

Sixty-eighth  
Legislative Assembly  
of North Dakota

## ENGROSSED HOUSE BILL NO. 1371

Introduced by

Representatives Thomas, D. Anderson, Fisher, Hagert, Headland, Lefor

Senators Conley, Hogue, Luick, Wanzek

1 A BILL for an Act to create and enact four new sections to chapter 10-06.1 of the North Dakota  
2 Century Code, relating to authorized livestock farm corporation requirements, initial and annual  
3 reporting requirements for authorized livestock farm corporations, and authorized livestock farm  
4 limited liability companies; to amend and reenact sections 10-06.1-01, 10-06.1-02, and  
5 10-06.1-04, subsection 2 of section 10-06.1-12, and sections 10-06.1-13, 10-06.1-14,  
6 10-06.1-17, 10-06.1-21, 10-06.1-22, 10-06.1-26, and 10-06.1-27 of the North Dakota Century  
7 Code, relating to agricultural definitions, ownership exceptions for beekeeping, agriculture  
8 support services, cattle backgrounding and feedlot operations, raising or producing of livestock  
9 by persons that have limited landholdings, and required reporting for corporate farming; and to  
10 provide a penalty.

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

12 **SECTION 1. AMENDMENT.** Section 10-06.1-01 of the North Dakota Century Code is  
13 amended and reenacted as follows:

14 **10-06.1-01. Definitions.**

15 For the purposes of this chapter, unless the language or context clearly indicates that a  
16 different meaning is intended:

- 17 1. "Agricultural support services" means the business of providing aerial or surface  
18 application services for others of seed, fertilizer, pesticides, soil amendments, or  
19 custom harvesting.
- 20 2. "Aquaculture agriculture" means the breeding, growing, or harvesting of fish or the  
21 growing of aquatic plants or crops.
- 22 3. "Authorized livestock farm corporation" means a corporation formed for cattle  
23 backgrounding, cattle finishing, or the production of poultry or poultry products, milk or

1           dairy products, or swine or swine products which, at all times, complies with the  
2           requirements of this chapter.

3           4. "Authorized livestock farm limited liability company" means a limited liability company  
4           formed for cattle backgrounding, cattle finishing, or the production of poultry products,  
5           milk or dairy products, or swine or swine products which, at all times, complies with the  
6           requirements of this chapter.

7           5. "Cattle backgrounding" means the feeding or growing of cattle from weaning until the  
8           cattle enter a cattle finishing feedlot.

9           6. "Cattle finishing" means the feeding or growing of cattle for the purpose of  
10           expeditiously preparing the cattle for harvest.

11           7. "Custom harvesting" means the business of providing crop harvesting services for  
12           others.

13           8. "Farming or ranching" means cultivating land for production of agricultural crops or  
14           livestock, or the raising or producing of livestock or livestock products, poultry or  
15           poultry products, milk or dairy products, or fruit or horticultural products. It does not  
16           include:

17           a. Agricultural support services;

18           b. The production of timber or forest products,~~the~~

19           c. The growing or processing of marijuana under chapter 19-24.1;

20           d. Custom harvesting;

21           e. Aquaculture agriculture or greenhouse agriculture by a person that has  
22           agricultural landholding not exceeding forty acres [16.19 hectares]; or a

23           f. A contract ~~whereby~~under which a processor or distributor of farm products or  
24           supplies provides grain, harvesting, or other farm services.

25           ~~2-9.~~ "Farming or ranching corporation" means a farm or ranch corporation, joint-stock  
26           company, or association which, at all times, complies with the requirements of this  
27           chapter.

28           ~~3-10.~~ "Farming or ranching limited liability company" means a farm or ranch limited liability  
29           company which, at all times, complies with the requirements of this chapter.

1        11.    "Greenhouse agriculture" means the growing of plants or crops primarily under a  
2                    controlled environment in a sheltered structure with walls and a roof, both made  
3                    primarily of transparent or translucent material.

4        4-12.    "Nonprofit organization" means an organization or trust that has tax-exempt status  
5                    under at least one of the following sections of the Internal Revenue Code:

6                    a.    An organization that was in existence on December 31, 1984, and that is  
7                    organized and operated exclusively for religious, charitable, scientific, testing for  
8                    public safety, literary, or educational purposes, or for the prevention of cruelty to  
9                    children or animals under section 501(c)(3), or is a domestic fraternal  
10                    organization under section 501(c)(10).

11                    b.    A charitable, religious, educational, or scientific organization classified as either a  
12                    private foundation or as a public charity having status as an organization  
13                    described in section 509(a)(1) or (3).

14                    c.    A trust described in section 4947 for which a deduction is allowable under  
15                    section 170.

16        5-13.    "Operating the farm or ranch" means engaging in day-to-day personal labor or  
17                    day-to-day management activities on or off the farm or ranch, which contribute  
18                    significantly to the farm or ranch operations.

19        **SECTION 2. AMENDMENT.** Section 10-06.1-02 of the North Dakota Century Code is  
20        amended and reenacted as follows:

21        **10-06.1-02. Farming or ranching by corporations and limited liability companies**  
22        **prohibited.**

23        All corporations and limited liability companies, except as otherwise provided in this chapter,  
24        are prohibited from owning or leasing land used for farming or ranching and from engaging in  
25        the business of farming or ranching. A corporation or a limited liability company may be a  
26        partner in a partnership that is in the business of farming or ranching only if that corporation or  
27        limited liability company complies with this chapter. Notwithstanding any other provision, an  
28        authorized livestock farm corporation or authorized livestock farm limited liability company is  
29        prohibited from being a partner in a partnership owning or leasing land used for farming or  
30        ranching or engaging in the business of farming or ranching, a shareholder of an authorized  
31        livestock farm corporation, or a member of an authorized livestock farm limited liability company.

1       **SECTION 3. AMENDMENT.** Section 10-06.1-04 of the North Dakota Century Code is  
2 amended and reenacted as follows:

3       **10-06.1-04. Conversion of corporations.**

4       A business corporation regulated under chapter 10-19.1 may convert to a farming or  
5 ranching corporation by adopting an amendment to its articles of incorporation or by applying  
6 for an amended certificate of authority which specifies that the corporation elects to be subject  
7 to this chapter and by complying with all requirements of this chapter. The amendment must be  
8 filed with the secretary of state with the prescribed fee and with the initial report required by  
9 section 10-06.1-15. A farming or ranching corporation may convert to a business corporation by  
10 adopting an amendment to its articles of incorporation or by applying for an amended certificate  
11 of authority. The amendment must be filed with the secretary of state with the prescribed fee.  
12 The amendment must be accompanied by a report outlining the information, as of the date of  
13 the amendment, which is required under section 10-06.1-17 and section 11 of this Act, and the  
14 manner in which the corporation has divested itself of its owned or leased land holdings and its  
15 business of farming or ranching.

16       **SECTION 4. AMENDMENT.** Subsection 2 of section 10-06.1-12 of the North Dakota  
17 Century Code is amended and reenacted as follows:

18       2. Each shareholder or member must be related to each of the other shareholders or  
19 members within one of the following degrees of kinship or affinity: parent, son,  
20 daughter, stepson, stepdaughter, grandparent, grandson, granddaughter, brother,  
21 sister, uncle, aunt, nephew, niece, great-grandparent, great-grandchild, first cousin,  
22 second cousin, or the spouse or surviving spouse of a person so related.

23       **SECTION 5.** A new section to chapter 10-06.1 of the North Dakota Century Code is created  
24 and enacted as follows:

25       **Authorized livestock farm corporation or limited liability company - Requirements.**

26       This chapter does not prohibit an authorized livestock farm corporation or an authorized  
27 livestock farm limited liability company from owning or leasing real estate and engaging in the  
28 business of farming or ranching if the corporation meets all the requirements of chapter 10-19.1  
29 or the limited liability company meets all the requirements of chapter 10-32.1 which are not  
30 inconsistent with this chapter. The following requirements also apply:

- 1       1. If a corporation, the corporation may not have more than ten shareholders. If a limited  
2       liability company, the limited liability company may not have more than ten members.
- 3       2. If a corporation, shareholders holding seventy-five percent or more of the shares  
4       entitled to vote and the shares entitled to distributions must be individuals who are  
5       actively engaged in operating a farm or ranch, corporations that meet the  
6       requirements of chapter 10-06.1-12, or limited liability companies that meet the  
7       requirements of chapter 10-06.1-12. If a limited liability company, members holding  
8       fifty-one percent or more of interests entitled to vote and interests entitled to  
9       distributions in the limited liability company must be individuals who are actively  
10      engaged in operating a farm or ranch, corporations that meet the requirements of  
11      chapter 10-06.1-12, or limited liability companies that meet the requirements of  
12      chapter 10-06.1-12.
- 13      3. If a corporation, all shareholders who are individuals must be citizens of the United  
14      States or permanent resident aliens of the United States, and all shareholders that are  
15      persons otherwise eligible under this chapter, and any controlling person of the  
16      corporation, must be organized in the United States and one hundred percent of the  
17      stock must be owned by citizens of the United States or permanent resident aliens. If a  
18      limited liability company, all members who are individuals must be citizens of the  
19      United States or permanent resident aliens of the United States, and all members that  
20      are persons otherwise eligible under this chapter, and any controlling person limited  
21      liability company, must be organized in the United States and one hundred percent of  
22      the interests must be owned by citizens of the United States or permanent resident  
23      aliens.
- 24      4. The authorized livestock farm corporation or authorized livestock farm limited liability  
25      company may not at any time, directly or indirectly, own, lease, or otherwise have an  
26      interest in more than one hundred sixty acres [64.75 hectares] of land.
- 27      5. If a corporation, none of its shareholders are shareholders in other authorized  
28      livestock farm corporations, or members in authorized livestock farm limited liability  
29      companies, that directly or indirectly in combination with the corporation own, lease, or  
30      otherwise have an interest in more than six hundred forty acres [259 hectares] of land.  
31      If a limited liability company, none of its members are members in other authorized

- 1 livestock farm limited liability companies or shareholders in authorized livestock farm  
2 corporations that directly or indirectly in combination with the limited liability company  
3 own, lease, or otherwise have an interest more than six hundred forty acres  
4 [259 hectares] of land.
- 5 6. If a corporation, the officers and directors of the corporation must be shareholders who  
6 are actively engaged in operating the authorized livestock farm corporation. If a limited  
7 liability company, the governors, managers, and officers must be members who are  
8 actively engaged in operating the authorized farm limited liability company.
- 9 7. An annual average of at least sixty-five percent of the gross income of the corporation  
10 or limited liability company over the previous five years, or for each year of its  
11 existence, if less than five years, must have been derived from the production of cattle,  
12 poultry or poultry products, milk or dairy products, or swine or swine products.
- 13 8. The income of the corporation or limited liability company from nonfarm rent, nonfarm  
14 royalties, dividends, interest, and annuities may not exceed twenty percent of the  
15 gross income of the corporation or limited liability company.
- 16 9. The corporation or limited liability company may not directly or indirectly engage in the  
17 cultivation of land for the production of crops or the grazing of livestock.
- 18 10. The corporation or limited liability company must begin construction of the facilities  
19 used in the animal feeding operation or concentrated animal feeding operation within  
20 one year of obtaining the agricultural landholding.
- 21 11. The corporation or limited liability company must have a fully operational animal  
22 feeding operation or concentrated animal feeding operation within three years of  
23 obtaining the agricultural landholding.
- 24 12. An authorized livestock farm corporation or limited liability company violating  
25 subsection 10 or 11, or which is inactive for three consecutive years as determined by  
26 the agriculture commissioner, is subject to the divestment provisions of section  
27 10-06.1-24.

28 **SECTION 6. AMENDMENT.** Section 10-06.1-13 of the North Dakota Century Code is  
29 amended and reenacted as follows:

1           **10-06.1-13. Applicability of North Dakota Business Corporation Act.**

2           Chapter 10-19.1 is applicable to farming or ranching corporations and authorized livestock  
3 farm corporations, which have the powers and privileges and are subject to the duties,  
4 restrictions, and liabilities of other business corporations except when inconsistent with the  
5 intent of this chapter. This chapter takes precedence in the event of any conflict with the  
6 provisions of chapter 10-19.1.

7           **SECTION 7. AMENDMENT.** Section 10-06.1-14 of the North Dakota Century Code is  
8 amended and reenacted as follows:

9           **10-06.1-14. Applicability of North Dakota limited liability company laws.**

10          Chapter 10-32.1, except those sections which pertain to foreign limited liability companies,  
11 is applicable to farming or ranching limited liability companies and authorized livestock farm  
12 limited liability companies, which have the powers and privileges and are subject to the duties,  
13 restrictions, and liabilities of other business limited liability companies, except when inconsistent  
14 with the intent of this chapter. This chapter takes precedence in the event of any conflict with the  
15 provisions of chapter 10-32.1.

16          **SECTION 8.** A new section to chapter 10-06.1 of the North Dakota Century Code is created  
17 and enacted as follows:

18          **Applicability of restriction on alien ownership of land.**

19          The provisions of chapter 47-10.1 supersede this chapter in the event of any conflict.

20          **SECTION 9.** A new section to chapter 10-06.1 of the North Dakota Century Code is created  
21 and enacted as follows:

22          **Initial report - Authorized livestock farm corporations and authorized livestock farm**  
23 **limited liability companies.**

24          1. Every authorized livestock farm corporation or authorized livestock farm limited liability  
25 company shall file an initial report with its articles of incorporation or articles of  
26 organization. The report must be signed by the incorporators or organizers, and must  
27 contain the following:

28           a. The name of the corporation or limited liability company.

29           b. With respect to each shareholder or member:

30                 (1) The name and address of each, including the names and addresses and  
31                         relationships of trusts and estates that own shares or membership interests;

- 1           (2) If an organization, the state of domicile;  
2           (3) The number of shares or membership interests;  
3           (4) Each person's percentage of shares entitled to vote or membership  
4                 interests entitled to vote; and whether any voting agreement exists;  
5           (5) Each person's percentage of capital and financial interests;  
6           (6) A statement of whether each is a citizen or permanent resident alien of the  
7                 United States; and  
8           (7) As to individuals, a statement of whether each will be actively engaged in  
9                 operating the farm or ranch and whether each will reside on the farm or  
10                 ranch.
- 11         c. With respect to management:
- 12           (1) If a corporation, the names and addresses of the officers and members of  
13                 the board of directors.
- 14           (2) If a limited liability company, the names and addresses of the managers,  
15                 members of the board of governors, and officers.
- 16         d. A statement that the corporation or limited liability company does not and will not  
17                 directly or indirectly own, lease, or hold any interest in more than one hundred  
18                 sixty acres [64.75 hectares].
- 19         e. If the purchase or lease of land is final at the time of the initial report, a statement  
20                 listing the acreage and the number of hectares and location listed by section,  
21                 township, range, and county of all land in the state in which the corporation or  
22                 limited liability company has an ownership, leasehold, or other interest. If the  
23                 purchase or lease of land is not final at the time of the initial report, a statement  
24                 that there is a bona fide and imminent intent and a plan to purchase or lease land  
25                 in the state.
- 26         f. A statement that no investors are shareholders or members in any other  
27                 authorized livestock farm corporation or authorized livestock farm limited liability  
28                 company that directly or indirectly with the corporation or limited liability company  
29                 own, lease, or hold any interest in more than six hundred forty acres  
30                 [259 hectares].



- 1           g. A statement that at least sixty-five percent of the gross income of the corporation  
2           or limited liability company will be derived from farming or ranching operations,  
3           and that twenty percent or less of the gross income of the corporation or limited  
4           liability company will be from nonfarm rent, nonfarm royalties, dividends, interest,  
5           and annuities.
- 6           h. A statement that the corporation or limited liability company will not engage in the  
7           cultivation of land for the production of crops.
- 8           i. If the facility is not operational, a statement as to the planned date of operations.
- 9           j. A statement that the corporation or limited liability company does not hold an  
10          interest in any other authorized livestock farm corporation or authorized livestock  
11          farm limited liability company.
- 12          2. A corporation or a limited liability company may not commence farming or ranching in  
13          this state until the secretary of state has received and filed the initial report required by  
14          this section and the articles of incorporation or articles of organization. The corporation  
15          or limited liability company shall furnish to the official county newspaper of each  
16          county or counties in which it has any interest in any land a legal notice reporting the  
17          following:
- 18          a. The name of the corporation or limited liability company and its shareholders or  
19          members as listed in the initial report.
- 20          b. A statement to the effect that the corporation or limited liability company has  
21          reported that it holds an interest in land in the county, the use of the land, and  
22          that a description of that land is available for inspection at the secretary of state's  
23          office.
- 24          c. A statement to the effect that each of the shareholders of the corporation or  
25          members of the limited liability company do not directly or indirectly in  
26          combination with interests in any other person own more than six hundred forty  
27          acres [259 hectares] of agricultural land.

28           **SECTION 10. AMENDMENT.** Section 10-06.1-17 of the North Dakota Century Code is  
29    amended and reenacted as follows:

1           **10-06.1-17. Annual report - Contents - Filing requirements.**

2           Except for the first annual report, the annual report of a corporation engaged in farming or  
3           ranching after June 30, 1981, and a limited liability company engaged in farming or ranching  
4           must be delivered to the secretary of state before April sixteenth of each year. The first annual  
5           report must be delivered before April sixteenth in the year following the calendar year of the  
6           effective date of the articles of incorporation, articles of organization, or certificate of authority.  
7           The annual report must be signed as provided in subsection 58 of section 10-19.1-01 if a  
8           corporation and subsection 49 of section 10-32.1-02 if a limited liability company, and submitted  
9           on a form prescribed by the secretary of state. If the corporation or limited liability company is in  
10          the hands of a receiver or trustee, it must be signed on behalf of the corporation or limited  
11          liability company by the receiver or trustee. An annual report must include the following  
12          information with respect to the preceding calendar year:

- 13          1. The name of the corporation or limited liability company.
- 14          2. The name of the registered agent of the corporation or limited liability company as  
15             provided in chapter 10-01.1 and, if a noncommercial registered agent, the address of  
16             the registered office of the corporation or limited liability company in this state.
- 17          3. With respect to each corporation:
  - 18             a. A statement of the aggregate number of shares the corporation has authority to  
19                issue, itemized by classes, par value of shares, shares without par value, and  
20                series, if any, within a class.
  - 21             b. A statement of the aggregate number of issued shares, itemized by classes,  
22                par value of shares, shares without par value, and series, if any, within a class.
- 23          4. With respect to each limited liability company:
  - 24             a. A statement of the aggregate number of units the limited liability company has  
25                authority to issue, itemized by classes and series, if any, within a class.
  - 26             b. A statement of the aggregate number of issued units, itemized by classes and  
27                series, if any, within a class.
- 28          5. With respect to each shareholder or member:
  - 29             a. The name and address of each, including the names and addresses and  
30                relationships of beneficiaries of trusts and estates which own shares or  
31                membership interests;

- 1           b. The number of shares or membership interests or percentage of shares or  
2           membership interests owned by each;
- 3           c. The relationship of each;
- 4           d. A statement of whether each is a citizen or permanent resident alien of the United  
5           States; and
- 6           e. A statement of whether at least one is an individual residing on or operating the  
7           farm or ranch.
- 8    ~~5-6.~~ With respect to management:
- 9           a. If a corporation, then the name and address of each officer and member of the  
10          board of directors, and a statement of whether each is a shareholder actively  
11          engaged in operating the farm or ranch; or
- 12          b. If a limited liability company, then the name and address of each manager and  
13          member of the board of governors, and a statement of whether each is a member  
14          actively engaged in operating the farm or ranch.
- 15    ~~6-7.~~ A statement providing the land description and listing the acreage [hectarage] and  
16          location listed by section, township, range, and county of all land in the state owned or  
17          leased by the corporation or limited liability company and used for farming or ranching.  
18          The statement must also designate which, if any, of the acreage [hectarage] is leased  
19          from or jointly owned with any shareholder or member and list the name of the  
20          shareholder or member with that acreage [hectarage].
- 21    ~~7-8.~~ A statement of the percentage of the annual average gross income of the corporation  
22          or limited liability company which has been derived from farming or ranching  
23          operations over the previous five years or for each year of existence if less than five  
24          years.
- 25    ~~8-9.~~ A statement of the percentage of gross income of the corporation or limited liability  
26          company derived from nonfarm rent, nonfarm royalties, dividends, interest, and  
27          annuities during the period covered by the report.
- 28    ~~9-10.~~ A corporation engaged in farming which fails to file an annual report is subject to the  
29          penalties for failure to file an annual report as provided in chapter 10-19.1, except that  
30          the penalties must be calculated from the date of the report required by this section.

1 ~~40-11.~~ A limited liability company engaged in farming which fails to file an annual report is  
2 subject to the penalties for failure to file an annual report as provided in chapter  
3 10-32.1, except that the penalties must be calculated from the date of the report  
4 required by this section.

5 **SECTION 11.** A new section to chapter 10-06.1 of the North Dakota Century Code is  
6 created and enacted as follows:

7 **Annual report - Contents - Filing requirements.**

8 1. Except for the first annual report, the annual report of an authorized livestock farm  
9 corporation or authorized livestock farm limited liability company must be delivered to  
10 the secretary of state before April sixteenth of each year. The first annual report must  
11 be delivered before April sixteenth in the year following the calendar year of the  
12 effective date of the articles of incorporation or articles of organization. The annual  
13 report must be signed as defined in section 10-19.1-01 if a corporation or section  
14 10-32.1-02 if a limited liability company and submitted on a form prescribed by the  
15 secretary of state. If the corporation or limited liability company is in the hands of a  
16 receiver or trustee, the annual report must be signed on behalf of the corporation or  
17 limited liability company by the receiver or trustee. An annual report must include the  
18 following information with respect to the preceding calendar year:

19 a. The name of the registered agent of the corporation or limited liability company  
20 as provided in chapter 10-01.1 and, if a noncommercial registered agent, the  
21 address of the registered office of the corporation or limited liability company in  
22 this state.

23 b. The name of the corporation or limited liability company.

24 c. With respect to each corporation:

25 (1) A statement of the aggregate number of shares the corporation has  
26 authority to issue, itemized by classes, par value of shares, shares without  
27 par value, and series, if any, within a class.

28 (2) A statement of the aggregate number of issued shares, itemized by classes,  
29 par value of shares, shares without par value, and series, if any, within a  
30 class.

31 d. With respect to each limited liability company:

- 1           (1) A statement of the aggregate number of units the limited liability company  
2                     has authority to issue, itemized by classes and series, if any, within a class.
- 3           (2) A statement of the aggregate number of issued units, itemized by classes  
4                     and series, if any, within a class.
- 5       e. With respect to each shareholder or member:
- 6           (1) The name and address of each, including the names and addresses and  
7                     relationships of trusts and estates that own shares or membership interests;
- 8           (2) If an organization, the state of domicile;
- 9           (3) The number of shares or membership interests;
- 10          (4) Each person's percentage of shares entitled to vote, or membership  
11                     interests entitled to vote, and whether any voting agreement exists;
- 12          (5) Each person's percentage of capital and financial interests;
- 13          (6) A statement of whether each is a citizen or permanent resident alien of the  
14                     United States; and
- 15          (7) As to individuals, a statement of whether each will be actively engaged in  
16                     operating the farm or ranch and whether each will reside on the farm or  
17                     ranch.
- 18       f. With respect to management:
- 19           (1) If a corporation, the names and addresses of the officers and members of  
20                     the board of directors.
- 21           (2) If a limited liability company, the names and addresses of the managers and  
22                     members of the board of governors.
- 23       g. A statement that the corporation or limited liability company does not directly or  
24                     indirectly own, lease, or hold any interest in more than one hundred sixty acres  
25                     [64.75 hectares].
- 26       h. A statement providing the land description and listing the acreage, the total  
27                     number of hectares and location listed by section, township, range, and county of  
28                     all land in the state in which the corporation or limited liability company has an  
29                     ownership, leasehold, or other interest.
- 30       i. A statement that no investors are shareholders or members in any other  
31                     authorized livestock farm corporation or authorized livestock farm limited liability

- 1           company that directly or indirectly with the corporation or limited liability company  
2           own, lease, or hold any interest in more than six hundred forty acres  
3           [259 hectares].
- 4           j. A statement that at least sixty-five percent of the gross income of the corporation  
5           or limited liability company will be derived from farming or ranching operations,  
6           and that twenty percent or less of the gross income of the corporation or limited  
7           liability company is from nonfarm rent, nonfarm royalties, dividends, interest, and  
8           annuities.
- 9           k. A statement that the corporation or limited liability company does not engage in  
10           the cultivation of land for the production of crops or the grazing of livestock.
- 11           l. The first date of operations.
- 12           m. A statement that the corporation or limited liability company does not hold an  
13           interest in any other authorized livestock farm corporation or authorized livestock  
14           farm limited liability company.
- 15           n. The statement also must designate which, if any, of the acreage and the total  
16           number of hectares is leased from or jointly owned with any shareholder or  
17           member and list the name of the shareholder or member with that acreage and  
18           the total number of hectares.
- 19           o. A statement of the percentage of the annual average gross income of the  
20           corporation or limited liability company which has been derived from farming or  
21           ranching operations over the previous five years or for each year of existence if  
22           less than five years.
- 23           p. A statement of the percentage of gross income of the corporation or limited  
24           liability company derived from nonfarm rent, nonfarm royalties, dividends,  
25           interest, and annuities during the period covered by the report.
- 26           2. A corporation engaged in farming which fails to file an annual report is subject to the  
27           penalties for failure to file an annual report as provided in chapter 10-19.1, except the  
28           penalties must be calculated from the date of the report required by this section.
- 29           3. A limited liability company engaged in farming which fails to file an annual report is  
30           subject to the penalties for failure to file an annual report as provided in chapter

1           10-32.1, except the penalties must be calculated from the date of the report required  
2           by this section.

3           **SECTION 12. AMENDMENT.** Section 10-06.1-21 of the North Dakota Century Code is  
4 amended and reenacted as follows:

5           **10-06.1-21. Secretary of state to transmit information of noncompliance.**

6           If the secretary of state finds from the annual report that the corporation or limited liability  
7 company is not in compliance with the requirements of section 10-06.1-12 or section 5 of this  
8 Act, the secretary of state shall transmit such information to the attorney general and the  
9 governor.

10          **SECTION 13. AMENDMENT.** Section 10-06.1-22 of the North Dakota Century Code is  
11 amended and reenacted as follows:

12          **10-06.1-22. Tax commissioner to compare returns and reports.**

13          Each year the tax commissioner shall select at random at least five percent of the income  
14 tax returns filed by corporations or limited liability companies which report on income from  
15 farming or ranching operations and shall compare such returns with the annual report required  
16 to be filed with the secretary of state by section 10-06.1-17 and section 11 of this Act and shall  
17 forward any apparent violations to the attorney general and the governor.

18          **SECTION 14. AMENDMENT.** Section 10-06.1-26 of the North Dakota Century Code is  
19 amended and reenacted as follows:

20          **10-06.1-26. Protection of minority shareholders.**

21          If a shareholder owns less than fifty percent of the shares of a farming or ranching  
22 corporation or authorized livestock farm corporation doing business under this chapter, and if  
23 the terms and conditions for the repurchase of those shares by the corporation or by the other  
24 shareholders are not set forth in the bylaws or the instrument which transferred the shares to  
25 the shareholder, or are not the subject of a shareholders' agreement or an agreement between  
26 that shareholder and the corporation, then the disposition of such shares must be determined  
27 by this section upon the withdrawal of the shareholder. Any shareholder who desires to  
28 withdraw from the corporation shall first offer the shares for sale to the remaining shareholders  
29 in proportion to the shares owned by them. If not all of the shareholders wish to purchase the  
30 shares, any one shareholder may purchase all of the shares of the withdrawing shareholder. If  
31 no shareholder desires to purchase the shares of a withdrawing shareholder, then the

1 corporation may purchase the shares. If the corporation chooses not to purchase the shares of  
2 the withdrawing shareholder, then the withdrawing shareholder may sell the shares to any other  
3 person eligible to be a shareholder. If the withdrawing shareholder is unable to sell the shares to  
4 any other person eligible to become a shareholder, then the withdrawing shareholder may bring  
5 an action in district court to dissolve the corporation. Upon a finding that the withdrawing  
6 shareholder cannot sell the shares at a fair price, the court shall enter an order directing that the  
7 corporation itself or any or all of the remaining shareholders pro rata or otherwise shall have  
8 twelve months from the date of the court's order to purchase the shares of the withdrawing  
9 shareholder at a fair price as determined by the court and that if the shares of the withdrawing  
10 shareholder are not completely purchased at said price, the corporation shall be dissolved and  
11 the assets of the corporation shall be first used to pay all the liabilities of the corporation with  
12 the remaining net assets to be distributed pro rata to the shareholders in proportion to their  
13 ownership of shares. For the purpose of this section, a fair price for the shares of the  
14 withdrawing shareholder must be determined as though the shares were being valued for  
15 federal gift tax purposes under the Internal Revenue Code.

16 **SECTION 15. AMENDMENT.** Section 10-06.1-27 of the North Dakota Century Code is  
17 amended and reenacted as follows:

18 **10-06.1-27. Protection of minority members.**

19 If a member owns less than fifty percent of the membership interest of a farming or ranching  
20 limited liability company or authorized livestock farm limited liability company doing business  
21 under this chapter and if the terms and conditions for the repurchase of that membership  
22 interest by the limited liability company or by the other members are not set forth in the bylaws,  
23 the instrument that transferred the membership interest to the member, or are not the subject of  
24 a member-control agreement or other agreement between that member and the limited liability  
25 company, the disposition of the membership interest must be determined by this section upon  
26 the withdrawal of the member. Any member who desires to withdraw from the limited liability  
27 company shall first offer the membership interest for sale to the remaining members in  
28 proportion to the membership interests owned by the remaining members. If not all of the  
29 members wish to purchase the membership interest, any one member can purchase all of the  
30 membership interest of the withdrawing member. If no member desires to purchase the  
31 membership interest of the withdrawing member, the limited liability company may purchase the



1 membership interest. If the limited liability company chooses not to purchase the membership  
2 interest of the withdrawing member, the withdrawing member may sell the membership interest  
3 to any other person eligible to be a member. If the withdrawing member is unable to sell the  
4 membership interest to any other person eligible to become a member, the withdrawing  
5 member may bring an action in district court to terminate the limited liability company. Upon a  
6 finding that the withdrawing member cannot sell the membership interest at a fair price, the  
7 court shall enter an order directing that the limited liability company or any of the remaining  
8 members pro rata or otherwise, have twelve months from the date of the court's order to  
9 purchase the membership interest of the withdrawing member at a fair price as determined by  
10 the court and that if the membership interest of the withdrawing member is not completely  
11 purchased at the fair price, the limited liability company must be dissolved and the assets of the  
12 limited liability company must be first used to pay all liabilities of the limited liability company  
13 with the remaining net assets to be distributed pro rata to the members in proportion to the  
14 member's membership interest ownership. For the purpose of this section, a fair price for the  
15 membership interest of the withdrawing member must be determined as though the  
16 membership interest was being valued for federal gift tax purposes under the Internal Revenue  
17 Code.