

CORPORATIONS

CHAPTER 116

S. B. No. 23—(Fredrickson)

CORPORATION DIRECTORS AND BY-LAWS

An act to amend and re-enact Sections 4535, 4538 and 4539 of Chapter 12 of the Compiled Laws of North Dakota for 1913; relating to election and terms of directors.

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

§ 1. AMENDMENT.] That Section 4535 of the Compiled Laws of North Dakota for 1913 be and the same is hereby amended and re-enacted to read as follows:

§ 4535. SCOPE OF BY-LAWS.] A corporation may by its by-laws, when no other provision is specially made, provide:

1. The time, place and manner of calling and conducting its meetings.
2. The number of stockholders or members constituting a quorum.
3. The mode of voting by proxy.
4. The time and manner of election and the tenure of office of all officers, and the mode and manner of giving notice thereof.
5. The compensation and duties of officers; and
6. Suitable penalties for violation of by-laws, not exceeding in any case one hundred dollars for any one offense.

§ 2. AMENDMENT.] That Section 4538 of the Compiled Laws of North Dakota for 1913 be and the same is hereby amended and re-enacted to read as follows:

§ 4538. ELECTON OF DIRECTORS.] The directors of a corporation must be elected by the stockholders or members at the annual meeting, unless otherwise expressly provided, and if no provision is made in the by-laws for the time of election, the election must be held on the first Tuesday in June. Notice of election of directors must be given for the same time and in the same manner as provided in Section 4534.

§ 3. AMENDMENT.] That Section 4539 of the Compiled Laws of North Dakota for 1913 be and the same is hereby amended and re-enacted to read as follows:

§ 4539. SAME; TERMS; GROUPS.] At the first meeting at which by-laws are adopted, or at such subsequent meeting as may be designated, directors must be elected to hold their office for not

less than one nor more than three years, and until their successors are elected and qualified. If a longer period than one year, it shall be so arranged that the terms of an equal number thereof, as nearly as possible, shall expire each year.

Approved February 11, 1939.

CHAPTER 117

S. B. No. 234—(Senator Stucke)

CREDIT UNIONS, AMENDMENT

An act to amend and re-enact Section 6 of Chapter 108 of the Session Laws of 1935 as amended by Chapter 114 of the Session Laws of 1937 and Sections 9, 10, 17 and 18 of Chapter 108 of the Session Laws of 1935; repealing all inconsistent acts; and declaring an emergency.

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

§ 1. AMENDMENT.] Section 6 of Chapter 108 of the Session Laws of 1935 as amended by Chapter 114 of the Session Laws of 1937 is hereby amended and re-enacted to read as follows:

§ 6. TO BE UNDER BANKING BOARD.] Credit unions shall be under the supervision of the State Banking Board. They shall report to the State Examiner at least once 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. If it is determined through such examination that the credit union is violating the provisions of this act, or is insolvent, the State Banking Board may serve notice on the credit union of their intention to revoke the charter. If such violations continue for a period of fifteen days after such notice the said State Banking Board may revoke the charter and take possession of the business and property of such 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 any required report remains in arrears for more than fifteen days. The credit union shall pay to the State Examiner for examinations the same fee that are now required to be paid for such examinations by building and loan associations, provided, however, that the minimum fee for credit unions shall be five dollars (\$5.00).

§ 2. AMENDMENT.] Section 9 of Chapter 108 of the Session Laws of 1935 is hereby amended and re-enacted to read as follows:

§ 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. The directors shall have general management of the credit union and it shall be their duty particularly to:

- (a) Act on applications for membership.
- (b) Determine interest rates on loans and deposits.
- (c) Fix, subject to the approval of the State Examiner, the amount of surety bond which shall be required of all officers and employees handling money.
- (d) Recommend dividends.
- (e) Transmit to the members recommendations for changes in the by-laws.
- (f) Fill vacancies on the board of directors and on the credit committee who shall serve until their successors are chosen and qualified.
- (g) Determine the maximum individual shareholdings and the maximum individual loans which can be made; provided that the maximum loan allowed by the board shall in no case exceed two hundred dollars (\$200), or ten per cent (10%) of the credit union's paid-in capital and surplus, whichever is the greater.
- (h) Supervise and control investments other than loans to members.
- (i) Establish a schedule of fines for delinquency in the payment of principle or interest, which schedule of fines the board shall impose at their discretion.

The duties of the officers shall be determined by the by-laws, provided, however, that the treasurer shall be the general manager. With the exception of the treasurer, no member of the board of directors or the credit committee shall receive any compensation. The board of directors may fix a reasonable compensation for the treasurer.

§ 3. AMENDMENT.] Section 10 of Chapter 108 of the Session Laws of 1935 is hereby amended and re-enacted to read as follows:

§ 10. CREDIT COMMITTEE TO PASS ON LOANS.] The credit committee shall have general supervision over all loans to members. Applications for loans shall be on a form approved by the credit committee and all applications shall set forth the purpose for which the loan is desired, the security which is offered if any, and such other data as may be required by the committee. No loan in excess of fifty (\$50) dollars shall be made without adequate security. Within the meaning of this section, security shall include assignments of shares or deposits, an indorsement of the note, and/or such other security as the credit committee may, in their discretion, deem adequate. At least a majority of the members of

the credit committee shall pass on all loans and the approval of those members passing on such loans shall be unanimous. The credit committee shall meet as often as may be necessary but such meetings shall be held at least once every month. Due notice must be given to each member of the committee before any meeting is held.

§ 4. AMENDMENT.] Section 17 of Chapter 108 of the Session Laws of 1935 is hereby amended and re-enacted to read as follows:

§ 17. RESERVE FUNDS.] Every credit union shall maintain a reserve fund which shall be used as a reserve against bad loans and other losses. Such fund shall not be distributed except upon liquidation. All entrance fees and fines shall be paid into such reserve fund. In addition thereto, each credit union shall annually, until such time as the reserve fund shall equal fifteen per cent (15%) of the assets of the credit union, transfer to such reserve fund ten per cent (10%) of its gross earnings. Thereafter there shall annually be added to such fund, at the end of each fiscal year, such per cent of the gross earnings as shall be required to maintain such reserve fund at fifteen per cent (15%) of the assets of the credit union.

§ 5. AMENDMENT.] Section 18 of Chapter 108 of the Session Laws of 1935 is hereby amended and re-enacted to read as follows:

§ 18. DIVIDENDS.] At the end of any fiscal year a credit union may, upon recommendation of the board of directors, declare a dividend which shall be paid on all outstanding and paid up shares. Such dividend must be paid from the net earnings of the union but shall in no case exceed six per cent (6%). Shares which become fully paid up during the year shall be entitled to their proportional part of such dividend calculated from the first day of the first month following the date of such payment in full.

§ 6. REPEAL.] All acts and parts of acts in conflict with the provisions of this act are hereby repealed.

§ 7. EMERGENCY.] 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 15, 1939.

CHAPTER 118

H. B. No. 332—(Morland, Brown and Hultstrand)

EXTENDING POWERS OF CREDIT UNIONS

An act to extend the powers of credit unions organized under Chapter 108 of the 1935 Session Laws, as amended by Chapter 113 and 114 of the 1937 Session Laws, and providing for the creation of a permanent fund; prescribing how obtainable, its limits, ownership, uses, to whom obtainable and other procedure thereunder.

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

§ 1. PERMANENT LOAN FUND.] Any credit union organized under Chapter 108, Session Laws of 1935, as amended by Chapters 113 and 114 of the 1937 Session Laws, may establish a permanent loan fund, if the members of the credit union so decide by a majority vote of the members present at any regular meeting or a special meeting regularly called for that purpose.

§ 2. FUNDS. HOW OBTAINED.] The credit union, may, whenever the reserve fund provided for in Paragraph 17, Chapter 108, Session Laws of 1935 has reached its limit, transfer not to exceed five per cent of its gross earnings, all entrance fees and fines to the permanent loan fund. The permanent loan fund shall also be open for donations or subscriptions from any person, persons, or cooperative organization; but all transfers, donations or subscriptions shall be permanent and irrevocable and no interest shall be paid to anyone whatsoever for any money transferred, donated or subscribed toward the permanent loan fund, nor shall anyone be entitled to any vote by virtue of such transfer, donations or subscription. The credit union shall not be permitted to borrow any money and transfer the amount so borrowed to the permanent loan fund.

§ 3. AMOUNT OF PERMANENT LOAN FUND AND DEFINING OWNERSHIP.] The amount or limit of the permanent loan fund shall be determined by the members of the credit union from time to time as they may decide on at any regular annual meeting and the permanent loan fund shall be the absolute property of the credit union.

§ 4. USE OF PERMANENT LOAN FUND, TO WHOM LOANED, AND DEFINING HOW LOANS SHALL BE MADE.] The permanent loan fund shall be loaned to members only and on approved security. Application for loans from the permanent loan fund shall be made to the credit union's credit committee and if granted, may be made for a term of not to exceed twelve months. No loans shall be made on first mortgages in excess of fifty per cent of the actual cash value of the security offered, nor in excess of seventy-five per

cent of the actual cash value of any commodity covered by a storage ticket issued by a bonded warehouse. Provided, further, that loans made on storage tickets shall be call loans and that the credit union may sell the commodity covered by the storage ticket or tickets any time it deems itself insecure and apply the proceeds of sale on the loan or loans, and remit the balance, if any, to the borrower.

§ 5. RATES OF INTEREST AND DEFINING WHAT INTEREST COLLECTED MAY BE USED FOR.] Rates of interest on any loans granted from the permanent loan fund of any duly organized credit union shall be the regular legal contract rate as provided by law from time to time. Any interest received by the credit union from loans made from their permanent loan fund shall be kept in a separate account or fund. To this account shall be charged all expenses connected with the permanent loan fund and the balance or any part of it may be transferred to the permanent loan fund. In case the permanent loan fund has reached the limit previously set by the members, then the surplus earnings may be distributed as provided in the by-laws.

§ 6. HOW RENEWABLE.] In case any loan made from the permanent loan fund becomes delinquent it may be renewed upon payment of interest due or loans may be renewed, including interest, providing the loan is approved by the credit union's credit committee and loan is not in excess of fifty per cent on first mortgage loans or seventy-five per cent on call loans. If, in the judgment of the loan committee, it is to the best interest of the credit union to foreclose the delinquent loan or loans, then they shall proceed to do so as provided by law.

§ 7. INSPECTION AND CONTROL.] The permanent loan fund shall be subject to the same inspection and control by the State Examiner and State Banking Board as provided for in Paragraph 6, Chapter 108, Session Laws of 1935, as amended by Chapters 113 and 114 of the Session Laws of 1937, and in case the credit union is ever dissolved or liquidated, the permanent loan fund shall be disposed of as other funds belonging to the credit union.

Approved March 15, 1939.

CHAPTER 119**S. B. No. 139—(Fredrickson)**

SERVICE OF SUMMONS, DOMESTIC CORPORATIONS

An act to amend and re-enact Subdivision 4 of Section 7426 of the Compiled Laws of North Dakota for 1913, relating to service of summons on a domestic corporation, and providing for service by publication on any domestic corporation, the charter of which has been forfeited.

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

§ 1. AMENDMENT.] Subdivision 4 of Section 7426, Compiled Laws of North Dakota for 1913, is hereby amended and re-enacted to read as follows:

4. If the defendant is a domestic corporation organized under the laws of the Territory of Dakota, or of this State, to the president, or other head of the corporation, secretary, cashier, treasurer, a director or managing or authorized agent thereof, and such service may be made within or without this State. In case the sheriff shall return the summons with his certificate that no such officer, director or agent can conveniently be found in his county, service may be made by leaving a copy of the summons at any office of such corporation within this State, with the person in charge of such office. In case a domestic corporation has forfeited its charter or right to do business in this State, upon the filing of an affidavit by the plaintiff or his attorney, showing such fact, service may be made by publication in the same manner as in the case of a non-resident defendant and in such case a copy of the summons and complaint shall be mailed to such defendant as provided in Section 7430, C. L., 1913, at its principal place of business as shown by the records of the Secretary of State.

Approved March 13, 1939.

CHAPTER 120**S. B. No. 260—(Bridston, Fowler and Blaisdell)**

INSTITUTIONAL HOLDING ASSOCIATION

An act amending and re-enacting Chapter 102, Session Laws of the State of North Dakota for the year 1929, and declaring an emergency.

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

That Chapter 102, Session Laws of the State of North Dakota

for the year 1929, is hereby amended and re-enacted to read as follows:

§ 1. Non-profit sharing corporations to be known as institutional holding associations may be formed in the manner, for the purposes and with the powers, obligations and limitations prescribed by Chapter 12 of the Civil Code of the Compiled Laws of 1913; except as herein otherwise provided.

§ 2. Such association shall have power (1) to erect, equip, operate, manage, lease or sell, as herein provided, dormitories and their necessary equipment and appurtenances, to be located either upon the campus of the State University, the Agricultural College, any of the normal schools or other State educational institutions, or upon sites in the vicinity of such campus, purchased or otherwise acquired by such association, or as an addition to an existing dormitory at any such educational institution, and to be at all times used and operated solely for educational purposes in connection with any of such educational institutions; (2) to borrow money or contract debts for any or all of the aforesaid purposes and to issue bonds or other evidences of indebtedness therefor; (3) to secure the payment thereof by mortgaging and pledging any or all of its property, real or personal, including income; (4) to perform all acts and to do all things necessary or convenient to carry out the powers herein granted, to obtain loans from the Reconstruction Finance Corporation or other Federal agencies upon such terms and conditions consistent with the law of this State as such corporation or agencies may impose, and to accomplish the purposes of this act; (5) to accept grants of money or materials or property of any kind from the United States of America or any agency thereof, upon such terms and conditions consistent with the law of this State as the United States or any such agency may impose, and the value of such grants shall be omitted from consideration in determining the cost for site, building and equipment as referred to in Section 2 (7) of this act.

Such association shall be subject to the following limitations and restrictions:

(1) Such dormitories, their equipment and appurtenances, shall only be erected and installed according to plans and specifications therefor first approved by the State Board of Administration, or successor, and at a cost for site, building and equipment to be fixed by it within the maximum limit hereinafter provided.

(2) Such dormitories, their equipment and appurtenances shall at all times be owned, managed, operated and conducted by such association, its successors or assigns, solely for the educational purpose herein provided in connection with one of such educational institutions and under the control and supervision of said Board of Administration and under and according to such rules and regu-

lations, including rental charges, as shall be prescribed by it; provided that such rental charges shall not be less than an amount sufficient to pay the interest on the bonded indebtedness and the serial bonds as they mature.

(3) Such association shall be non-profit sharing; no corporate stock shall be issued and no member shall have or acquire any divisional or other share or interest in any of its property.

(4) All of the income of such association shall be applied only to the payment of its debts and operating expenses, including necessary repairs and upkeep.

(5) When all of the debts against any site, dormitory thereon and equipment, are paid, all of the right, title and interest of such association, its successors or assigns therein shall immediately terminate and the same shall forthwith become the property of and be conveyed to the State.

(6) Any transfer or encumbrance of the property of such association, except as herein provided, is prohibited and shall be null and void.

(7) Until further authorization is granted by the Legislative Assembly of this State, dormitories shall only be erected at such educational institutions as follows:

One at or near the State University at a cost for site, building and equipment of not to exceed \$200,000.00;

One at or near the Agricultural College at a cost for site, building and equipment of not to exceed \$200,000.00;

And one at or near each of the normal schools located at Valley City, Mayville, Minot, and Dickinson at a cost for site, building and equipment of not to exceed \$150,000.00;

And one at or near the State School of Science at Wahpeton at a cost for site, building and equipment of not to exceed one hundred thousand (\$100,000.00) dollars; and one at or near the State School of Forestry at Bottineau at a cost for site, building and equipment of not to exceed fifty thousand (\$50,000.00) dollars, and one at or near the State Normal and Industrial School at Ellendale at a cost for site, building and equipment of not to exceed fifty thousand (\$50,000.00) dollars.

(8) No dormitory shall be erected upon the campus of any such educational institution until a written permit therefor shall first be granted and issued by the State Board of Administration to such association. Such permit shall describe the ground to be used, and shall provide that the dormitory to be erected thereon shall be erected, owned and operated by such association, its successors and assigns only as provided for and subject to all the restrictions and limitations imposed by this act. Such association or its successors and assigns shall acquire no right, title or interest

in and to such campus site, the dormitory erected thereon, or the equipment thereof, save and except the right to operate such dormitory solely for the educational purposes, in the manner and upon the terms and conditions herein provided.

(9) The amount of money borrowed or debts contracted by such association shall not exceed the aggregate cost of the site, dormitory and equipment as fixed by the State Board of Administration as herein provided and the terms and conditions of such loans or debts shall be fixed and approved by said board but the payment thereof shall not extend over a period of more than fifty years.

§ 3. The articles of incorporation of such association shall contain the following:

(1) The name of the association. (2) The place, within this State, where its business will be transacted and the name of the educational institution in connection with which it will operate. (3) The term for which it is to exist. (4) That it is formed pursuant to this act to carry out the objects and purposes hereof as provided, limited and restricted herein. (5) The number of its members and the condition of membership and succession therein. (6) The number of its trustees, who may or may not be members, and the names and residences of those who shall serve until their successors are elected and qualified.

§ 4. The Board of Administration of this State is hereby authorized, directed and empowered (1) to take all necessary and proper action and proceedings to carry out the terms and provisions of this act and to do and perform all of the acts and duties imposed upon said board hereby subject, however, to all the limitations and restrictions imposed herein. (2) to lease from such association, its successors or assigns, the site, dormitory and equipment, or any of them, for a term of not to exceed fifty years to be used and operated by said board or its successor solely for educational purposes in connection with one of such educational institutions. Such lease shall provide for the payment to such association, its successors or assigns, of a net cash annual rental of not to exceed fifteen per cent of the cost of such site, dormitory and equipment. Such lease shall also provide for the payment to such association, its successors or assigns, of a net cash annual rental at least equal to an amount sufficient to pay the interest on the bonded indebtedness and to retire the serial bonds as they mature. Said net cash annual rental shall be payable and paid solely and exclusively out of the income derived from the operation of such dormitory as herein provided, and it is hereby expressly provided that the State shall incur no liability whatever by reason of the exercise of the authority hereby granted to the said Board of Administration. (3) to purchase from such association, its successors or assigns, the

site, dormitory and equipment, or any of them at a price not to exceed the cost of such site, dormitory or equipment, to be used and operated by said board or its successor solely for educational purposes in connection with one of such educational institutions. Such purchase price shall be payable in not to exceed fifty years, in annual installments of not to exceed fifteen per cent of such purchase price, at a rate of interest of not to exceed five per cent per annum, payable semi-annually, and shall be payable and paid solely and exclusively out of the income derived from the operation of such dormitory as herein provided, and it is hereby expressly provided that the State shall incur no liability whatever by reason of the exercise of the authority granted to the said Board of Administration.

§ 5. Any site, dormitory, its equipment or appurtenances acquired, purchased, erected, installed, owned, operated or maintained by such association, its successors or assigns, as provided herein, and all bonds or other evidence of indebtedness issued by such association, under this act, shall be exempt from taxation.

§ 6. If any part of this act shall be declared invalid, such invalidity shall not be held or deemed to affect or impair the operation of the remainder of said act.

§ 7. EMERGENCY.] An emergency is hereby declared to exist and this act shall be in full force and effect from and after its passage and approval.

Approved March 13, 1939.

COUNTIES

CHAPTER 121

S. B. No. 50—(Wog and Raschko)

COUNTY CONSOLIDATION

An act to amend and re-enact Sections 1 and 13 of Chapter 92 of the Session Laws of 1933, providing for the consolidation of counties and parts of counties, the petition therefor, and the liabilities and debts of counties affected; and repealing all acts in conflict herewith.

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

§ 1. AMENDMENT.] That Section 1 of Chapter 92 of the Session Laws of 1933, be amended and re-enacted to read as follows: