of the Code of the Federated States of
19 Micronesia is hereby further amended by adding a new section 537 of
20 subchapter III of chapter 5 to read as follows:

21 "Section 537. Public or negotiated sale. The Bonds shall
22 be sold by the Secretary at such time as may be fixed by the
23 Secretary and upon such notice as the Secretary may deem
24 advisable, or at such later time to which the sale shall
25 have been continued, either at public sale, upon sealed

1 bids, to the bidder whose bid will result in the lowest
2 net/true/or other method generally accepted in the financial
3 community for calculation of interest cost on account of
4 those Bonds, or by negotiated sale as set forth in the
5 resolution. The Secretary may sell the Bonds at a price
6 below the par value thereof. The interest, if any, accrued
7 to the date of delivery of and payment for the Bonds shall
8 be added to the sale price of the Bonds in any case. The
9 method of determining the lowest interest cost bid shall be
10 prescribed in the resolution if the Bonds are to be sold at
11 public sale. The sale shall be for cash, payable upon
12 delivery of Bonds in definitive form, or if the right to
13 deliver temporary securities has been reserved, then upon
14 delivery of the temporary securities."

15 Section 18. Title 55 of the Code of the Federated States of
16 Micronesia is hereby further amended by adding a new section 541 of
17 subchapter IV of chapter 5 to read as follows:

18 "Section 541. Method and time of payment. The Secretary,
19 directly or through FSM Fiscal Agents, or other duly
20 authorized agents, shall, on the respective dates of
21 maturity of all Bonds, or on the date fixed for the prior
22 redemption of any thereof, or as soon thereafter as said
23 Bonds are surrendered to him, or to any such FSM Fiscal
24 Agent, or other duly authorized agent, pay the same or cause
25 the same to be paid."

1 Section 19. Title 55 of the Code of the Federated States of
2 Micronesia is hereby further amended by adding a new section 542 of
3 subchapter IV of chapter 5 to read as follows:

4 "Section 542. Perforation of Bond to indicate payment.
5 Upon the payment of any Bond, the Secretary or FSM Fiscal
6 Agent, or other duly authorized agent shall perforate the
7 same with a suitable device in a manner to indicate such
8 payment."

9 Section 20. Title 55 of the Code of the Federated States of
10 Micronesia is hereby further amended by adding a new section 543 of
11 subchapter IV of chapter 5 to read as follows:

12 "Section 543. Destruction of Bonds after payment or
13 cancellation. The Secretary, or FSM Fiscal Agents, or other
14 duly authorized agent, may destroy any or all Bonds which
15 have been previously paid or canceled as provided herein."

16 Section 21. Title 55 of the Code of the Federated States of
17 Micronesia is hereby further amended by adding a new section 544 of
18 subchapter IV of chapter 5 to read as follows:

19 "Section 544. Redemption. Whenever the committee shall
20 determine that any Bonds then outstanding, and which by
21 their terms are subject to redemption prior to maturity,
22 should be redeemed, and that money sufficient for such
23 redemption will be available at the time proposed for such
24 redemption, it may, by resolution, direct the Trustee to
25 call and redeem any such Bonds, at a time specified in such

1 resolution, and the Trustee shall thereupon give notice of
2 such redemption and redeem the Bonds in accordance with the
3 provisions for redemption provided for in the Indenture."

4 Section 22. Title 55 of the Code of the Federated States of
5 Micronesia is hereby further amended by adding a new section 545 of
6 subchapter IV of chapter 5 to read as follows:

7 "Section 545. Refunding bonds. The committee may provide
8 for the issuance, sale, or exchange of refunding bonds to
9 redeem or retire any Bonds upon the terms, at the times and
10 in the manner that it determines. Refunding bonds may be
11 issued in a principal amount sufficient to pay all, or any
12 part, of the principal amount of outstanding Bonds, the
13 interest thereon and the premium, if any, due upon call and
14 redemption thereof prior to maturity and all expenses of the
15 refunding. Issuance of refunding bonds may be authorized in
16 the resolution."

17 Section 23. Title 55 of the Code of the Federated States of
18 Micronesia is hereby further amended by adding a new section 551 of
19 subchapter V of chapter 5 to read as follows:

20 "Section 551. Designation of banking firms or
21 associations. Upon the recommendation of the committee, the
22 Secretary may designate responsible banking firms,
23 associations, or incorporated banking institutions, having a
24 paid-up capital and surplus of not less than U.S. \$100
25 million, as an FSM Fiscal Agent for the payment of the

1 Bonds. The FSM Fiscal Agent selected as Trustee shall have
2 a paid-up capital and surplus of not less than U.S. \$500
3 million. An FSM Fiscal Agent may be organized under the
4 laws of the United States of America, any of its constituent
5 states (including the District of Columbia), or any member
6 state of the Organization for Economic Cooperation and
7 Development."

8 Section 24. Title 55 of the Code of the Federated States of
9 Micronesia is hereby further amended by adding a new section 552 of
10 subchapter V of chapter 5 to read as follows:

11 "Section 552. Fidelity bonds. With the approval of the
12 committee, the Secretary may fix the amount of and require
13 bonds from any FSM Fiscal Agent, conditioned on the faithful
14 performance of its duties as an FSM Fiscal Agent."

15 Section 25. Title 55 of the Code of the Federated States of
16 Micronesia is hereby further amended by adding a new section 553 of
17 subchapter V of chapter 5 to read as follows:

18 "Section 553. Authority of Secretary. Subject to the
19 approval of the committee, the Secretary may do all things
20 necessary or proper to effectuate the purposes of this
21 subchapter, including, among others, the making of such
22 arrangements with any FSM Fiscal Agent as may be necessary
23 including the compensation, if any, of any FSM Fiscal Agent
24 for services under this subchapter, and the time when
25 funds for the redemption of Bonds shall be remitted to it."

1 Section 26. Title 55 of the Code of the Federated States of
2 Micronesia is hereby further amended by adding a new section 554 of
3 subchapter V of chapter 5 to read as follows:

4 "Section 554. Unclaimed funds. Whenever any moneys held by
5 an FSM Fiscal Agent in trust for the payment of interest,
6 principal and premium, if any, or discharge of any Bonds
7 shall have remained unclaimed for 7 years after the date
8 when such became due and payable, either on interest payment
9 dates, at their stated maturity dates or by call for earlier
10 redemption, the Secretary may after adequate public notice
11 and at such time as he may determine, instruct FSM Fiscal
12 Agents to return any money originally transferred to meet
13 the payments of the Bonds and deposit it with such FSM
14 Fiscal Agent as the committee shall determine, and such
15 money shall thereafter be treated in all respects as part of
16 the Bond Fund, and the owner of the Bond or Bonds affected
17 thereby shall no longer have any claim on such money."

18 Section 27. Title 55 of the Code of the Federated States of
19 Micronesia is hereby further amended by adding a new section 555 of
20 subchapter V of chapter 5 to read as follows:

21 "Section 555. Lost or destroyed Bonds; Security; Face
22 statements.

23 (1) Whenever it appears to the Secretary upon
24 competent proof that any Bond has been lost or destroyed and
25 the required security is deposited, he may issue or cause to

1 be issued Bonds similar as to form and content. If the
2 indebtedness evidenced by the instrument has matured and is
3 due and payable, he may cause it to be paid if the records
4 of the Trustee show the Bond is outstanding and unpaid.

5 (2) Before the Secretary may cause to be issued a new
6 Bond or cause to be paid the indebtedness represented by a
7 lost or destroyed Bond, the owner shall give security (as
8 the Trustee reasonably determines by bond or indemnity) to
9 indemnify the FSM against loss or damage that may be
10 incurred on account of the lost or destroyed Bond. The
11 security may be specified by, is subject to the approval of,
12 and, after approval is endorsed thereon, shall be filed with
13 the Trustee.

14 (3) Every replacement Bond shall state upon its face
15 the number and denomination of the Bond for which it is
16 issued; that it is issued in the place of the Bond claimed
17 to have been lost or destroyed; that it is issued as a
18 duplicate; and that if both the original and duplicate
19 instruments are presented to and paid by the Secretary or an
20 FSM Fiscal Agent, the Secretary shall not be held
21 responsible for the duplicate payment but may rely on the
22 security given."

23 Section 28. Title 55 of the Code of the Federated States of
24 Micronesia is hereby further amended by adding a new section 561 of
25 subchapter VI of chapter 5 to read as follows:

1 "Section 561. Choice of law. The committee may choose to
2 have all or a portion of the provisions of the Indenture and
3 the Bonds governed by the law of a jurisdiction other than
4 that of the FSM; PROVIDED that the power and authority of
5 the FSM to issue the Bonds shall be construed under the laws
6 of the FSM."

7 Section 29. Title 55 of the Code of the Federated States of
8 Micronesia is hereby further amended by adding a new section 562 of
9 subchapter VI of chapter 5 to read as follows:

10 "Section 562. Liability of committee members, officers and
11 employees. No members of the committee, the officers or
12 employees of the committee, the FSM or any political
13 subdivision thereof, nor any person executing any Bonds
14 shall be liable personally or be subject to any personal
15 liability or accountability by reason of the issuance
16 thereof."

17 Section 30. Title 55 of the Code of the Federated States of
18 Micronesia is hereby further amended by adding a new section 563 of
19 subchapter VI of chapter 5 to read as follows:

20 "Section 563. Pledge. The FSM does hereby pledge to and
21 agree with the holders of the Bonds that the FSM will not
22 limit or alter the rights hereby vested in the holders of
23 the Bonds, on and after the date of issuance of the Bonds,
24 until the Bonds, together with interest and premium, if any
25 thereon, are fully met and discharged; PROVIDED that nothing

1 herein contained shall preclude such limitation or
2 alteration if and when adequate provision shall be made by
3 law for the protection of the holders of the Bonds."

4 Section 31. Title 55 of the Code of the Federated States of
5 Micronesia is hereby further amended by adding a new section 564 of
6 subchapter VI of chapter 5 to read as follows:

7 "Section 564. Waiver of sovereign immunity. The FSM
8 waives, for the benefit of the Bondholders or the Trustee
9 acting on their behalf, its sovereign immunity from suit
10 before State or Federal courts of the United States in the
11 city in which the principal office of the Trustee is located
12 in any action brought by the Bondholders or the Trustee
13 acting on their behalf arising out of the issuance and sale
14 of the Bonds or performance under the Bonds or the
15 Indenture. Except as expressly so waived, nothing in this
16 chapter shall be construed as a waiver, implicit or
17 explicit, of the FSM's sovereign immunity from suit in the
18 courts of the United States of America."

19 Section 32. This act shall become law upon approval by the
20 President of the Federated States of Micronesia or upon its becoming
21 law without such approval.

22
23 Date: July 24/87

Introduced by: Claude H. Phillip
Claude H. Phillip
(by request)