1	HOUSE BILL NO. 172
2	INTRODUCED BY R. FITZGERALD
3	
4	A BILL FOR AN ACT ENTITLED: "AN ACT CLARIFYING CERTAIN RURAL TELEPHONE COOPERATIVE
5	VOTE REQUIREMENTS; ~~PROVIDING VOTING MEMBERSHIP FOR THE DISPOSITION AND ENCUMBRANCE~~
6	~~OF RURAL TELEPHONE COOPERATIVE PROPERTY;~~ DEFINING "SUBSTANTIAL PORTION" FOR RURAL
7	TELEPHONE COOPERATIVES; AMENDING SECTION 35-18-317, MCA; AND PROVIDING AN IMMEDIATE
8	EFFECTIVE DATE."
9	
10	BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:
11	
12	**Section 1.** Section 35-18-317, MCA, is amended to read:
13	**"35-18-317. Disposition or encumbrance of property.** (1) (a) Except as provided in subsection (2) and
14	in accordance with 35-18-318, a cooperative may not sell, mortgage, lease, or otherwise dispose of or encumber
15	all or any substantial portion of its property unless the sale, mortgage, lease, or other disposition or encumbrance
16	is:
17	~~(a)~~(i) authorized at a duly held meeting of cooperative members;
18	~~(b)~~(ii) ~~except as provided in subsection (1)(b),~~ approved by not less than two-thirds of all the members
19	of the cooperative; and
20	~~(c)~~(iii) described in the notice of the meeting.
21	~~(b) A cooperative may not sell, mortgage, lease, or otherwise dispose of or encumber all or any~~
22	~~substantial portion of its property unless the sale, mortgage, lease, or other disposition or encumbrance is~~
23	~~approved by not less than two-thirds of those members voting on the sale, mortgage, lease, or other disposition~~
24	~~or encumbrance at the meeting.~~
25	~~(c)~~(B) For the purposes of this section, as the term applies to a TELEPHONE cooperative, "substantial
26	portion" means ~~25% of the cooperative's assets as shown on the balance sheet current at the time of the action~~
27	20% OR MORE OF THE NET BOOK VALUE OF THE TELEPHONE COOPERATIVE AS DISCLOSED IN ITS AUDITED FINANCIAL
28	STATEMENTS AS OF THE CLOSE OF ITS MOST RECENT FISCAL YEAR.
29	(2) Except as provided in 35-18-318, the board of trustees of a cooperative, without authorization by the
30	cooperative members, may:

1   (a) authorize the execution and delivery of a mortgage or mortgages or a deed or deeds of trust upon

2   or the pledging or encumbrancing of any or all of:

3   (i) the property, assets, rights, privileges, licenses, franchises, and permits of the cooperative, whether

4   acquired or to be acquired and wherever situated; and

5   (ii) the revenue and income from the property, assets, rights, privileges, licenses, franchises, and permits;

6   and

7   (b) determine the terms and conditions necessary to secure any indebtedness of the cooperative to:

8   (i) the United States of America;

9   (ii) any instrumentality or agency of the United States; or

10   (iii) any other financing sources within the United States.

11   (3) Before a meeting is held to vote on authorization of disposition of cooperative property, the board of

12   trustees shall:

13   (a) have the property appraised by three appraisers chosen by the board and not associated with the

14   cooperative or a proposed buyer of cooperative property;

15   (b) notify all cooperative members, at least 90 days in advance, of a meeting to vote on disposition of

16   cooperative property. Detailed proposals for disposition of the property must accompany the notice.

17   (c) at least 30 days before the meeting, notify all other cooperatives situated and operating in the state

18   that the property is available for disposition and include with the notice one copy of each appraisal on the

19   cooperative property; and

20   (d) at least 30 days before the meeting, mail to all members any alternative proposal made by

21   cooperative members if it has been submitted to the board and signed by 50 or more members.

22   (4) The vote on property disposition may take place at an annual meeting if the board notifies the

23   members as provided in this section.

24   (5) This section does not apply to the transfer of cooperative property in a merger or consolidation of

25   cooperatives."

26

27   NEW SECTION. **Section 2. Effective date.** [This act] is effective on passage and approval.

28   - END -