



AN ACT CLARIFYING CERTAIN RURAL TELEPHONE COOPERATIVE VOTE REQUIREMENTS; DEFINING "SUBSTANTIAL PORTION" FOR RURAL TELEPHONE COOPERATIVES; AMENDING SECTION 35-18-317, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

**Section 1.** Section 35-18-317, MCA, is amended to read:

**"35-18-317. Disposition or encumbrance of property.** (1) (a) Except as provided in subsection (2) and in accordance with 35-18-318, a cooperative may not sell, mortgage, lease, or otherwise dispose of or encumber all or any substantial portion of its property unless the sale, mortgage, lease, or other disposition or encumbrance is:

(a)(i) authorized at a duly held meeting of cooperative members;

(b)(ii) approved by not less than two-thirds of all the members of the cooperative; and

(c)(iii) described in the notice of the meeting.

(b) For the purposes of this section, as the term applies to a telephone cooperative, "substantial portion" means 20% or more of the net book value of the telephone cooperative as disclosed in its audited financial statements as of the close of its most recent fiscal year.

(2) Except as provided in 35-18-318, the board of trustees of a cooperative, without authorization by the cooperative members, may:

(a) authorize the execution and delivery of a mortgage or mortgages or a deed or deeds of trust upon or the pledging or encumbering of any or all of:

(i) the property, assets, rights, privileges, licenses, franchises, and permits of the cooperative, whether acquired or to be acquired and wherever situated; and

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

and

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

- (i) the United States of America;
- (ii) any instrumentality or agency of the United States; or
- (iii) any other financing sources within the United States.

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

(a) have the property appraised by three appraisers chosen by the board and not associated with the cooperative or a proposed buyer of cooperative property;

(b) notify all cooperative members, at least 90 days in advance, of a meeting to vote on disposition of cooperative property. Detailed proposals for disposition of the property must accompany the notice.

(c) at least 30 days before the meeting, notify all other cooperatives situated and operating in the state that the property is available for disposition and include with the notice one copy of each appraisal on the cooperative property; and

(d) at least 30 days before the meeting, mail to all members any alternative proposal made by cooperative members if it has been submitted to the board and signed by 50 or more members.

(4) The vote on property disposition may take place at an annual meeting if the board notifies the members as provided in this section.

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

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

- END -

I hereby certify that the within bill,  
HB 0172, originated in the House.

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Speaker of the House

Signed this \_\_\_\_\_ day  
of \_\_\_\_\_, 2017.

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Chief Clerk of the House

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President of the Senate

Signed this \_\_\_\_\_ day  
of \_\_\_\_\_, 2017.

HOUSE BILL NO. 172  
INTRODUCED BY R. FITZGERALD

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