

**SENATE BILL NO. 2439**

Introduced by

Senators Lindaas, T. Mathern, G. Nelson

Representative Belter

(Approved by the Delayed Bills Committee)

1 A BILL for an Act to amend and reenact section 10-15-20 of the North Dakota Century Code,  
2 relating to the donation of membership stock to a nonprofit corporation.

3 **BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:**

4 **SECTION 1. AMENDMENT.** Section 10-15-20 of the North Dakota Century Code is  
5 amended and reenacted as follows:

6 **10-15-20. Stock - Authorization, control, use, right.**

- 7 1. A cooperative organized with capital stock may issue the amount of stock stated in  
8 its articles. The stock may be divided into two or more classes with the  
9 designations, preferences, limitations, and relative rights as stated in the articles,  
10 except that:
- 11 a. Stock as such has no voting power.
  - 12 b. Stock without par value may not be authorized or issued.
  - 13 c. The rate of dividends upon stock may not exceed eight percent of its par  
14 value for any year, and dividends may not be cumulative.
- 15 2. Unless restricted by the articles, stock other than membership stock may be issued  
16 or transferred to any person.
- 17 3. The articles may require that members own one or more shares of membership  
18 stock. ~~Such Membership stock shall~~ may be issued or transferred only to a person  
19 eligible to become a member, and only when ~~such~~ the person satisfies other  
20 requisites for membership. ~~Unless restricted by the articles, stock other than~~  
21 ~~membership stock may be issued or transferred to any person, except that a~~  
22 person obtaining membership stock under the requirements of this section may  
23 grant, bequeath, or donate the stock to a nonprofit corporation exempt from  
24 taxation under section 501(c)(3) of the Internal Revenue Code. A nonprofit

1            corporation receiving membership stock under this subsection shall divest itself of  
2            the stock within three years after receipt by selling the stock to a member, a person  
3            eligible to become a member when that person satisfies other requisites for  
4            membership, or to the issuing cooperative.

5        ~~3.~~ 4. Unless the articles provide otherwise, a cooperative may acquire, recall, exchange,  
6            redeem, and reissue its own stock. Provisions in the articles and on the stock  
7            certificate may reserve to the cooperative a prior right to acquire any stock offered  
8            for sale, or a right to recall the stock of any stockholder, or both of said rights. The  
9            consideration paid for stock recalled by the cooperative shall be its par value and  
10            accrued unpaid dividends; provided, that if the book value of such stock is less  
11            than the par value, the consideration shall be such book value. The cooperative  
12            may set off obligations of the stockholder to it. If the remaining assets would be  
13            less than the aggregate amount payable to creditors and persons holding stock  
14            with preferential rights upon liquidation, no stock shall be acquired, recalled,  
15            exchanged, or redeemed for a consideration other than stock or certificates of  
16            equity interest of equal or subordinate rank.

17        ~~4.~~ 5. When stock is acquired, recalled, exchanged, or redeemed by the cooperative,  
18            such stock is restored to the status of authorized but unissued stock.

19        ~~5.~~ 6. Stockholders as such have no preemptive right to purchase additional stock.