

**(2) Exceptions**

The five members of the Telephone Bank Board appointed under subsection (b)(1)(A) shall not receive compensation by reason of their service on the Telephone Bank Board.

**(e) Succession**

A member of the Telephone Bank Board may serve after the expiration of the term of office of such member until the successor for such member has taken office.

**(f) Chairperson**

The members of the Telephone Bank Board shall elect one of such members to be the Chairperson of the Board, in accordance with the by-laws of the telephone bank. The Chairperson shall preside at all meetings of the Board and may vote on a matter before the Board unless the vote would result in a tie vote on the matter.

**(g) Bylaws**

The Telephone Bank Board shall prescribe by-laws, not inconsistent with law, regulating the manner in which the telephone bank's business shall be conducted, its directors and officers elected, its stock issued, held, and disposed of, its property transferred, its bylaws amended, and the powers and privileges granted to it by law exercised and enjoyed.

**(h) Meetings**

The Telephone Bank Board shall meet at such times and places as it may fix and determine, but shall hold at least four regularly scheduled meetings a year, and special meetings may be held on call in the manner specified in the by-laws of the telephone bank.

**(i) Annual report**

The Telephone Bank Board shall make an annual report to the Secretary for transmittal to the Congress on the administration of this subchapter and any other matters relating to the effectuation of the policies of this subchapter, including recommendations for legislation.

**(j) Open meetings**

For purposes of section 552b of title 5, the Telephone Bank Board shall be treated as an agency within the meaning of subsection (a)(1) of such section.

(May 20, 1936, ch. 432, title IV, § 405, as added Pub. L. 92-12, § 2, May 7, 1971, 85 Stat. 32; amended Pub. L. 93-32, § 4, May 11, 1973, 87 Stat. 70; Pub. L. 101-624, title XXIII, § 2363(a), (b)(1), (c), Nov. 28, 1990, 104 Stat. 4042-4044; Pub. L. 103-354, title II, § 235(a)(7), Oct. 13, 1994, 108 Stat. 3221.)

## AMENDMENTS

1994—Subsec. (b)(1)(A). Pub. L. 103-354 substituted "Secretary" for "Rural Electrification Administration".

1990—Pub. L. 101-624, § 2363(a), substituted "Board of directors" for "Telephone Bank Board" in section catchline.

Subsecs. (a) to (f). Pub. L. 101-624, § 2363(a), struck out subsecs. (a) to (f) and inserted new subsecs. (a) to (f): in subsec. (a) struck out provisions relating to size of board, in subsec. (b) substituted provisions relating to size of board and to appointment and election of all board members for provisions naming Administrator of Rural Electrification Administration and Governor of

Farm Credit Administration to board, and authorizing presidential appointment of 5 other members, in subsec. (c) substituted provisions relating to election of 6 cooperative and commercial members for provisions authorizing presidential appointment of initial 6 cooperative and commercial members, in subsec. (d) substituted provisions relating to compensation for provisions relating to interim election of 6 cooperative and commercial members, in subsec. (e) substituted provisions relating to succession for provisions relating to regular election of 6 cooperative and commercial members, and in subsec. (f) substituted provisions relating to chairperson for provisions relating to service after expiration of term, compensation and expenses.

Subsecs. (g) to (i). Pub. L. 101-624, § 2363(b)(1), inserted headings.

Subsec. (j). Pub. L. 101-624, § 2363(c), added subsec. (j).  
1973—Subsec. (e). Pub. L. 93-32 substituted provisions directing that the cooperative-type entities and organizations holding class B and class C stock, voting as a separate class, elect three directors to represent their class by a majority of the stockholders voting in such class and that the commercial-type entities and organizations holding class B and class C stock, voting as a separate class, elect three directors to represent their class by a majority of the stockholders voting in such class, for provisions that three directors be elected from among the directors, managers, and employees of cooperative-type entities and organizations controlled by such entities holding class B or class C stock and that three directors be elected from among the directors, managers, and employees of commercial-type entities and organizations controlled by such entities holding class B or class C stock, and inserted provisions prohibiting cumulative voting.

## EFFECTIVE DATE OF 1973 AMENDMENT

Amendment by Pub. L. 93-32 effective May 11, 1973, see section 12 of Pub. L. 93-32, set out as an Effective Date note under section 930 of this title.

## EFFECTIVE DATE

Section effective May 7, 1971, see section 7 of Pub. L. 92-12, set out as a note under section 921a of this title.

## TERMINATION OF REPORTING REQUIREMENTS

For termination, effective May 15, 2000, of provisions in subsec. (i) of this section relating to transmittal of annual report to Congress, see section 3003 of Pub. L. 104-66, as amended, set out as a note under section 1113 of Title 31, Money and Finance, and page 45 of House Document No. 103-7.

**§ 946. Capitalization****(a) Federal and borrower subscriptions; Federal limitation; report to President, transmittal to Congress; net collection proceeds**

The telephone bank's capital shall consist of capital subscribed by the United States, by borrowers from the telephone bank, by corporations and public bodies eligible to become borrowers from the telephone bank, and by organizations controlled by such borrowers, corporations, and public bodies. Beginning with the fiscal year 1971 and for each fiscal year thereafter but not later than fiscal year 1991, the United States shall furnish capital for the purchase of class A stock and there are hereby authorized to be appropriated such amounts, not to exceed \$30,000,000 annually, for such purchase until such class A stock shall equal \$600,000,000: *Provided*, That on or before July 1, 1975, the Secretary shall make a report to the President for transmittal to the Congress on the status of capitalization of the telephone bank by the United

States with appropriate recommendations. As used in this section and section 931 of this title, the term “net collection proceeds” shall be deemed to mean payments from and after July 1, 1969, of principal and interest on loans heretofore or hereafter made under section 922 of this title, less an amount representing interest payable to the Secretary of the Treasury on loans to the Secretary for telephone purposes.

**(b) Stock classification; voting stock; one vote rule**

The capital stock of the telephone bank shall consist of three classes, class A, class B, and class C, the rights, powers, privileges, and preferences of the separate classes to be as specified, not inconsistent with law, in the bylaws of the telephone bank. Class B and class C stock shall be voting stock, but no holder of said stock shall be entitled to more than one vote, nor shall class B and class C stockholders, regardless of their number, which are owned or controlled by the same person, group of persons, firm, association, or corporation, be entitled in any event to more than one vote.

**(c) Class A stock; issuance to Secretary of Agriculture and redemption; cumulative return**

Class A stock shall be issued only to the Secretary on behalf of the United States in exchange for capital furnished to the telephone bank pursuant to subsection (a), and such class A stock shall be redeemed and retired by the telephone bank as soon as practicable after September 30, 1995, but not to the extent that the Telephone Bank Board determines that such retirement will impair the operations of the telephone bank: *Provided*, That the minimum amount of class A stock that shall be retired each year after said date shall equal the amount of class B stock sold by the telephone bank during such year. Class A stock shall be entitled to a return, payable from income, at the rate of 2 per centum per annum on the amounts of said class A stock actually paid into the telephone bank. Such return shall be cumulative and shall be payable annually into miscellaneous receipts of the Treasury.

**(d) Class B stock; borrowers as holders; dividend prohibition; patronage refunds**

Class B stock shall be held only by recipients of loans under section 948 of this title. Borrowers receiving loan funds pursuant to section 948(a)(1) or (2) of this title shall be required to invest in class B stock 5 per centum of the amount of loan funds so provided, by paying an amount equal to 5 per centum of the amount of each loan advance, at the time of such advance. No dividends shall be payable on class B stock. All holders of class B stock shall be entitled to patronage refunds in class B stock under terms and conditions to be specified in the bylaws of the telephone bank.

**(e) Class C stock; borrowers as purchasers; dividends**

Class C stock shall be available for purchase and shall be held only by borrowers, or by corporations and public bodies eligible to borrow under section 948 of this title, or by organizations controlled by such borrowers, corporations

and public bodies, and shall be entitled to dividends in the manner specified in the bylaws of the telephone bank. Such dividends shall be payable only from income and, until all class A stock is retired, shall not exceed the current average rate payable on its telephone debentures.

**(f) Special fund equivalents**

If a firm, association, corporation, or public body is not authorized under the laws of the jurisdiction in which it is organized to acquire stock of the telephone bank, the telephone bank shall, in lieu thereof, permit such organization to pay into a special fund of the telephone bank a sum equivalent to the amount of stock to be purchased. Each reference in this subchapter to capital stock, or to class B, or class C stock, shall include also the special fund equivalents of such stock, and to the extent permitted under the laws of the jurisdiction in which such organization is organized, a holder of special fund equivalents of class B, or class C stock, shall have the same rights and status as a holder of class B or class C stock, respectively. The rights and obligations of the telephone bank in respect of such special fund equivalent shall be identical to its rights and obligations in respect of class B or class C stock, respectively.

**(g) Patronage refunds from remaining earnings after provision for operating expenses, reserves for losses, payments in lieu of taxes, and returns on class A and C stock**

After payment of all operating expenses of the telephone bank, including interest on its telephone debentures, setting aside appropriate funds for the reserve for loan losses, and making payments in lieu of taxes, and returns on class A stock as provided in subsection (c), and on class C stock, the Telephone Bank Board shall annually set aside the remaining earnings of the telephone bank for patronage refunds in accordance with the bylaws of the telephone bank. The telephone bank may not establish any reserve other than the reserves referred to in this subsection and in subsection (h).

**(h) Reserve for losses due to interest rate fluctuations**

There is hereby established in the telephone bank a reserve for losses due to interest rate fluctuations. Within 30 days after December 22, 1987, the Governor of the telephone bank shall transfer to the reserve for losses due to interest rate fluctuations all amounts in the reserve for contingencies as of December 22, 1987. All amounts so transferred shall not be transferred, directly or indirectly, to the reserve for contingencies. Amounts in the reserve for interest rate fluctuations may be expended only to cover operating losses of the telephone bank (other than losses attributable to loan defaults) and only after taking into consideration any recommendations made by the General Accounting Office under section 1413(b) of the Omnibus Budget Reconciliation Act of 1987.

**(i) Investment of RTB Equity Fund**

The Governor of the telephone bank may invest in obligations of the United States the amounts in the account in the Treasury of the United States numbered 12X8139 (known as the “RTB Equity Fund”).

(May 20, 1936, ch. 432, title IV, § 406, as added Pub. L. 92-12, § 2, May 7, 1971, 85 Stat. 33; amended Pub. L. 93-32, § 5, May 11, 1973, 87 Stat. 70; Pub. L. 94-273, § 2(2), Apr. 21, 1976, 90 Stat. 375; Pub. L. 97-98, title XVI, § 1607, Dec. 22, 1981, 95 Stat. 1347; Pub. L. 100-203, title I, § 1413(a), (c), Dec. 22, 1987, 101 Stat. 1330-26; Pub. L. 101-624, title XXIII, §§ 2364, 2367(a), Nov. 28, 1990, 104 Stat. 4044; Pub. L. 103-129, § 2(c)(9), Nov. 1, 1993, 107 Stat. 1365; Pub. L. 103-354, title II, § 235(a)(11), (13), Oct. 13, 1994, 108 Stat. 3221; Pub. L. 104-127, title VII, § 772(b)(3), Apr. 4, 1996, 110 Stat. 1149.)

## REFERENCES IN TEXT

Section 1413(b) of the Omnibus Budget Reconciliation Act of 1987, referred to in subsec. (h), is section 1413(b) of Pub. L. 100-203, title I, Dec. 22, 1987, 101 Stat. 1330-26, which is not classified to the Code, and which mandated a study by the General Accounting Office of the operations of the telephone bank and directed that GAO report recommendations to Congress within 180 days of Dec. 22, 1987.

## AMENDMENTS

1996—Subsec. (a). Pub. L. 104-127 struck out “pursuant to section 903(a) of this title” after “telephone purposes” in last sentence.

1994—Pub. L. 103-354 substituted “Secretary” for “Administrator” in last sentence of subsec. (a) and “Secretary” for “Administrator of the Rural Electrification Administration” in subsec. (c).

1993—Subsec. (i). Pub. L. 103-129 added subsec. (i).

1990—Subsec. (d). Pub. L. 101-624, § 2364, inserted before period at end of second sentence “, by paying an amount equal to 5 per centum of the amount of each loan advance, at the time of such advance”.

Subsec. (h). Pub. L. 101-624, § 2367(a), inserted after second sentence “All amounts so transferred shall not be transferred, directly or indirectly, to the reserve for contingencies.” and substituted “Omnibus Budget Reconciliation” for “Rural Telephone Bank Borrowers Fairness”.

1987—Subsec. (g). Pub. L. 100-203, § 1413(c), substituted “the reserve for loan losses” for “reserves for losses”, and inserted at end “The telephone bank may not establish any reserve other than the reserves referred to in this subsection and in subsection (h) of this section.”

Subsec. (h). Pub. L. 100-203, § 1413(a), added subsec. (h).

1981—Subsec. (a). Pub. L. 97-98, § 1607(1), inserted “but not later than fiscal year 1991” after “thereafter,” and substituted “\$600,000” for “\$300,000”.

Subsec. (c). Pub. L. 97-98, § 1607(2), substituted “September 30, 1995” for “September 30, 1985”, and struck out “and after the amount of class A and class B stock totals \$400,000,000” after “said date”.

1976—Subsec. (c). Pub. L. 94-273 substituted “September” for “June”.

1973—Subsec. (a). Pub. L. 93-92 struck out “from net collection proceeds in the rural telephone account created under subchapter III of this chapter” after “appropriated”.

## CHANGE OF NAME

General Accounting Office redesignated Government Accountability Office by section 8 of Pub. L. 108-271, set out as a note under section 702 of Title 31, Money and Finance.

## EFFECTIVE DATE OF 1990 AMENDMENT

Pub. L. 101-624, title XXIII, § 2368, Nov. 28, 1990, 104 Stat. 4045, provided that:

“(a) IN GENERAL.—Except as provided in subsection (b), this subtitle and the amendments made by this subtitle [subtitle F (§§ 2351-2368) of title XXIII of Pub. L. 101-624, enacting sections 918 and 925 to 928 of this title, amending this section and sections 924, 932, 935, 936, 939,

945, 948, and 950 of this title and enacting provisions set out as notes under section 901 of this title] shall take effect on the date of enactment of this Act [Nov. 28, 1990].

“(b) TECHNICAL AMENDMENTS.—The amendments made by section 2367 [amending this section and section 948 of this title] shall take effect as if such amendments had been included in chapter 2 [§§ 1411-1414] of subtitle D of title I of the Omnibus Budget Reconciliation Act of 1987 [Pub. L. 100-203] on the date of enactment of such chapter [Dec. 22, 1987].”

## EFFECTIVE DATE OF 1981 AMENDMENT

Amendment by Pub. L. 97-98 effective Dec. 22, 1981, see section 1801 of Pub. L. 97-98, set out as an Effective Date note under section 4301 of this title.

## EFFECTIVE DATE OF 1973 AMENDMENT

Amendment by Pub. L. 93-32 effective May 11, 1973, see section 12 of Pub. L. 93-32, set out as an Effective Date note under section 930 of this title.

## EFFECTIVE DATE

Section effective May 7, 1971, see section 7 of Pub. L. 92-12, set out as a note under section 921a of this title.

**§ 947. Borrowing power; telephone debentures; issuance; interest rates; terms and conditions; ratio to paid-in capital and retained earnings; investments in debentures; debentures as security; purchase and sale of debentures by the Secretary of the Treasury; treatment as public debt transactions of the United States; exclusion of transactions from budget totals**

(a) The telephone bank is authorized to obtain funds through the public or private sale of its bonds, debentures, notes, and other evidences of indebtedness (herein collectively called telephone debentures). Telephone debentures shall be issued at such times, bear interest at such rates, and contain such other terms and conditions as the Telephone Bank Board shall determine: *Provided, however,* That the amount of the telephone debentures which may be outstanding at any one time pursuant to this section shall not exceed twenty times the paid-in capital and retained earnings of the telephone bank. Telephone debentures shall not be exempt, either as to principal or interest, from any taxation now or hereafter imposed by the United States, by any territory, dependency, or possession thereof, or by any State or local taxing authority. Telephone debentures shall be lawful investments and may be accepted as security for all fiduciary, trust, and public funds, the investment or deposit of which shall be under the authority and control of the United States or any officer or officers thereof.

(b) The Telephone Bank is also authorized to issue telephone debentures to the Secretary of the Treasury, and the Secretary of the Treasury may in his discretion purchase any such debentures, and for such purpose the Secretary of the Treasury is authorized to use as a public debt transaction the proceeds of the sale of any securities hereafter issued under chapter 31 of title 31, as now or hereafter in force, and the purposes for which securities may be issued under chapter 31 of title 31 as now or hereafter in force are extended to include such purchases. Each purchase of telephone debentures by the Secretary of the Treasury under this subsection shall be upon