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A BILL FOR AN ACT

To amend section 562 of title 58 of the Code of the Federated States of Micronesia, as established by Public Law No. 5-121 and amended by Public Law No. 5-136, for the purpose of providing for limited personal liability on the part of persons participating in the issuance of Bonds, providing conditions for the defense of such persons and the payment of costs of defense, and for other purposes.

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

1 Section 1. Section 562 of title 58 of the Code of the Federated  
2 States of Micronesia, as established by Public Law No. 5-121 and  
3 amended by Public Law No. 5-136, is hereby further amended to read as  
4 follows:

5 "Section 562. Liability of committee members, officers and  
6 employees.

7 (1) No member of the committee, officer or employee  
8 of the committee, or any officer or employee of the FSM or  
9 any political subdivision thereof, including, without  
10 limitation, the FSM Attorney General or any person  
11 executing any Bonds shall be subject to any personal  
12 liability or accountability by reason of the issuance  
13 thereof. If, despite the foregoing, any action is brought  
14 against any member of the committee, any officer or  
15 employee of the committee, or any officer or employee of  
16 the FSM, then the FSM shall indemnify, hold harmless and  
17 defend such individual against any personal liability or  
18 accountability by reason of the issuance of any Bonds.

19 *This section shall not apply in the case of fraud or gross*  
20 *negligence.*

21 (2) Subsection (1) of this section shall not apply to  
22 any person covered by subsection (1) of this section who  
23 has engaged in fraud or other wanton misconduct relating to  
24 the issuance of any Bonds. However, where any person  
25 covered in subsection (1) of this section is alleged to

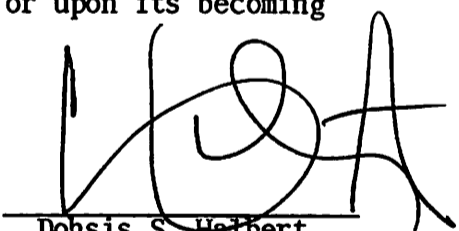
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C. B. No. 6-22

1           have engaged in fraud or other wanton misconduct relating  
2           to the issuance of any Bonds, the FSM, upon written request  
3           by the person covered in subsection (1) of this section and  
4           directed to the FSM Office of the Attorney General, shall  
5           provide legal counsel and legal defense for such person at  
6           the expense of the FSM. If, upon final judgment, it is  
7           established that the person covered by subsection (1) of  
8           this section did engage in fraud or other wanton misconduct  
9           relating to the issuance of any Bonds, then such person  
10          shall reimburse the FSM for costs incurred by the FSM in  
11          providing legal counsel and legal defense. If the FSM  
12          fails, upon written request, to provide such person with  
13          legal counsel and legal defense at FSM expense then the FSM  
14          shall be liable to such person for any liability incurred  
15          by such person, the cost to such person of legal counsel  
16          and legal defense, and subsection (1) of this section shall  
17          apply fully to such person."

18           Section 2. This act shall become law upon approval by the  
19 President of the Federated States of Micronesia or upon its becoming  
20 law without such approval.

21  
22 Date: 5-22-89

Introduced by:   
Dohsis S. Halbert  
(by request)

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