

UTILITIES CODE

TITLE 4. DELIVERY OF UTILITY SERVICES

SUBTITLE A. UTILITY CORPORATIONS AND OTHER PROVIDERS

CHAPTER 162. TELEPHONE COOPERATIVE CORPORATIONS

SUBCHAPTER A. GENERAL PROVISIONS

Sec. 162.001. SHORT TITLE. This chapter may be cited as the Telephone Cooperative Act.

Acts 1997, 75th Leg., ch. 166, Sec. 1, eff. Sept. 1, 1997.

Sec. 162.002. PURPOSE. A cooperative, nonprofit corporation may be organized under this chapter to furnish communication service to the widest practicable number of users of that service.

Acts 1997, 75th Leg., ch. 166, Sec. 1, eff. Sept. 1, 1997.

Sec. 162.003. DEFINITIONS. In this chapter:

(1) "Board" means the board of directors of a telephone cooperative.

(2) "Communication service" means:

(A) the transmission or reception of information, signals, or messages by any means, including by wire, radio, cellular radio, microwave, or fiber optics; and

(B) the provision of lines, facilities, and systems used in the transmission or reception described by Paragraph (A).

(3) "Member" means:

(A) an incorporator of a telephone cooperative;
or

(B) a person admitted to membership in a telephone cooperative as provided by Section [162.065](#).

(4) "Patron" means a member who is eligible to receive patronage dividends or to earn capital credits as a result of purchasing certain services from a telephone cooperative as provided by Section [162.066](#).

(5) "Telephone cooperative" means a corporation that

is organized under this chapter or that becomes subject to this chapter as provided by this chapter.

Acts 1997, 75th Leg., ch. 166, Sec. 1, eff. Sept. 1, 1997.

Sec. 162.004. CERTAIN CORPORATE NAMES PROHIBITED. A corporation organized under the laws of this state or authorized to do business in this state may not use the words "telephone cooperative" in the corporation's name unless the corporation is organized under this chapter.

Acts 1997, 75th Leg., ch. 166, Sec. 1, eff. Sept. 1, 1997.

Sec. 162.005. EFFECT OF RECORDING CERTAIN MORTGAGES EXECUTED BY TELEPHONE COOPERATIVES. (a) An instrument executed by a telephone cooperative or a foreign corporation doing business in this state under this chapter that affects real and personal property and that is recorded in the real property records of any county in which the property is located or is to be located has the same effect as if the instrument were also recorded as provided by law in the proper office in that county as a mortgage of personal property.

(b) All after-acquired property of a telephone cooperative or foreign corporation doing business in this state under this chapter described by or referred to as being pledged in an instrument to which Subsection (a) applies becomes subject to the lien described by the instrument immediately when the cooperative or corporation acquires the property, without regard to whether the property existed at the time the instrument was executed. The execution of the instrument constitutes notice and otherwise has the same effect with respect to after-acquired property to which this subsection applies as it has under the laws relating to recordation with respect to property that is owned by the cooperative or foreign corporation at the time the instrument is executed and that is described in the instrument as being pledged by the instrument.

(c) After a lien on personal property under an instrument to which Subsection (a) applies is recorded, the lien continues in existence and of record for the period specified in the instrument

without:

- (1) the refiling of the instrument; or
 - (2) the filing of any renewal certificate, affidavit, or other supplemental information required by a law relating to the renewal, maintenance, or extension of a lien on personal property.
- Acts 1997, 75th Leg., ch. 166, Sec. 1, eff. Sept. 1, 1997.

Sec. 162.006. CONSTRUCTION STANDARDS. A telephone cooperative that constructs communication lines or facilities must at a minimum comply with the standards of the National Electrical Safety Code in effect at the time of construction.

Acts 1997, 75th Leg., ch. 166, Sec. 1, eff. Sept. 1, 1997.

SUBCHAPTER B. CREATION AND OPERATION OF TELEPHONE COOPERATIVES

Sec. 162.051. INCORPORATORS. (a) Three or more individuals may act as incorporators of a telephone cooperative by executing articles of incorporation as provided by this chapter.

(b) An incorporator must:

- (1) be at least 21 years of age; and
- (2) reside in this state.

Acts 1997, 75th Leg., ch. 166, Sec. 1, eff. Sept. 1, 1997.

Sec. 162.052. DURATION OF CORPORATION. A telephone cooperative may be created as a perpetual corporation.

Acts 1997, 75th Leg., ch. 166, Sec. 1, eff. Sept. 1, 1997.

Sec. 162.053. NAME OF TELEPHONE COOPERATIVE. The name of a telephone cooperative must:

- (1) include the words "telephone" and "cooperative" and the abbreviation "Inc."; and
- (2) be distinct from the name of any other corporation organized under the laws of or authorized to do business in this state.

Acts 1997, 75th Leg., ch. 166, Sec. 1, eff. Sept. 1, 1997.

Sec. 162.054. ARTICLES OF INCORPORATION. (a) The articles

of incorporation of a telephone cooperative must:

(1) state that the articles are executed under this chapter;

(2) be signed by each incorporator and acknowledged by at least two incorporators; and

(3) state:

(A) the name of the cooperative;

(B) the purpose for which the cooperative is formed;

(C) the name and address of each incorporator;

(D) the number of directors;

(E) the address of the cooperative's principal office and the name and address of its agent on whom process may be served;

(F) the duration of the cooperative;

(G) the terms under which a person is admitted to membership and retains membership in the cooperative, unless the articles expressly state that the determination of membership matters is reserved to the directors by the bylaws; and

(H) any provisions that the incorporators include for the regulation of the business and the conduct of the affairs of the cooperative.

(b) The articles of incorporation do not need to state any of the corporate powers enumerated in this chapter.

Acts 1997, 75th Leg., ch. 166, Sec. 1, eff. Sept. 1, 1997.

Sec. 162.055. FILING AND RECORDING OF ARTICLES OF INCORPORATION. (a) The secretary of state shall receive articles of incorporation of a telephone cooperative if the incorporators of the cooperative:

(1) apply for filing the articles;

(2) furnish satisfactory evidence of compliance with this chapter to the secretary of state; and

(3) pay a fee of \$25.

(b) The secretary of state shall:

(1) file the articles of incorporation in the secretary's office;

(2) record the articles at length in a book to be kept for that purpose;

(3) retain the original articles of incorporation on file in the secretary's office; and

(4) issue a certificate showing the recording of the articles of incorporation and the telephone cooperative's authority to do business under the articles.

(c) A copy of the articles of incorporation or of the record of the articles, certified under the state seal, is evidence of the creation of the telephone cooperative.

(d) The existence of the telephone cooperative dates from the filing of the articles in the office of the secretary of state. The certificate of the secretary of state is evidence of that filing.

Acts 1997, 75th Leg., ch. 166, Sec. 1, eff. Sept. 1, 1997.

Sec. 162.056. REVIVAL OF ARTICLES OF INCORPORATION. (a) If the articles of incorporation of a telephone cooperative expire by limitation, the cooperative, with the consent of a majority of its members, may revive the articles by filing:

(1) new articles of incorporation under this chapter; and

(2) a certified copy of the expired original articles.

(b) A telephone cooperative that revives its articles of incorporation has all the privileges, immunities, and rights of property exercised and held by the cooperative at the time the original articles expired.

(c) New articles of incorporation filed under this section must recite the privileges, immunities, and rights of property exercised and held by the cooperative at the time the original articles expired.

Acts 1997, 75th Leg., ch. 166, Sec. 1, eff. Sept. 1, 1997.

Sec. 162.057. ORGANIZATIONAL MEETING. (a) After the certificate of incorporation is issued, the incorporators of a telephone cooperative shall meet to adopt bylaws, elect officers, and transact other business that properly comes before the meeting.

(b) A majority of the incorporators shall call the organizational meeting.

(c) The incorporators calling the organizational meeting shall give at least three days' notice of the meeting by mail to each incorporator. The notice must state the time and place of the meeting. The notice may be waived in writing.

Acts 1997, 75th Leg., ch. 166, Sec. 1, eff. Sept. 1, 1997.

Sec. 162.058. PERFECTING DEFECTIVELY ORGANIZED CORPORATIONS. (a) A telephone cooperative that files defective articles of incorporation or fails to take an action necessary to perfect its corporate organization may:

(1) file corrected articles of incorporation or amend the original articles; and

(2) take any action necessary to correct the defect.

(b) An action taken under this section is valid and binding on any person concerned.

Acts 1997, 75th Leg., ch. 166, Sec. 1, eff. Sept. 1, 1997.

Sec. 162.059. NONPROFIT OPERATION. (a) A telephone cooperative shall be operated on a nonprofit basis for the mutual benefit of its members and patrons.

(b) A cooperative's bylaws and its contracts with members and patrons must contain appropriate provisions relating to the disposition of revenues and receipts to establish and maintain the cooperative's nonprofit and cooperative character.

Acts 1997, 75th Leg., ch. 166, Sec. 1, eff. Sept. 1, 1997.

Sec. 162.060. MEMBERS NOT LIABLE FOR DEBTS OF TELEPHONE COOPERATIVE. A member is not liable for a debt of a telephone cooperative, and the member's property is not subject to execution for that debt.

Acts 1997, 75th Leg., ch. 166, Sec. 1, eff. Sept. 1, 1997.

Sec. 162.061. LICENSE FEE. Not later than July 1 of each year, each telephone cooperative doing business in this state shall pay to the secretary of state a fee of \$10.

Acts 1997, 75th Leg., ch. 166, Sec. 1, eff. Sept. 1, 1997.

Sec. 162.062. EXEMPTION FROM EXCISE TAXES. A telephone cooperative doing business in this state is exempt from all excise taxes but is exempt from the franchise tax imposed by Chapter 171, Tax Code, only if the cooperative is exempted by that chapter.

Acts 1997, 75th Leg., ch. 166, Sec. 1, eff. Sept. 1, 1997.

Text of section effective until January 01, 2022

Sec. 162.063. EXEMPTION FROM APPLICATION OF SECURITIES ACT. The Securities Act (Article 581-1 et seq., Vernon's Texas Civil Statutes) does not apply to:

(1) a note, bond, or other evidence of indebtedness issued by a telephone cooperative doing business in this state to the United States;

(2) an instrument executed to secure a debt of a telephone cooperative to the United States; or

(3) the issuance of a membership certificate by a telephone cooperative or a foreign corporation doing business in this state under this chapter.

Acts 1997, 75th Leg., ch. 166, Sec. 1, eff. Sept. 1, 1997.

Amended by:

Acts 2019, 86th Leg., R.S., Ch. 491 (H.B. 4171), Sec. 2.43, eff. January 1, 2022.

Text of section effective on January 01, 2022

Sec. 162.063. EXEMPTION FROM APPLICATION OF SECURITIES ACT. The Securities Act (Title 12, Government Code) does not apply to:

(1) a note, bond, or other evidence of indebtedness issued by a telephone cooperative doing business in this state to the United States;

(2) an instrument executed to secure a debt of a telephone cooperative to the United States; or

(3) the issuance of a membership certificate by a telephone cooperative or a foreign corporation doing business in

this state under this chapter.

Acts 1997, 75th Leg., ch. 166, Sec. 1, eff. Sept. 1, 1997.

Amended by:

Acts 2019, 86th Leg., R.S., Ch. 491 (H.B. [4171](#)), Sec. 2.43, eff. January 1, 2022.

Sec. 162.064. BYLAWS. (a) The board shall adopt the initial bylaws of a telephone cooperative to be adopted following:

- (1) an incorporation;
- (2) a consolidation; or
- (3) an amendment by an existing cooperative, corporation, or association of its articles of incorporation as provided by Section [162.082](#).

(b) After the initial bylaws are adopted, the members may adopt, amend, or repeal the bylaws by the affirmative vote of a majority of those members voting on the question at a meeting of the members.

(c) The bylaws may contain any provision for the regulation and management of the affairs of the telephone cooperative that is consistent with the articles of incorporation.

Acts 1997, 75th Leg., ch. 166, Sec. 1, eff. Sept. 1, 1997.

Sec. 162.065. MEMBERSHIP. (a) Each incorporator of a telephone cooperative is a member of the cooperative. A person other than an incorporator may become a member of a telephone cooperative only if the person agrees to use communication service furnished by the cooperative when that service is made available through the cooperative's facilities. The bylaws may prescribe additional qualifications and limitations with respect to membership.

(b) Membership in a telephone cooperative is evidenced by a certificate of membership. A membership certificate must contain the provisions, consistent with this chapter and the articles of incorporation, that are prescribed by the cooperative's bylaws. A certificate may be transferred only as provided by the bylaws.

(c) A telephone cooperative may become a member of another telephone cooperative and may fully use the facilities and services

of that cooperative.

Acts 1997, 75th Leg., ch. 166, Sec. 1, eff. Sept. 1, 1997.

Sec. 162.066. PATRONS. (a) A member is a patron of a telephone cooperative if the member purchases local telecommunications service or toll telecommunications service or pays end user access charges in the ordinary course of business of the cooperative.

(b) The use of interexchange access, payment of interexchange access fees or settlements, or purchase of equipment does not qualify a member or other person as a patron.

Acts 1997, 75th Leg., ch. 166, Sec. 1, eff. Sept. 1, 1997.

Sec. 162.067. MEETINGS OF MEMBERS. (a) A telephone cooperative shall hold an annual meeting of members at the time and place provided by the bylaws. Failure to hold the annual meeting at the designated time does not result in forfeiture or dissolution of the cooperative.

(b) A special meeting of the members may be called by:

- (1) the president;
- (2) the board;
- (3) any three directors; or
- (4) the lesser of:
 - (A) 200 members; or
 - (B) 10 percent of all the members.

Acts 1997, 75th Leg., ch. 166, Sec. 1, eff. Sept. 1, 1997.

Sec. 162.068. NOTICE OF MEMBERS' MEETING. (a) Except as otherwise provided by this chapter, written notice of each meeting of the members shall be given to each member, either personally or by mail, not earlier than the 25th day or later than the 10th day before the date of the meeting.

(b) The notice must state the time and place of the meeting and, in the case of a special meeting, each purpose for which the meeting is called.

(c) A notice that is mailed is considered to have been given when the notice is deposited in the United States mail with postage

prepaid addressed to the member at the member's address as it appears on the records of the telephone cooperative.

Acts 1997, 75th Leg., ch. 166, Sec. 1, eff. Sept. 1, 1997.

Sec. 162.069. WAIVER OF NOTICE. A person entitled to notice of a meeting may waive notice in writing either before or after the meeting. If a person entitled to notice of a meeting attends the meeting, the person's attendance constitutes a waiver of notice of the meeting, unless the person participates in the meeting solely to object to the transaction of business because the meeting is not legally called or convened.

Acts 1997, 75th Leg., ch. 166, Sec. 1, eff. Sept. 1, 1997.

Sec. 162.070. MEMBERS' MEETING: QUORUM AND VOTING. (a) Unless the bylaws prescribe a greater percentage or number of members for a quorum, a quorum at a meeting of the members of a telephone cooperative is the personal presence of:

(1) 10 percent of all members, if the cooperative has 500 or fewer members; or

(2) the greater of 50 members or two percent of all members, if the cooperative has more than 500 members.

(b) If fewer than a quorum are present at a meeting, a majority of the members present in person may adjourn the meeting from time to time without further notice.

(c) Each member present at a meeting of the members is entitled to one vote on each matter submitted to a vote at the meeting. Voting must be in person unless the bylaws provide for voting by mail.

Acts 1997, 75th Leg., ch. 166, Sec. 1, eff. Sept. 1, 1997.

Sec. 162.071. BOARD OF DIRECTORS. (a) A board of at least five directors shall manage the business of a telephone cooperative. Each director must be a member of the cooperative. The bylaws must prescribe the number of directors and their qualifications other than those prescribed by this chapter.

(b) The board may exercise any power of a telephone cooperative not conferred on the members by this chapter or by the

cooperative's articles of incorporation or bylaws.

Acts 1997, 75th Leg., ch. 166, Sec. 1, eff. Sept. 1, 1997.

Sec. 162.072. ELECTION OF DIRECTORS; TERMS. (a) The incorporators of a telephone cooperative named in the articles of incorporation shall serve as directors and hold office until the first annual meeting of the members and until their successors are elected and qualify.

(b) At each annual meeting or, in the case of failure to hold the annual meeting as specified in the bylaws, at a special meeting called for that purpose, the members shall elect directors to hold office until the next annual members' meeting, except as otherwise provided by this chapter. Except as provided by Subsection (e), each director holds office for the term for which the person is elected and until the person's successor is elected and qualifies.

(c) Instead of electing all the directors annually, the bylaws may provide that the directors, other than those named in the articles of incorporation to serve until the first annual meeting of the members, are elected by the members for a term of two years or three years. The terms must be set so that:

(1) one-half of the directors, as nearly as possible, are elected annually, if a two-year term is provided; or

(2) one-third of the directors, as nearly as possible, are elected annually, if a three-year term is provided.

(d) After the implementation of two-year or three-year terms for directors, as directors' terms expire, the members shall elect their successors to serve until the second or third succeeding annual meeting after their election, as appropriate.

(e) The bylaws must prescribe the manner of electing a successor to a director who resigns, dies, or otherwise becomes incapable of acting. The bylaws may provide for the removal of a director from office and for the election of the director's successor.

Acts 1997, 75th Leg., ch. 166, Sec. 1, eff. Sept. 1, 1997.

Sec. 162.073. COMPENSATION OF DIRECTORS. (a) A director may not receive a salary for services as a director. Except in an

emergency, a director may not receive a salary for services in a capacity other than director without the approval of the members.

(b) The bylaws may:

(1) prescribe a fixed fee for attendance at each board meeting, committee meeting, industry-related conference approved by the board, or training program; and

(2) provide for reimbursement of actual expenses of attendance or a reasonable per diem.

Acts 1997, 75th Leg., ch. 166, Sec. 1, eff. Sept. 1, 1997.

Sec. 162.074. INSURANCE FOR DIRECTORS. A telephone cooperative may provide liability, accident, life, and health insurance coverage for a director who chooses to have that coverage.

Acts 1997, 75th Leg., ch. 166, Sec. 1, eff. Sept. 1, 1997.

Sec. 162.075. BOARD MEETINGS; QUORUM. (a) The bylaws shall prescribe the manner of holding board meetings.

(b) A majority of the directors is a quorum.

Acts 1997, 75th Leg., ch. 166, Sec. 1, eff. Sept. 1, 1997.

Sec. 162.076. DISTRICTS. (a) The bylaws may provide for the territory served or to be served by a telephone cooperative to be divided into two or more districts for any purpose, including the nomination and election of directors and the election and functioning of district delegates.

(b) The bylaws must prescribe:

(1) the boundaries of each district or the manner of establishing a district's boundaries;

(2) the manner of changing a district's boundaries;
and

(3) the manner in which each district functions.

(c) District delegates may nominate and elect directors. A district delegate must be a member.

(d) A member may not vote by proxy or by mail at a district meeting.

(e) A district delegate may not vote by proxy or by mail at

any meeting.

Acts 1997, 75th Leg., ch. 166, Sec. 1, eff. Sept. 1, 1997.

Sec. 162.077. OFFICERS, AGENTS, AND EMPLOYEES. (a) The board of a telephone cooperative shall annually elect from the board's membership a president, a vice president, a secretary, and a treasurer.

(b) An officer who ceases to be a director ceases to hold office.

(c) The same person may hold the offices of secretary and of treasurer.

(d) The board may also elect or appoint other officers, agents, or employees as the board considers appropriate and shall prescribe the powers and duties of those persons.

(e) An officer may be removed from office and a successor elected in the manner prescribed by the bylaws.

Acts 1997, 75th Leg., ch. 166, Sec. 1, eff. Sept. 1, 1997.

Sec. 162.078. EXECUTIVE COMMITTEE. (a) The bylaws of a telephone cooperative may authorize the board to elect an executive committee from the board's membership.

(b) The board may delegate to the executive committee the management of the current and ordinary business of the cooperative and other duties as prescribed by the bylaws.

(c) The designation of an executive committee and the delegation of authority to the committee does not relieve the board or any director of a responsibility imposed on the board or the director by this chapter.

Acts 1997, 75th Leg., ch. 166, Sec. 1, eff. Sept. 1, 1997.

Sec. 162.079. INDEMNIFICATION. Article 2.22A, Texas Non-Profit Corporation Act (Article 1396-2.22A, Vernon's Texas Civil Statutes), applies to a telephone cooperative in the same manner as if the cooperative were formed under the Texas Non-Profit Corporation Act.

Acts 1997, 75th Leg., ch. 166, Sec. 1, eff. Sept. 1, 1997.

Sec. 162.080. CHANGE OF LOCATION OF PRINCIPAL OFFICE. (a) A telephone cooperative may, with the authorization of the board or the members, change the location of its principal office by filing a certificate reciting the change of principal office with the secretary of state.

(b) The cooperative's president or vice president must execute and acknowledge the certificate under the cooperative's seal as attested by the secretary.

(c) The secretary of state shall charge and collect a fee of \$5 for filing a certificate of change of principal office.

Acts 1997, 75th Leg., ch. 166, Sec. 1, eff. Sept. 1, 1997.

Sec. 162.081. DIRECTOR, OFFICER, OR MEMBER ACTING AS NOTARY. A person who is an officer, director, or member of a telephone cooperative and who is authorized to take acknowledgments under state law is not disqualified because of the person's association with the cooperative from taking an acknowledgment of an instrument executed in favor of the cooperative or to which the cooperative is a party.

Acts 1997, 75th Leg., ch. 166, Sec. 1, eff. Sept. 1, 1997.

Sec. 162.082. APPLICABILITY TO CORPORATIONS ORGANIZED UNDER OTHER LAW. A cooperative or nonprofit corporation or association organized under any other law of this state for the purpose of furnishing communication service may, by a majority vote of the members present in person at a meeting called for that purpose, amend its articles of incorporation to comply with this chapter.

Acts 1997, 75th Leg., ch. 166, Sec. 1, eff. Sept. 1, 1997.

SUBCHAPTER C. POWERS OF TELEPHONE COOPERATIVE

Sec. 162.121. GENERAL POWERS. A telephone cooperative may:

- (1) sue and be sued in its corporate name;
- (2) adopt and alter a corporate seal and use the seal or a facsimile of the seal as required by law;
- (3) construct, acquire, lease, improve, install,

equip, maintain, and operate, and, subject to Sections 162.125 and 162.126, dispose of, lease, or encumber, communication lines, facilities or systems, lands, structures, plants and equipment, exchanges, and other property, considered appropriate to accomplish the purpose for which the cooperative is organized;

(4) issue membership certificates as provided by this chapter;

(5) borrow money and otherwise contract indebtedness, issue or guarantee notes, bonds, and other evidences of indebtedness, and secure the payment of indebtedness by pledge or other encumbrance on any or all of its property or revenue;

(6) conduct its business and exercise its powers inside or outside this state;

(7) adopt, amend, and repeal bylaws;

(8) make any contracts appropriate for the full exercise of the powers granted by this chapter; and

(9) perform any other acts and exercise any other power that may be appropriate to accomplish the purpose for which the cooperative is organized.

Acts 1997, 75th Leg., ch. 166, Sec. 1, eff. Sept. 1, 1997.

Sec. 162.122. POWERS RELATING TO PROVISION OF COMMUNICATION SERVICE. (a) A telephone cooperative may:

(1) furnish and improve communication service to its members, to governmental agencies and political subdivisions, to any number of subscribers of other communication systems through interconnection of facilities, and to any number of users through pay stations;

(2) connect and interconnect its communication lines, facilities, or systems with other communication lines, facilities, or systems;

(3) make its facilities available to persons furnishing communication service inside or outside this state; and

(4) construct, maintain, and operate a communication line along, on, under, or across publicly owned land or a public thoroughfare, subject to the same restrictions and obligations that apply to an electric transmission cooperative under Subchapter C,

Chapter 181.

(b) A telephone cooperative that acquires communication facilities may continue to furnish service to a person who is already receiving service from those facilities without requiring the person to become a member, but the person may become a member on the terms prescribed by the bylaws.

Acts 1997, 75th Leg., ch. 166, Sec. 1, eff. Sept. 1, 1997.

Sec. 162.123. CONNECTION AND INTERCONNECTION OF FACILITIES. A telephone cooperative doing business in this state may require a person furnishing communication service to the public in this state to interconnect that person's lines, facilities, or systems with, or otherwise make available those lines, facilities, or systems to, the cooperative's communication lines, facilities, or systems to provide a continuous line of communication for the cooperative's subscribers.

Acts 1997, 75th Leg., ch. 166, Sec. 1, eff. Sept. 1, 1997.

Sec. 162.124. EMINENT DOMAIN. A telephone cooperative may exercise the power of eminent domain in the manner provided by state law for the exercise of that power by other corporations constructing or operating communication lines, facilities, or systems.

Acts 1997, 75th Leg., ch. 166, Sec. 1, eff. Sept. 1, 1997.

Sec. 162.125. ENCUMBRANCE AND DISPOSITION OF PROPERTY WITHOUT MEMBERS' AUTHORIZATION. (a) The board of a telephone cooperative may, without authorization of the members, authorize the execution and delivery of a mortgage or deed of trust of or the encumbering of any property of the cooperative, including property to be acquired and the revenues from property of the cooperative, to secure any indebtedness of the cooperative to the United States or any lending institution licensed by the United States or a state.

(b) A mortgage or deed of trust described by Subsection (a) is exempt from a tax for recording the instrument.

Acts 1997, 75th Leg., ch. 166, Sec. 1, eff. Sept. 1, 1997.

Sec. 162.126. ENCUMBRANCE, LEASE, AND DISPOSITION OF PROPERTY WITH MEMBERS' AUTHORIZATION. (a) Except as provided by Section 162.125, a telephone cooperative may not dispose of, lease, or encumber all or a major portion of its property unless the disposition, lease, or encumbrance is authorized by the affirmative vote of at least two-thirds of all the members of the cooperative.

(b) The board may, on the authorization of two-thirds of all the members of the cooperative at a members' meeting, dispose of or lease all or a major portion of its property to:

(1) another telephone cooperative;

(2) a foreign corporation doing business in this state under this chapter; or

(3) the holder of a note, bond, or other evidence of indebtedness issued to the United States or to a lending institution licensed by the United States or a state.

(c) The notice of a meeting at which a disposition or lease under Subsection (b) is to be considered must state the proposed action.

Acts 1997, 75th Leg., ch. 166, Sec. 1, eff. Sept. 1, 1997.

SUBCHAPTER D. AMENDMENT OF ARTICLES OF INCORPORATION

Sec. 162.151. AMENDMENT OF ARTICLES OF INCORPORATION. A telephone cooperative may amend its articles of incorporation in accordance with this subchapter.

Acts 1997, 75th Leg., ch. 166, Sec. 1, eff. Sept. 1, 1997.

Sec. 162.152. PRESENTATION AND APPROVAL OF PROPOSED AMENDMENT. (a) A proposed amendment to the articles of incorporation must be presented to a meeting of the members. The notice of the meeting must state the proposed amendment or must have the proposed amendment attached to it.

(b) A proposed amendment, with any changes, may be approved only on the affirmative vote of at least two-thirds of the members voting on the question at the meeting.

Acts 1997, 75th Leg., ch. 166, Sec. 1, eff. Sept. 1, 1997.

Sec. 162.153. ARTICLES OF AMENDMENT. (a) The president or vice president, on behalf of the telephone cooperative, shall execute and acknowledge the approved articles of amendment. The cooperative's seal must be affixed to the articles of amendment and attested by its secretary.

(b) The articles of amendment must state:

(1) that the articles of amendment are executed under this chapter;

(2) the name of the telephone cooperative;

(3) the address of the cooperative's principal office; and

(4) the amendment to the articles of incorporation.

(c) The president or vice president executing the articles of amendment shall make and attach to the articles an affidavit stating that the cooperative complied with this subchapter with respect to the amendment set forth in the articles.

Acts 1997, 75th Leg., ch. 166, Sec. 1, eff. Sept. 1, 1997.

Sec. 162.154. FILING OF ARTICLES OF AMENDMENT. (a) Articles of amendment shall be filed with the secretary of state in the same manner as the original articles of incorporation.

(b) The secretary of state shall charge and collect a fee of \$25 for filing articles of amendment.

Acts 1997, 75th Leg., ch. 166, Sec. 1, eff. Sept. 1, 1997.

SUBCHAPTER E. CONSOLIDATION OR MERGER OF TELEPHONE COOPERATIVES

Sec. 162.201. CONSOLIDATION. (a) Two or more telephone cooperatives may enter into an agreement to consolidate the cooperatives. The agreement must state:

(1) the terms of the consolidation;

(2) the name of the proposed consolidated cooperative;

(3) the number of directors of the proposed consolidated cooperative;

(4) the time of the annual meeting and election; and

(5) the names of at least five persons to be directors until the first annual meeting.

(b) A consolidation agreement may be approved only on the votes of a majority of the members of each telephone cooperative at a regular meeting or at a special meeting of its members called for that purpose.

(c) Telephone cooperatives may not consolidate for the purpose of duplicating the facilities of another communication company where the other communication company is giving or is willing to give reasonably adequate communication service.

Acts 1997, 75th Leg., ch. 166, Sec. 1, eff. Sept. 1, 1997.

Sec. 162.202. ARTICLES OF CONSOLIDATION. (a) The articles of consolidation must:

(1) conform substantially to original articles of incorporation of a telephone cooperative; and

(2) be executed, acknowledged, filed, and recorded in the same manner as original articles of incorporation.

(b) The directors named in the consolidation agreement shall as incorporators sign and acknowledge the articles of consolidation.

(c) The secretary of state shall charge and collect a fee of \$50 for filing articles of consolidation.

(d) When the secretary of state accepts the articles of consolidation for filing and recording and issues a certificate of consolidation, the proposed consolidated telephone cooperative described in the articles under its designated name exists as a body corporate, with all the powers of a telephone cooperative originally organized under this chapter.

Acts 1997, 75th Leg., ch. 166, Sec. 1, eff. Sept. 1, 1997.

Sec. 162.203. MERGER. (a) One or more telephone cooperatives may merge into another cooperative as provided by this section and Section [162.204](#).

(b) The proposition for the merger and proposed articles of merger must be submitted at a meeting of the members of each merging cooperative and the surviving cooperative. A copy of the proposed articles of merger must be attached to the notice of each meeting.

(c) A proposed merger and proposed articles of merger, with

any amendments, may be approved only on the affirmative vote of at least two-thirds of the members of each cooperative voting on the proposed merger and articles.

Acts 1997, 75th Leg., ch. 166, Sec. 1, eff. Sept. 1, 1997.

Sec. 162.204. ARTICLES OF MERGER. (a) The president or vice president of each telephone cooperative, on behalf of the telephone cooperative, shall execute and acknowledge the approved articles of merger. The cooperative's seal must be affixed to the articles of merger and attested by its secretary.

(b) The articles of merger must state:

(1) that they are executed under this chapter;

(2) the name of each merging cooperative and the address of its principal office;

(3) the name of the surviving cooperative and the address of its principal office;

(4) that each merging cooperative and the surviving cooperative agree to the merger;

(5) the name and address of each director of the surviving cooperative;

(6) the terms of the merger and the manner in which the merger will be carried out, including the manner in which members of the merging cooperatives become or may become members of the surviving cooperative;

(7) the duration of the surviving cooperative; and

(8) the purpose for which the surviving cooperative is formed.

(c) The articles of merger may contain any provision consistent with this chapter considered appropriate for the conduct of the business of the surviving cooperative. The president or vice president of each cooperative executing the articles of merger shall make and attach to the articles an affidavit stating that the cooperative complied with this subchapter with respect to the articles.

(d) The original and a copy of the articles of merger shall be delivered to the secretary of state. If the secretary of state finds that the articles conform to law, the secretary of state, on

payment of a fee of \$50, shall:

- (1) file and record the articles of merger;
- (2) issue a certificate of merger; and
- (3) attach to the certificate of merger the copy of the

articles of merger and deliver the certificate and attached copy to the surviving cooperative or its representative.

Acts 1997, 75th Leg., ch. 166, Sec. 1, eff. Sept. 1, 1997.

Sec. 162.205. EFFECT OF CONSOLIDATION OR MERGER. (a) In a consolidation the existence of each telephone cooperative ceases and the articles of consolidation are considered to be the articles of incorporation of the new cooperative. In a merger the separate existence of each merging telephone cooperative ceases and the articles of incorporation of the surviving cooperative are considered to be amended to the extent, if any, that amendment is provided for in the articles of merger.

(b) All the rights, privileges, immunities, property, and applications for membership of each of the consolidating or merging cooperatives are transferred to and vested in the new or surviving cooperative, except that this chapter does not relieve a cooperative of the obligation to comply with the applicable provisions of Title 2.

(c) The new or surviving cooperative is liable for all the liabilities and obligations of the consolidating or merging cooperatives. A claim existing or action or proceeding pending by or against a consolidating or merging cooperative may be prosecuted as if the consolidation or merger had not taken place, and the new or surviving cooperative may be substituted in the place of the consolidating or merging cooperative. The consolidation or merger does not impair the rights of creditors of or liens on the property of a consolidating or merging cooperative.

Acts 1997, 75th Leg., ch. 166, Sec. 1, eff. Sept. 1, 1997.

SUBCHAPTER F. CONVERSION OF CORPORATION INTO TELEPHONE COOPERATIVE

Sec. 162.251. CONVERSION OF CORPORATION INTO TELEPHONE COOPERATIVE. (a) A corporation organized under the laws of this

state that furnishes or is authorized to furnish communication service may be converted into a telephone cooperative in accordance with this subchapter. On conversion, the corporation is subject to this chapter as if it had been originally organized under this chapter.

(b) The proposition for the conversion and proposed articles of conversion must be submitted at a meeting of the members or stockholders of the corporation or, in the case of a corporation that does not have members or stockholders, at a meeting of the incorporators of the corporation. A copy of the proposed articles of conversion must be attached to the notice of the meeting.

(c) A proposed conversion and proposed articles of conversion, with any amendments, may be approved only on the affirmative vote of:

(1) at least two-thirds of the members of the corporation voting on the proposed conversion and articles;

(2) the holders of at least two-thirds of the shares of the capital stock of the corporation represented at the meeting and voting on the proposition and articles, if the corporation is a stock corporation; or

(3) at least two-thirds of the corporation's incorporators, if the corporation does not have members or outstanding shares of capital stock.

Acts 1997, 75th Leg., ch. 166, Sec. 1, eff. Sept. 1, 1997.

Sec. 162.252. ARTICLES OF CONVERSION. (a) The president or vice president, on behalf of the corporation, shall execute and acknowledge the approved articles of conversion. The corporation's seal must be affixed to the articles and attested by its secretary.

(b) The articles of conversion must state:

(1) that they are executed under this chapter;

(2) the name of the corporation and the address of its principal office before its conversion into a telephone cooperative;

(3) the law under which the corporation was organized;

(4) that the corporation elects to become a cooperative, nonprofit corporation subject to this chapter;

- (5) the corporation's name as a cooperative;
- (6) the address of the principal office of the cooperative;
- (7) the name and address of each director of the cooperative;
- (8) the manner in which a member, stockholder, or incorporator of the corporation becomes or may become a member of the cooperative;
- (9) the duration of the cooperative; and
- (10) the purpose for which the cooperative is formed.

(c) The articles of conversion may contain any provision consistent with this chapter considered appropriate for the conduct of the business of the cooperative. The president or vice president executing the articles of conversion shall make and attach to the articles an affidavit stating that the corporation complied with this section with respect to the articles. The articles of conversion are considered to be the articles of incorporation of the cooperative.

(d) The original and a copy of the articles of conversion shall be delivered to the secretary of state. If the secretary of state finds that the articles conform to law, the secretary of state, on payment of a fee of \$50, shall:

- (1) file and record the articles of conversion;
- (2) issue a certificate of conversion; and
- (3) attach to the certificate of conversion the copy of the articles of conversion and deliver the certificate and attached copy to the cooperative or its representative.

Acts 1997, 75th Leg., ch. 166, Sec. 1, eff. Sept. 1, 1997.

Sec. 162.253. CONSOLIDATION AND CONVERSION OF CORPORATIONS INTO TELEPHONE COOPERATIVE. (a) Two or more corporations organized under the laws of this state that furnish or are authorized to furnish communication service may, if otherwise permitted to consolidate under state law, consolidate and convert into a telephone cooperative in accordance with this subchapter. On consolidation and conversion, the new cooperative is subject to this chapter as if it had been originally organized under this

chapter.

(b) The proposition for the consolidation and conversion and the proposed articles of consolidation and conversion, with any amendments, must be approved by each corporation in accordance with:

- (1) the law under which it was organized; and
- (2) Sections 162.251 and 162.252.

Acts 1997, 75th Leg., ch. 166, Sec. 1, eff. Sept. 1, 1997.

Sec. 162.254. ARTICLES OF CONSOLIDATION AND CONVERSION.

(a) The approved articles of consolidation and conversion:

(1) shall be executed, acknowledged, and sealed as prescribed by Section 162.252 and by the law under which the consolidating and converting corporations were organized;

(2) must:

(A) state that they are executed under this chapter and the law under which the corporations were organized and that each consolidating corporation elects that the new corporation be a cooperative; and

(B) contain all other information required by the law under which the corporations were organized; and

(3) may contain any provision consistent with this chapter considered appropriate for the conduct of the business of the cooperative.

(b) The president or vice president executing the articles of consolidation and conversion shall make and attach to the articles an affidavit stating that the corporations complied with this section and Section 162.253 and with the applicable provisions of the law under which the consolidating corporations were organized with respect to the articles. The articles of consolidation and conversion are considered to be the articles of incorporation of the cooperative and shall be filed in accordance with the provisions both of this chapter and of the law under which the consolidating corporations were organized.

(c) The original and a copy of the articles of consolidation and conversion shall be delivered to the secretary of state. If the secretary of state finds that the articles conform to law, the

secretary of state, on payment of a fee of \$50, shall:

- (1) file and record the articles of consolidation and conversion;
- (2) issue a certificate of consolidation and conversion; and
- (3) attach to the certificate the copy of the articles and deliver the certificate and attached copy to the cooperative or its representative.

Acts 1997, 75th Leg., ch. 166, Sec. 1, eff. Sept. 1, 1997.

SUBCHAPTER G. DISSOLUTION

Sec. 162.301. DISSOLUTION. (a) A telephone cooperative may be dissolved by a two-thirds vote of all the members of the cooperative. The vote must be taken at a regular meeting or at a special meeting of its members called for that purpose. Votes must be cast in person.

(b) A certificate of dissolution must be:

(1) signed by the president or vice president and attested by the secretary, certifying to the dissolution and stating that the officers have been authorized by a vote of the members under Subsection (a) to execute and file the certificate; and

(2) executed, acknowledged, filed, and recorded in the same manner as original articles of incorporation of a telephone cooperative.

(c) The cooperative is dissolved when the secretary of state accepts the certificate of dissolution for filing and recording and issues a certificate of dissolution.

(d) The secretary of state shall charge and collect:

(1) a fee of \$5 for filing a certificate of election to dissolve; and

(2) a fee of \$5 for filing articles of dissolution.

Acts 1997, 75th Leg., ch. 166, Sec. 1, eff. Sept. 1, 1997.

Sec. 162.302. EXISTENCE FOLLOWING DISSOLUTION. (a) A dissolved telephone cooperative continues to exist to:

- (1) satisfy existing liabilities or obligations;
- (2) collect or liquidate its assets; and
- (3) take any other action required to adjust and wind up its business and affairs.

(b) A dissolved telephone cooperative may sue and be sued in its corporate name.

Acts 1997, 75th Leg., ch. 166, Sec. 1, eff. Sept. 1, 1997.

Sec. 162.303. DISTRIBUTION OF NET ASSETS ON DISSOLUTION. Assets of a dissolved telephone cooperative that remain after all liabilities or obligations of the cooperative have been satisfied shall be distributed as follows:

- (1) first, to patrons for the pro rata return of amounts standing to their credit because of their patronage; and

- (2) second, to members for the pro rata repayment of membership fees.

Acts 1997, 75th Leg., ch. 166, Sec. 1, eff. Sept. 1, 1997.

Sec. 162.304. DISSOLUTION OF DEFECTIVELY INCORPORATED TELEPHONE COOPERATIVE. (a) A telephone cooperative that purports to have been incorporated or reincorporated under this chapter but that has not complied with a requirement for legal corporate existence may file a certificate of dissolution in the same manner as a validly incorporated telephone cooperative.

(b) The certificate of dissolution may be authorized by a majority of the incorporators or directors at a meeting called by an incorporator and held at the principal office of the cooperative named in the articles of incorporation.

(c) The incorporator calling the meeting must give at least ten days' notice of the meeting by mail to the last known post office address of each incorporator or director.

Acts 1997, 75th Leg., ch. 166, Sec. 1, eff. Sept. 1, 1997.