

CORPORATIONS

CHAPTER 106

S. B. No. 225—(Wog and Brostuen)

INCORPORATION COOPERATIVE GRAZING ASSOCIATIONS

An Act to provide for the incorporation of Cooperative Grazing Associations to aid in the conservation, restoration, improvement, development and utilization of forage resources in the State of North Dakota; to authorize such associations to lease County, State, Federal, or other lands for such purposes, and to create grazing districts, and to provide for the management and use of such lands which will best conserve, restore, improve and develop the forage value thereof.

Be It Enacted by the Legislative Assembly of the State of North Dakota:

§ 1. For the purposes of this act the words

“Associations” shall mean a cooperative grazing association;

“District” shall mean a cooperative grazing district;

“Subdivision” shall mean any portion or block of land situated within the outside boundaries of a district;

“Person” shall mean any natural person or any firm, partnership or corporation;

“Grazing area” shall mean any area of land consisting of fifty thousand acres, or more, situated in any one county in this State, that has been or may be acquired by the United States, or any of its departments, corporations, or agencies, that may be leased by an association for grazing purposes.

§ 2. A corporation, mutually operated, for the purpose of aiding in the conservation, restoration, improvement, development and utilization of natural forage resources within a county, where a grazing area has been acquired, to be jointly used by its members, and for aiding in the restoration, conservation, improvement, development and utilization of lands which may be leased from the United States, or from any of its departments, corporations, or agencies, and/or from the State of North Dakota, or from any of its departments, boards or agencies, and/or from any county or political subdivision in this State, or from other persons, shall be known as a “Cooperative Grazing Association.”

Only one such association shall be organized within any county.

Lands leased by such an association and utilized by its members for grazing purposes under such definite restrictions, regulations and limitations by the association as shall contribute to the conservation, restoration, improvement and development of the forage resources of such land, shall be known as a “Cooperative Grazing District.”

§ 3. Fifteen or more persons who are the owners or lessees

of land situated within a grazing area and who are engaged in the raising of livestock, may form a non-profit cooperative grazing association under the provisions of this act.

§ 4. Each association formed under this act must prepare written articles of incorporation in triplicate, to be subscribed by the incorporators and acknowledged by three or more of them before an officer authorized by the law of this state to take acknowledgments of deeds and conveyances. One of such copies shall be filed in the office of the Secretary of State, who, upon the payment of the fees herein provided, shall issue a certificate of incorporation; one shall be filed with the Dean of the State College of Agriculture, and one shall be retained for the records of the association. Such articles of incorporation shall set forth:

(a) The name of the association, which shall include the words "Grazing Association."

(b) The purposes for which it is formed.

(c) The county in which such proposed association is to be located, and the place where its principal business will be transacted, and the postoffice address thereof.

(d) The membership fee, which shall in no case be greater than five dollars (\$5.00) per year.

(e) The term for which it is to exist, not exceeding forty years.

(f) The names and residences of the persons who subscribed to the articles of incorporation, who must be owners or lessees of land within the outside boundaries of any grazing area.

(g) Whether the property and grazing rights and interest of each member shall be equal or unequal; and if unequal, the articles shall set forth the general rule or rules applicable to all members by which the property and grazing rights and interests respectively, of each member, may and shall be determined and fixed; and the association shall have power to admit new members who shall be entitled to share in the property of the association with the old members, in accordance with such general rule or rules. This provision of the articles of incorporation shall not be altered, amended, or repealed, except by the written consent or the vote of three-fourths of the members.

(h) The names and residences of those who are to serve as directors until their successors are elected and qualified.

(i) The number of directors thereof, shall consist of one director from each congressional township in the proposed district, who must be eligible to membership in the association, and the term of office of such directors.

§ 5. The articles of incorporation may be altered or amended at any regular meeting or at any special meeting called for that purpose. An amendment must first be approved by two-thirds of the directors, and then adopted by a vote representing two-thirds of all

of the members of the association. Amendments to the articles of incorporation when so adopted shall be filed in accordance with the provisions of the general corporation law of this state.

§ 6. Each association incorporated under this act must, within thirty days after its incorporation, adopt for its general government and management, a code of by-laws not inconsistent with the powers granted by this Act, and to carry out the objects and purposes of the association. A majority vote of the members, or their written assent, is necessary to adopt such by-laws. These by-laws shall include the following matters:

(a) The time, place and manner of calling and conducting its meetings. In voting at meetings no proxies shall be allowed.

(b) The number of members constituting a quorum.

(c) The number of directors constituting a quorum.

(d) The number, qualifications, compensation, and duties of directors and officers, whose term of office shall be one year; the time and manner of their election.

(e) One director to be elected from each congressional township in the district by the majority vote of the members residing in such township.

(f) Penalties for violation of the by-laws or of any regulations, limitation or restrictions, imposed by the Board of Directors for the conservation, improvement, development and utilization of forage resources within the district.

(g) The amount of entrance, organization and membership fees, if any, each of which shall in no case exceed the sum of five dollars (\$5.00); the manner and method of collection of the same, and the purposes for which they may be used.

(h) The amount which each member shall be required to pay annually, to be determined by the directors and not to exceed the sum of five dollars (\$5.00) per year, to carry on the business of the association; and the charge, if any, to be paid by each member for services rendered by the association to him, and the time of payment and the manner of collecting the same.

(i) The date of the annual meeting of the association and rules for the manner and method of calling general and special meetings.

(j) The manner of filling vacancies in the board of directors or any office.

§ 7. Such by-laws may be altered or amended by the members at any regular or special meeting called for that purpose by a two-thirds vote of the members of the association.

§ 8. Each association organized under this act shall have the following powers:

(a) To lease from the United States, or any of its departments, corporations or agencies, and/or from the State of North Dakota, or any of its departments or agencies, or from any county

or political subdivision therein, or from any other person or association, lands for grazing purposes and for the raising of forage crops, and to assign and transfer such leases or any portion of them.

(b) To construct or acquire fences, reservoirs, or other facilities, for the care of livestock.

(c) To apportion to members grazing rights within such district on such terms, conditions and limitations as may be specified by the directors thereof, not in conflict with any of the provisions contained in any lease or leases by the association with the county, state, or Federal Government, or any of its departments, boards or agencies.

(d) To borrow money.

(e) To issue grazing permits to non-members.

(f) To act as agent of, and to cooperate with, the Federal and/or State Government, or any department or agency of the Federal and/or State Government, in the conservation, restoration, improvement, development and utilization of the forage resources in this state, or for any other purpose, and to accept and use any funds provided by the Federal or State Government, or any department or agency thereof.

(g) To do each and everything necessary, suitable or proper for the accomplishment of any one or more of the objects herein enumerated; or conducive to, or expedient for the interest or benefit of the association; and to contract accordingly; and in addition to exercise and possess all powers, rights and privileges necessary or incidental to the purposes for which the association is organized, or to the activities in which it is engaged; and in addition any other rights, powers and privileges granted by the laws of this state to ordinary corporations, except such as are inconsistent with the express provisions of this Act; and to do any such thing anywhere.

§ 8. Any person who is an owner or lessee of land within the proposed boundaries or residing on the border of the area within or without the county and have heretofore been dependent upon the land within the area of any Cooperative Grazing District, who is also engaged in the raising of livestock within the area, shall be entitled to become a member by paying the membership fee, by subscribing to the by-laws, and by complying with the rules, regulations and limitations determined by the directors thereof.

When any member shall dispose of land owned or leased by him and upon which his membership in the association and the grazing rights in the district are based, then he shall cease to be a member of such association.

When any member shall dispose of all or part of the land owned or leased by him, so that another individual, or other individuals, shall, by the purchase and ownership or transfer of the lease to such land, acquire right to membership and to grazing rights, then the rights and interests involved and the grazing rights of all the parties shall be determined by the board of directors.

Each member shall have one vote.

Except for debts lawfully contracted between him and the association, no member shall be liable for the debts of the association to an amount exceeding the sum remaining unpaid on his membership fee.

§ 9. Cooperative Grazing Associations organized under this act shall, upon completion of organization and incorporation, file with the Register of Deeds of the county, and with the Dean of the State College of Agriculture, a map or plat of the grazing district proposed to be created and the subdivisions therein.

Whenever any incorporated grazing association shall enlarge or reduce the area included within its district, or change or modify its boundaries, or subdivisions, it shall file with the Register of Deeds, and the Dean of the State College of Agriculture, a map or plat indicating such changed boundaries.

§ 10. The directors shall have power:

(a) To exercise the full corporate power as authorized in this act.

(b) To make such regulations for the management and control of the affairs of the association and of the manner of utilization of grazing within their district not inconsistent with the terms, conditions and limitations of leases of land contained therein.

(c) To apportion grazing rights within their district to members, and in doing so shall consider the following factors:

(1) The amount of winter feed that the member can raise on land owned or leased by him situated in the district or on land situated within two miles of the outside boundary of the district.

(2) The dependence of the member on the grazing in the district.

(3) The amount of stock previously grazed by the member in the area where the district is located.

(4) The amount of grass that will be available for the stock of all the members of the association.

(d) To create subdivisions in the district and to specify the kind and number of stock that may be permitted to graze in such subdivisions.

(e) To determine the length of time during which stock of any member may graze in the district or in any subdivision thereof.

(f) To determine grazing fees to be imposed on members or non-members on a per head basis for grazing rights.

(g) To grant to non-members grazing permits within such district when the amount of forage within the district is greater than the needs of the members, but no such permits shall be granted when such use shall be inconsistent with the terms of leases of county, state or Federal lands within the district, or with a safe policy of forage conservation within such district.

(h) On behalf of the association, to enter into leases with any

county or counties in which the district is located, or with the State or Federal Government, or any departments or agencies thereof, or with other persons, for tracts of land within or contiguous to such district.

(i) To specify the breeds, quality and number of male breeding animals which each member must furnish when stock are grazed in a common pasture within the grazing district, or in any subdivision thereof.

(j) To make rules and regulations governing the treatment, care or removal of diseased animals, and to prevent the spreading of any disease among the stock ranging in the district, or in any subdivision thereof.

(k) To suspend or expel any member for failure or refusal to pay his membership or grazing fees, or to abide or conform to the rules and regulations of the association, or its board of directors.

(l) To make rules and regulations governing the automatic suspension of the right of a member when he ceases to be eligible to membership in the association, and the manner of assignment and transfer of the interests of members, and the condition upon which, and the time when membership of any member shall cease.

(m) To set up such reserve for contingencies as in their judgment they deem advisable, after paying all costs, lease rentals, and/or other expenses.

(n) To enter into agreements, conform to regulations or act in conjunction with the state or federal government, or any department or agency thereof, to bring about the conservation, restoration, improvement, development and utilization of the forage resources in the district.

(o) To create an executive committee of not less than five from their number who shall at all times, except during a regular or special meeting of the board of directors, have and exercise such of the powers vested in the board of directors, as they may provide by resolution to be adopted at any regular meeting of such board.

§ 11. No member shall be permitted to graze more than five hundred cattle units during a full twelve-month period in each year, or a correspondingly larger number for a shorter grazing period during each year. Two cattle units shall be equivalent of one horse, and six sheep the equivalent of one cattle unit and three yearling cattle the equivalent of two cattle units.

For the purposes of this act, a yearling is a cattle animal not less than seven months nor more than eighteen months old on May first of the year when its age is being determined; a cattle unit is a cattle animal over eighteen months old on May first of the year when its age is being determined.

§ 12. The members of the board of directors shall hold their office for a period of one year or until their successors are elected and qualified.

The board shall elect from their number a president and one or more vice-presidents; they shall also elect a secretary and a treasurer, who need not be members, and they may combine the two latter offices and designate the combined office as a secretary-treasurer; and fix the fees or salary or allowance of such officer or officers of the association, as well as of the directors and the executive committee.

The treasurer, or secretary-treasurer (when the offices are combined), shall be custodian of all the funds of the association and shall give bond in such an amount as may be required by the board of directors.

§ 13. The Secretary of State shall charge for the filing and recording of articles of incorporation under this act the sum of two dollars (\$2.00), and for any amendment thereto the sum of two dollars (\$2.00), and for issuing a certificate of incorporation the sum of three dollars (\$3.00).

§ 14. If any section of this act shall be declared unconstitutional for any reason, the remainder of the act shall not be affected thereby.

§ 15. All acts, or parts of acts, in conflict with this act are hereby repealed.

Approved March 13, 1935.

CHAPTER 107

H. B. No. 300—(Dahl of Emmons and Solberg)

POWERS COOPERATIVE MARKETING ASSOCIATION.

An Act to amend and re-enact Section 4609B6, of the Supplement to the 1913 Compiled Laws of North Dakota, providing enlarged powers to co-operative marketing associations in connection with the handling of co-operative products.

Be It Enacted by the Legislative Assembly of the State of North Dakota:

§ 1. AMENDMENT.] That Section 4609b6, of the Supplement to the 1913 Compiled Laws of North Dakota be and the same is hereby amended and re-enacted as follows:

§ 4609b6. POWERS.] Each association incorporated under this act shall have the following powers:

(a) To engage in any activity in connection with the marketing, selling, harvesting, preserving, drying, processing, canning, packing, storing, handling, or utilization of any agricultural products produced or delivered to it by its members or others; or the manufacturing or marketing of the by-products thereof; or in connection with the purchase, hiring, or use by its members and others of supplies, machinery, or equipment; or in the financing of any

such activities; or in any one or more of the activities specified in this section; provided, however, that the association does not deal in the products of non-members to an amount greater in value than such as are handled for it by members and does not purchase supplies, machinery, and equipment for non-members in an amount greater in value than the value of the supplies, machinery and equipment purchased for members.

(b) To borrow money and to make advances to members.

(c) To act as the agent or representative of any member or members in any of the above mentioned activities.

(d) To purchase or otherwise acquire, and to hold, own, and exercise all rights or ownership in, and to sell, transfer, or pledge shares of the capital stock or bonds of any corporation or association engaged in any related activity or in the handling or marketing of any of the products handled by the association.

(e) To establish reserves and to invest the funds thereof in bonds or such other property as may be provided in the by-laws.

(f) To buy, hold and exercise all privileges of ownership, over such real or personal property as may be necessary or convenient for the conducting and operation of any of the business of the association or incidental thereto.

(g) To do each and everything necessary, suitable or proper for the accomplishment of any one of the purposes or the attainment of any one or more of the objects herein enumerated; or conducive to or expedient for the interest or benefit of the association; and to contract accordingly; and in addition to exercise and possess all powers, rights, and privileges necessary or incidental to the purposes for which the association is organized or to the activities in which it is engaged; and in addition, any other rights, powers and privileges granted by the laws of this state to ordinary corporations, except such as are inconsistent with the express provisions of this act; and to do any such thing anywhere.

Approved March 13, 1935.

CHAPTER 108

H. B. No. 86—(Sand)

CREDIT UNIONS.

An Act providing for the organization of Credit Unions, the incorporation thereof, the internal regulation and management of same, defining their powers and duties, fixing the number of officers and committees, defining their powers, tenure, compensation and duties, providing for the adoption and amendment of by-laws, prohibiting the use of the term "credit unions" by other persons, firms, associations or corporations, defining membership therein, regulating the rights of borrowers, interest on loans, capital, reserves, loans, security, dividends, fines, expulsion and withdrawal of members, dissolution, change of place of business, taxation of property, pro-

viding for reports and examinations, placing the same under the supervision of the State Banking Board.

Be It Enacted by the Legislative Assembly of the State of North Dakota:

§ 1. SAVINGS AND CREDIT ASSOCIATION MAY BE ORGANIZED. METHOD OF ORGANIZATION.] Any seven residents of the State of North Dakota may apply to the State Banking Board for permission to organize a corporate cooperative association to be known as a credit union.

A credit union is organized in the following manner:

(a) The applicants execute in duplicate a certificate of organization by the terms of which they agree to be bound. The certificate shall state:

1. The name and location of the proposed credit union.
2. The names and addresses of the subscribers to the certificate and the number of shares subscribed by each.
3. The par value of the shares of the credit union which shall not exceed \$10.00 each.

(b) They next prepare proposed by-laws for the general governance of the credit union consistent with the provisions of this act, and execute the same in duplicate.

(c) The certificate and the proposed by-laws, both executed in duplicate, are forwarded to the State Examiner.

(d) The State Examiner shall, within thirty days of the receipt of said certificate and by-laws, determine whether they comply with the provisions of this act, and whether or not the organization of the credit union in question would benefit the members of it and be consistent with the purposes of this Act.

(e) Thereupon the said State Examiner shall notify the applicants and State Banking Board of his decision. If it is favorable said Board shall instruct the Secretary of State to issue a charter, attach to the duplicate certificate of organization and return the same, together with duplicate by-laws to the applicants, upon payment of a filing fee of \$5.00 to the Secretary of State.

(f) The applicants shall thereupon file the said duplicate of the certificate of organization, with the charter attached thereto with the register of deeds of the county within which the credit union shall have its place of business, who shall make a record of said certificates and return it, with his certificate of record attached thereto, to the said Secretary of State for permanent record.

(g) Thereupon the applicants shall become and be a credit union, incorporated in accordance with the provisions of this act.

In order to simplify the organization of credit unions the said Secretary of State shall, upon passage of this act, cause to be prepared an approved form of certificate of organization and a form of by-laws, consistent with this act which may be used by credit union incorporators for their guidance, and on written application

of any seven residents of the state, shall supply them, without charge, with a blank certificate of organization and a copy of said form of suggested by-laws

§ 2. AMENDMENT OF BY-LAWS. APPROVAL BY STATE BANKING BOARD.] To amend certificate of organization or by-laws whether at a general or special meeting, proposed amendments shall be fully set forth in the notice of the meeting. Any amendments to the by-laws shall be approved by three-fourths of the members then present, which number shall constitute a quorum. Any and all amendments to the certificate of organization or by-laws must be approved by the State Banking Board, before they become operative. The certificate of organization may be amended by a majority vote of the entire membership of the credit union at a meeting called for that purpose. In case such amendment is adopted the resolution containing a full text thereof and verified by its president and treasurer and approved by the State Banking Board shall be recorded in the office of the register of deeds in the county in which said credit union is located.

§ 3. USE OF CERTAIN WORDS A MISDEMEANOR.] It shall be a misdemeanor for any person, association, co-partnership or corporation (except corporations organized in accordance with the provisions of this act) to use the words "credit union" in their name or title.

§ 4. POWERS OF CREDIT UNION.] A credit union shall have the following powers:

(a) To receive the savings of its members either as payment on shares or as deposits (including the right to conduct Christmas clubs, vacation clubs and other such thrift organizations within its membership.)

(b) To make loans to members for provident or productive purposes.

(c) To make loans to a co-operative society or other organization having membership in the credit union.

(d) To deposit in state and national banks and trust companies and central credit unions authorized to receive deposits.

(e) To invest in any investment legal for savings banks or for trust funds in the State.

(f) To borrow money as hereinafter indicated.

§ 5. MEMBERSHIP IN CREDIT UNIONS.] Credit union membership shall consist of the incorporators and such other persons as may be elected to membership and subscribe to at least one share, pay the initial installment thereon and the entrance fee. Organization (incorporated or otherwise) composed for the most part of the same general group as the credit union membership may be members. Credit union organizations shall be limited to groups (of both large and small membership) having a common bond of occupation,

or association or to groups within a well defined rural or urban district.

§ 6. TO BE UNDER STATE BANKING BOARD.] Credit unions shall be under the supervision of the State Banking Board. They shall report to the State Examiner at least twice annually, upon call of the State Examiner on blanks supplied by the said Examiner for that purpose. Additional reports may be required. Credit unions shall be examined at least annually by the said Examiner. For failure to file reports when due, unless excused for cause, the credit union shall pay to the treasurer of this state \$5.00 for each day of its delinquency. If the said Examiner determines that the credit union is violating the provisions of this act, or is insolvent, the said State Banking Board may serve notice on the credit union of his intention to revoke the charter. If, for a period of fifteen days after said notice, said violation continues, the said State Banking Board may revoke said charter and take possession of the business and property of said credit union and maintain possession until such time as they shall permit it to continue business or its affairs are finally liquidated. They may take similar action if said report remains in arrears for more than fifteen days.

The credit union shall pay the same fees to the State Examiner for examination as are now provided for building and loan associations.

§ 7. FISCAL YEAR: MEETINGS AND VOTING AT.] The fiscal year of all credit unions shall end December 31. General and special meetings may be held in the manner and for the purposes indicated in the by-laws, provided, however, that 30 days before any regular meeting and ten days before any special meeting written notice shall be mailed to each member and in the case of a special meeting the notice shall clearly state the purpose of the meeting and what matters will be considered thereat. At all meetings a member shall have but a single vote whatever his share holdings. There shall be no voting by proxy, provided, however, that any firm, society or corporation having a membership in the credit union may cast its vote by one person upon presentation by him of written authority of such firm, society or corporation.

§ 8. ANNUAL MEETINGS: ELECTION OF OFFICERS.] At the annual meeting (the organization meeting shall be the first annual meeting) the credit union shall elect a board of directors of not less than five members, a credit committee of not less than three members and a supervisory committee of three members, all to hold office for such terms respectively as the by-laws provide and until successors qualify. A record of the names and addresses of the members of the board and committees and the officers shall be filed with the State Examiner within ten days of their election, and each director shall also deposit with said Examiner one share as a qualifying requirement.

§ 9. OFFICERS AND DIRECTORS.] At their first meeting the directors shall elect from their own number a president, vice president, treasurer and clerk, of whom the last two named may be the same individual. It shall be the duty of the directors to have general management of the affairs of the credit union, particularly:

- (a) To act on applications for membership.
- (b) To determine interest rates on loans and on deposits.
- (c) To fix the amount of the surety bond which shall be required of all officers and employees handling money, subject to the approval of the State Examiner.
- (d) To declare dividends, and to transmit to the members recommended amendments to the by-laws.
- (e) To fill vacancies in the board and in the credit committee until successors are chosen and qualify.
- (f) To determine the maximum individual share holdings and the maximum individual loan which can be made with and without security.
- (g) To have charge of investments other than loans to members.
- (h) To establish a schedule of fines, in the discretion of the Board, for non-payment of interest when due.

The duties of the officers shall be as determined in the by-laws, except that the treasurer shall be the general manager. No member of the board or of either committee shall, as such, be compensated, except that reasonable compensation may be paid the treasurer, to be fixed by the board.

§ 10. CREDIT COMMITTEE TO PASS ON LOANS.] The credit committees shall have the general supervision of all loans to members. Applications for loans shall be on a form, prepared by the credit committee, and all applications shall set forth the purpose for which the loan is desired, the security, if any, offered, and such other data as may be required. Within the meaning of this section an assignment of shares or deposits or the endorsement of a note may be deemed security. No loan shall be made unless the obligation bears two responsible endorsers. At least a majority of the members of the credit committee shall pass on all loans and approval must be unanimous. The credit committee shall meet as often as may be necessary after due notice to each member.

§ 11. DUTIES OF SUPERVISORY COMMITTEE.] The supervisory committee shall:

- (a) Make an examination of the affairs of the credit union at least quarterly, including an audit of its books and, in the event said committee feels such action to be necessary, it shall call the members together thereafter and submit to them its report.
- (b) Make an annual audit and report and submit the same at the annual meeting of the members.
- (c) By unanimous vote, if it deem such action to be necessary

to the proper conduct of the credit union, suspend any officer, director or member of committee and call the members together to act on such suspension. The members of said meeting may sustain such suspension and remove such officer permanently or may reinstate said officer.

By majority vote the supervisory committee may call a special meeting of the members to consider any matter submitted to it by said committee. The said committee shall fill vacancies in its own membership.

§ 12. CAPITAL: ENTRANCE FEE.] The capital of a credit union shall consist of the payments that have been made to it by the several members thereof on shares. The credit union shall have a lien on the shares and deposits of a member for any sum due to the credit union from said member or for any loan endorsed by him. A credit union may charge an entrance fee as may be provided by the by-laws, not to exceed 50 cents.

§ 13. WHO MAY HOLD SHARES.] Shares may be issued and deposits received in the names of a minor or in trust in such manner as the by-laws may provide. The name of the beneficiary must be disclosed to the credit union.

§ 14. INTEREST RATES.] Interest rates on loans made by a credit union shall not exceed 1 per cent a month on unpaid balances.

§ 15. MAY BORROW MONEY.] A credit union may borrow from any source in total sum which shall not exceed 25 percent of its assets, unless the State Examiner shall authorize a larger amount.

§ 16. MAY LOAN MONEY.] A credit union may loan to members. Loans must be for a provident or productive purpose and are made subject to the conditions contained in the by-laws. A borrower may repay his loan in whole or in part any day the office of the credit union is open for business. No director, officer or member of committee may borrow from the credit union in which he holds office beyond the amount of his holdings in it in shares and deposits, unless approved by three-fourths of the other members of the board of directors, nor may he endorse for borrowers.

§ 17. RESERVED FUNDS.] Every credit union shall maintain a reserve fund which at all times shall be kept liquid and intact and used as a reserve against bad loans and other losses and shall not be loaned to members or used to pay expenses of the credit union or otherwise distributed except in case of liquidation. All entrance fees, fines and each year, before the declaration of a dividend ten per cent of the gross earnings shall be set aside as a reserve fund against said bad loans and other losses until such time as such fund shall equal fifteen per cent of the assets of the credit union, and thereafter there shall be added to such fund at the end of each fiscal year such per cent of the gross earnings as will be required to maintain such fund as herein provided. There shall also be established

and at all times maintained a reserve of not less than five per cent of the amount of the deposits; which shall be in cash and balances due from solvent banks. Upon recommendation of the board of directors and approval of a majority of the members present at any annual meeting, a reserve fund of not more than 5 per cent of net earnings may be set aside and used for education, cultural and general welfare purposes.

§ 18. DIVIDENDS.] On recommendation of the directors a credit union may, at the end of the fiscal year, declare a dividend from net earnings, which dividend shall be paid on all shares outstanding at the end of the fiscal year. Shares which become fully paid up during the year shall be entitled to a proportional part of said dividend calculated from the first day of the month following such payment in full.

§ 19. EXPULSION OF MEMBERS.] A member may be expelled by two-thirds vote of the members present at a special meeting called to consider the matter or at the annual meeting, but only after a hearing. Any member may withdraw from the credit union at any time but notice of withdrawal may be required. All amounts paid on shares or as deposits of an expelled or withdrawing member, with any dividends or interest accredited thereto to the date thereof shall, as funds become available and after deducting all amounts due from the member to the credit union, be paid to him. The credit union may require 60 days' notice of intention to withdraw shares and 30 days' notice of intention to withdraw deposits. Withdrawing or expelled members shall have no further right in the credit union but are not, by such expulsion or withdrawal, released from any remaining liability to the credit union.

§ 20. PROCESS OF VOLUNTARY DISSOLUTION.] The process of voluntary dissolution shall be as follows:

(a) A credit union may be voluntarily liquidated after four-fifths of the entire membership shall have voted such liquidation at a special meeting called by a majority of the board of directors for that purpose, upon thirty days' mailed written notice to each member clearly stating the purpose of such special meeting. By a majority vote of the members present at such meeting, a committee of three members shall be elected to liquidate the credit union.

(b) Immediately after such meeting and before such committee shall proceed with the liquidation, the officers of the credit union shall file with the State Examiner a certified copy of the minutes of such meeting, a written statement outlining the plan of liquidation and a verified statement in writing signed by a majority of the officers consenting to such liquidation containing the names and addresses of all officers and directors of the credit union. After the State Examiner shall by proper examination determine that such credit union is solvent, he shall issue a certificate of approval of the liquidation, which certificate shall be filed with the register of deeds

in the county where such credit union is located. From and after such special meeting the credit union shall cease to do business except for the purposes of liquidation. Before commencing such liquidation such committee shall execute and file with the State Examiner a bond running to the State of North Dakota for the benefit of the members and creditors of the credit union in such amount and with such sureties and in such form as shall be approved by the State Examiner conditioned for the faithful performance of all duties of its trust.

(c) Upon filing of such certificate with the Register of Deeds, the credit union shall be deemed dissolved and its corporate existence terminated except for the purpose of discharging its debts, collecting and distributing its assets and doing all other acts required in order to liquidate. The credit union shall have a corporate existence and may sue and be sued.

(d) If the credit union shall not be completely liquidated and its assets discharged within three years after such special meeting of the members, the State Examiner shall take possession of the books, records and assets and proceed to complete the liquidation in the manner then provided by law for the liquidation of closed banks.

(e) Funds representing unclaimed dividends in liquidation in the hands of such liquidating committee or the State Examiner for six months after date of final dividend shall be deposited with the State Treasurer who shall within one year thereafter pay over the money so held by him to the persons respectively entitled thereto upon being furnished satisfactory evidence of their right to the same, and at the end of such year the State Treasurer shall credit all residue of such deposit to the General Fund.

(f) Upon completion of the liquidation by such liquidating committee it shall file with the State Examiner a verified statement in writing signed by the members of such committee stating that all debts of the credit union including deposits, have been paid except unclaimed dividends, and if any such, the amount thereof, the names of the persons entitled thereto with their last known addresses, and all books and papers of the credit union shall thereupon be deposited with the State Examiner.

§ 21. MAY CHANGE PLACE OF BUSINESS.] A credit union may change its place of business on written permission of the State Examiner.

§ 22. SHALL BE DEEMED SAVINGS BANKS FOR TAXATION PURPOSES.] A credit union shall be deemed a consumers co-operative association for purposes of taxation.

§ 23. CONFLICTING ACTS REPEALED.] All laws and parts of laws in conflict herewith are hereby repealed.

Approved March 13, 1935.

CHAPTER 109

S. B. No. 281—(Fine and Greene of Stutsman)

MUTUAL AID CORPORATIONS

An Act relating to the incorporation of mutual aid non-profit corporations, and defining their purposes and powers and declaring an emergency.

Be It Enacted by the Legislative Assembly of the State of North Dakota:

§ 1. Co-operative non-profit corporations with or without capital stock may be organized for the purpose of effectuating any plan or program of any state or Federal or other agency or corporation for giving assistance, financial or otherwise, in rural rehabilitation, subsistence farming, housing or co-operative endeavors of any nature or description, or engaging in such endeavors without assistance. Corporations organized under this act shall be known as "mutual aid corporations," which three words shall form a part of the name of each corporation so organized.

§ 2. Any number of persons, not less than seven residing in the territory to be served thereby, may form a mutual aid corporation. They shall make and subscribe written articles of incorporation in duplicate and acknowledge the same before any officer authorized to take acknowledgement of deeds. One copy shall be retained for the records of the corporation and the other copy shall be signed and recorded by the Secretary of State who shall issue a certificate of incorporation upon receipt of such articles and the payment of the fees hereinafter provided.

§ 3. The Secretary of State shall charge for the filing and recording of articles of incorporation under this act, the sum of \$2.00 and for issuing a certificate of incorporation the sum of \$3.00, regardless of the amount of its capital stock.

§ 4. Corporations organized under this act shall have the power:

(1) To engage in any corporate activity not otherwise prohibited by law.

(2) To borrow money to an amount fixed by its articles of incorporation (whether in excess of the amount of its capital stock or not), and to lend the same to its members upon such terms and in such manner as may be provided by the by-laws, and to pledge as collateral to any obligation of the corporation any notes, mortgages, pledges or other security held by it as a result of any loan made or to be made to any member.

(3) To act as the agent or representative of any state, Federal or other agency or corporation giving assistance to rural rehabilitation, subsistence farming, housing or co-operative endeavors of any nature.

(4) To purchase or otherwise acquire, and to hold, own and exercise all right of ownership in, and to sell, transfer or pledge shares of the capital stock, bonds or other obligations of any Federal, state or other agency or corporation giving assistance to the co-operative endeavors hereinbefore referred to.

(5) To buy, hold and exercise all privileges of ownership over such real or personal property (including its own stock) as may be necessary or convenient for the conduct and operation of the business of the corporation or incidental thereto, and to pledge or mortgage the same.

(6) To do each and everything necessary, suitable or proper for the accomplishment of any one of the purposes or the attainment of any one or more of the objects herein numerated; or conducive to or expedient for the interest or benefit of the association, and to contract accordingly; and in addition, to exercise and possess all powers, rights and privileges necessary or incidental to the purposes for which the corporation is organized or to the activities in which it is engaged; and in addition, any other rights, powers and privileges granted by the laws of this state to ordinary corporations, except such as are inconsistent with the express provisions of this act.

§ 5. Such corporation may require that any member or stockholder applying for a loan from or through such corporation shall comply with and conform to such rules and regulations with reference to purchase of additional stock or additional fees and dues to be paid by borrowing members or stockholders as may be fixed by the by-laws, and may require that borrowing members or stockholders shall make deposits or give security for the repayment of loans. No loan shall be made to any person not a member or stockholder of the corporation. Other co-operative and voluntary associations, not incorporated, engaged in activities for the benefit of which the corporation is formed may be admitted to membership or become a stockholder, as the case may be, in the manner provided by the by-laws, upon the payment of all proper fees and dues and upon the filing with the secretary of the corporation, of a duly certified copy of a resolution of the board of directors of such other corporation or association authorizing some member or officer thereof to act as its agent and attorney in connection with the affairs of the corporation and to cast its vote at all meetings thereof, which said authority may be revoked only by the filing of a certified copy of a resolution naming and appointing some other agent or representative or by the withdrawal of the corporation or association as a member or stockholder as the case may be.

§ 6. The board of directors of such corporation shall consist of five members or stockholders who shall hold their offices for a period of one year, or until their successors are elected and qualified. The board shall select from among its members a president and shall select from among the members or stockholders of the association a

secretary-treasurer who shall serve for a period of one year, or until their successors are elected and qualified. No officer or director shall receive any compensation for his services as such, save and except that the secretary-treasurer may be paid such fees or salary as may be authorized by the by-laws. The secretary-treasurer shall be the custodian of all funds of the corporation and shall give bond in such an amount as may be fixed by the by-laws.

§ 7. The articles of incorporation shall set forth:

(1) The name of the association which shall include the three words "mutual aid corporation."

(2) The purpose for which formed.

(3) The place where its principal business will be transacted.

(4) The territory to be served by the corporation.

(5) If organized without capital stock, whether the property rights and interests of each member shall be equal or unequal; and if unequal, the articles shall set forth the general rule or rules applicable to all members by which the property rights and interests respectively of each member may and shall be determined and fixed; and the association shall have the power to admit new members who shall be entitled to share in the property of the association with the old members, in accordance with such general rule or rules. This provision of the articles shall not be altered, amended or repealed except by the written consent or the vote of three-fourths of the members.

(6) If organized with capital stock, the amount of such stock and the number of shares in which it is divided, and the par value thereof.

(7) The names and residences of those who are to serve as directors until their successors are elected and qualified.

§ 8. The articles of incorporation may be altered or amended at any regular meeting or at any special meeting called for that purpose. An amendment must first be approved by two-thirds of the directors and then adopted by a vote representing a majority of all the members or stockholders of the association. Amendments to the articles of incorporation when so adopted shall be filed in accordance with the provisions of the general corporation law of the state.

§ 9. BY-LAWS.] Each association incorporated under this act shall, within thirty days after its incorporation, adopt for its government and management, a code of by-laws not inconsistent with the powers granted by this act. A majority vote of the members or stockholders or their written assent shall be necessary to adopt such by-laws. Each association may, under its by-laws, provide, among other things, for the following:

(1) The time, place and manner of calling and conducting its meetings.

(2) The number of stockholders or members constituting a quorum.

(3) The right of stockholders or members to vote by proxy or by mail, or both, and the conditions, manner and form of such votes.

(4) The number of directors constituting a quorum.

(5) Penalties of violation of the by-laws.

(6) The amount of entrance, organization and membership fees, if any; and the manner and method of collection of the same and the purposes for which they may be used.

(7) The amount which each member or stockholder shall be required to pay annually or from time to time, if at all, to carry on the business of the association; the charge, if any, to be paid by each member or stockholder for services rendered by the association to him and the time of payment and the manner of collection.

(8) The time for the annual election of officers and the mode and the manner of giving notice thereof.

(9) The number and qualifications of stockholders or members of the corporation and the conditions precedent to membership or ownership of stock; the method, time and manner of permitting members to withdraw or the holders of stock to transfer the same; the manner of assignment or transfer of the interest of members and their shares of stock; and the conditions upon which and the time when membership of any members shall cease; and automatic suspension of the rights of a member when he ceased to be eligible to membership; the mode, manner and effect of the expulsion of a member; the manner of determining the value of a member's interest or stock and provision for its purchase by the association upon the death, withdrawal, or expulsion of a member.

This section is permissive and not mandatory and is not exclusive of the right of the corporation to adopt other by-laws for the purpose of attaining the objects and purposes of the corporation.

§ 10. No member or stockholder shall be entitled to more than one vote, regardless of the amount of interest or the number of shares of stock held by him.

§ 11. It is the purpose and object of this act to permit the organization of the mutual aid corporations as expeditiously and as economically as possible and to extend to such corporations all rights, powers and privileges necessary or incidental to the full attainment of the objects of any and all grants, gifts, benefits or assistance rendered or to be rendered by any state, Federal or other agency or corporation in the development of rural rehabilitation, subsistence farming, housing or other co-operative endeavors, and to the attainment of this purpose this act shall be liberally construed. The provisions governing the manner of the accomplishment of the objects do not form an inducement for the enactment hereof. If any provision is found to be violative of the Constitution, it is hereby declared that the remainder of the act would have been enacted had it been eliminated.

§ 12. EMERGENCY.] Whereas, programs are now proposed

and in operation for the development of the activities contemplated by this act, and it is necessary that machinery to enable the people of the State of North Dakota to take advantage thereof should be immediately provided. Now, therefore, this act is declared to be an emergency and shall be in full force and effect immediately upon its passage and approval.

§ 13. REPEAL.] All acts or parts of acts in conflict herewith are hereby repealed.

Approved March 13, 1935.

CHAPTER 110

S. B. No. 172—(Lynn)

RENEWAL CORPORATE EXISTENCE AFTER EXPIRATION

An Act authorizing the renewal of the period of corporate existence of certain corporations whose period of duration has expired without the renewal thereof, and legalizing acts and contracts of such corporations made or done and performed subsequent to the expiration of the original period of existence of such corporations.

Be It Enacted by the Legislative Assembly of the State of North Dakota:

§ 1. RENEWAL OF CORPORATE EXISTENCE.] Any corporation heretofore organized under the laws of this state, whose period of duration has expired and the same has not been renewed and such corporation has continued to transact its business, may renew its corporate existence from the date of the expiration of its period of duration for an additional period not exceeding twenty (20) years from and after the time of its expired period of duration, with the same force and effect as if renewed prior to the expiration of its term of existence, by taking the same proceedings and by paying into the State Treasury twenty-five dollars in addition to the fees as now provided by law for the renewal of the corporate existence of such corporation in cases where such renewal is made before the end of its period of duration.

§ 2. TWO YEAR LIMITATION.] Such proceedings to obtain such extension shall be taken within two (2) years after the taking effect of this act.

§ 3. ORIGINAL ACTS DECLARED VALID.] When such steps are taken within such period, or have been heretofore taken, such proceedings shall relate back to the date of the expiration of said original corporate period, and when said period is extended as provided by this act, any and all corporate acts and contracts done, performed, made and entered into after the expiration of said original period, shall be and each is hereby declared to be legal and valid.

§ 4. APPLICATION.] This act shall not apply to any corporation the charter of which has been declared forfeited by the final

judgment of any court of competent jurisdiction in this state, nor to any corporations as to which there is any action or proceedings pending in any of the courts in this state for the forfeiture of its charter, nor to any corporation whose directors have acted as trustees under the provisions of Section 4567, Compiled Laws of 1913.

Approved March 2, 1935.

CHAPTER 111

S. B. No. 137—(Whelan)

LEGALIZATION TITLES TO LANDS ACQUIRED BY CORPORATIONS

An Act to amend and re-enact Section 4 of Chapter 89 of the Session Laws of the State of North Dakota for the year 1933 relating to prohibition against corporation farming, and declaring an emergency.

Be It Enacted by the Legislative Assembly of the State of North Dakota:

§ 1. AMENDMENT.] That Section 4 of Chapter 89 of the Session Laws of the State of North Dakota for the year 1933 is hereby amended and re-enacted to read as follows:

§ 4. TITLE LEGALIZED.] That the title and ownership of any real estate acquired, in any manner, by any domestic or foreign corporation, since the approval and adoption of the aforesaid initiated law, is hereby declared to be legal and valid for all purposes, notwithstanding any provisions in said initiated law contained, but subject, however, to all of the provisions now contained in said initiated law as hereby amended and re-enacted. It is hereby expressly declared lawful for any corporation, domestic or foreign, subject to the other provisions of this act, to take and acquire title to real estate, by deed or other conveyance, where such deed or conveyance is taken or given, in exchange for lands heretofore acquired, or in partial or in full satisfaction of any mortgage, lien or other encumbrance held or owned by such corporation on such real estate; any and all deeds and conveyance of real estate to any corporation heretofore taken by any corporation, either in exchange for lands heretofore acquired, or in partial or in full satisfaction of any mortgage, lien or other encumbrance on such real estate, are hereby declared legal and valid for all purposes.

§ 2. This act is hereby declared to be an emergency measure and shall be in full force and effect from and after its passage and approval.

Approved March 7, 1935.