

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1371

Page 1, line 1, after "to" insert "create and enact four new sections to chapter 10-06.1 of the North Dakota Century Code, relating to authorized livestock farm corporation requirements, initial and annual reporting requirements for authorized livestock farm corporations, and authorized livestock farm limited liability companies; to"

Page 1, line 1, replace "section" with "sections"

Page 1, line 1, replace the second "and" with ", 10-06.1-02, and 10-06.1-04,"

Page 1, line 2, after "10-06.1-12" insert ", and sections 10-06.1-13, 10-06.1-14, 10-06.1-17, 10-06.1-21, 10-06.1-22, 10-06.1-26, and 10-06.1-27"

Page 1, line 4, remove the second "and"

Page 1, line 4, after "landholdings" insert ", and required reporting for corporate farming; and to provide a penalty"

Page 1, line 6, remove "Beekeeping" means the breeding or rearing of bee colonies or the owning."

Page 1, line 17, replace "maintenance, or management of bee apiaries" with "Authorized livestock farm corporation" means a corporation formed for livestockcattle backgrounding, livestockcattle finishing, or the production of poultry or poultry products, milk or dairy products, or swine or swine products which, at all times, complies with the requirements of this chapter"

Page 1, after line 17, insert:

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

Page 1, replace lines 20 through 23 with:

"6. "LivestockCattle finishing" means the feeding or growing of livestockcattle for the purpose of expeditiously preparing the livestockcattle for harvest."

Page 2, line 1, replace "6." with "7."

Page 2, line 3, replace "7. a." with "8."

Page 2, line 3, remove the overstrike over "cultivating"

Page 2, line 3, remove the underscored colon

Page 2, line 4, remove "(1) Cultivating"

Page 2, line 4, remove the overstrike over the overstruck comma

Page 2, line 4, remove the underscored semicolon

Page 2, line 4, remove the overstrike over "the"

Page 2, line 5, remove "(2) The"

Page 2, line 6, remove the overstrike over "t"

Page 2, line 7, remove "b. Notwithstanding subdivision a, "farming or ranching""

Page 2, remove line 8

Page 2, line 9, replace "(2)" with "a."

Page 2, line 10, replace "(3)" with "b."

Page 2, line 11, replace "(4)" with "c."

Page 2, line 12, replace "(5)" with "d."

Page 2, line 12, remove "Cattle backgrounding or cattle finishing feedlot operations, or the raising or"

Page 2, remove lines 13 and 14

Page 2, line 15, replace "hundred sixty acres [64.75 hectares]" with "Custom harvesting"

Page 2, line 16, replace "(6)" with "e."

Page 2, line 19, replace "(7)" with "f."

Page 2, line 21, replace "8." with "9."

Page 2, line 24, replace "9." with "10."

Page 2, line 26, replace "10." with "11."

Page 2, remove lines 29 and 30

~~Page 3, line 13, after "in" insert "day-to-day"~~

~~Page 3, line 13, after the second "or" insert "day-to-day"~~

~~Page 3, line 14, after "contribute" insert "significantly"~~

Page 3, after line 14, insert:

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

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

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

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

10-06.1-04. Conversion of corporations.

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

Page 3, after line 21, insert:

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

Authorized livestock farm corporation or limited liability company - Requirements.

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

1. If an authorized livestock farm corporation, the corporation may not have more than fifteen-shareholders. If an authorized livestock farm limited liability company, the limited liability company may not have more than fifteen members.
2. If an authorized livestock farm corporation, shareholders holding seventy-five percent or more of the shares entitled to vote and the shares entitled to distributions must be individuals who are actively engaged in operating the corporation, a farm or ranch, corporations that meet the requirements of chapter section 10-06.1-12, or limited liability companies that meet the requirements of chapter section 10-06.1-12. If an authorized livestock farm limited liability company, members holding fifty-one percent or more of interests entitled to vote and interests entitled to distributions in the limited liability company must be individuals who are actively engaged in operating the limited liability company, a farm or ranch, corporations that meet the requirements of chapter section 10-06.1-12, or limited liability companies that meet the requirements of chapter section 10-06.1-12.
3. If an authorized livestock farm corporation, all shareholders who are individuals must be citizens of the United States or permanent resident aliens of the United States, and all shareholders that are persons

otherwise eligible under this chapter, and any controlling person of the corporation, must be organized in the United States and one hundred percent of the stock must be owned by citizens of

the United States or permanent resident aliens. If an ~~authorized livestock farm~~ limited liability company, all members who are individuals must be citizens of the United States or permanent resident aliens of the United States, and all members that are persons otherwise eligible under this chapter, and any controlling person limited liability company, must be organized in the United States and one hundred percent of the interests must be owned by citizens of the United States or permanent resident aliens.

4. The authorized livestock farm corporation or authorized livestock farm limited liability company may not ~~at any time, directly or indirectly,~~ own, lease, or otherwise have an interest in more than one hundred sixty acres [64.75 hectares] of ~~agricultural land holdings in this state.~~
5. If an ~~authorized livestock farm~~ corporation, ~~the corporation is not a none of its shareholders are shareholders~~ in other authorized livestock farm corporations, or ~~members~~ in other authorized livestock farm limited liability companies, ~~in this state that directly or indirectly~~ in combination with the corporation own, lease, or otherwise have an interest in more than six hundred forty acres [259 hectares] of ~~agricultural land holdings in this state.~~ If an ~~authorized livestock farm~~ limited liability company, ~~the limited liability company none of its members are~~ is not a members in other authorized livestock farm limited liability companies or a shareholders in other authorized livestock farm corporations ~~in this state that directly or indirectly~~ in combination with the limited liability company own, lease, or otherwise have an interest more than six hundred forty acres [259 hectares] of ~~agricultural land holdings in this state.~~
6. If an ~~authorized livestock farm~~ corporation, the officers and directors of the corporation must be shareholders who are ~~actively engaged in~~ operating the ~~authorized livestock farm~~ corporation. If an ~~authorized livestock farm~~ limited liability company, the governors, managers, and officers must be members who are ~~actively engaged in~~ operating the ~~authorized farm~~ limited liability company.
7. An annual average of at least sixty-five percent of the gross income of the ~~authorized livestock farm~~ corporation or ~~authorized livestock farm~~ limited liability company over the previous five years, or for each year of its existence, if less than five years, must have been derived from the production of ~~livestock~~ cattle, poultry or poultry products, milk or dairy products, or swine or swine products.
8. The income of the ~~authorized livestock farm~~ corporation or ~~authorized livestock farm~~ limited liability company from nonfarm rent, nonfarm royalties, dividends, interest, and annuities may not exceed twenty percent of the gross income of the ~~authorized livestock farm~~ corporation or ~~authorized livestock farm~~ limited liability company.
9. The ~~authorized livestock farm~~ corporation or ~~authorized livestock farm~~ limited liability company may not ~~directly or indirectly~~ engage in the cultivation of land for the production of crops or the grazing of livestock in ~~this state.~~
10. If the ~~authorized livestock farm~~ corporation or ~~authorized livestock farm~~ limited liability company is intended to comprise an animal feeding

operation or concentrated animal feeding operation in this state:

- a. ~~T~~he corporation or limited liability company must begin construction of the facilities used in the animal feeding operation or concentrated animal feeding operation within one year of obtaining the agricultural landholding.
- b. The corporation or limited liability company must have a fully operational animal feeding operation or concentrated animal feeding operation within three years of obtaining the agricultural landholding.

- c. An authorized livestock farm corporation or authorized livestock farm limited liability company violating this subsection 10-06.1-13, or which is inactive for three consecutive years as determined by the agriculture commissioner, is subject to the divestment provisions of section 10-06.1-24.

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

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

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

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

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

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

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

Applicability of restriction on alien ownership of land.

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

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

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

1. Every authorized livestock farm corporation or authorized livestock farm limited liability company shall file an initial report with its articles of incorporation or articles of organization. The report must be signed by the incorporators or organizers, and must contain the following:
 - a. The name of the authorized livestock farm corporation or authorized livestock farm limited liability company.
 - b. With respect to each shareholder or member:
 - (1) The name and address of each, including the names and addresses and relationships of trusts and estates that own

shares or membership interests;

- (2) If an organization, the state of domicile;
 - (3) The number of shares or membership interests;
 - (4) Each person's percentage of shares entitled to vote or membership interests entitled to vote; and whether any voting agreement exists;
 - (5) Each person's percentage of capital and financial interests;
 - (6) As to individuals, a statement of whether each is a citizen or permanent resident alien of the United States; and
 - (7) As to individuals, a statement of whether each will be ~~actively engaged in~~ operating the authorized livestock farm corporation or authorized livestock farm limited liability company farm or ranch ~~and whether each will reside on the farm or ranch.~~
- c. With respect to management:
- (1) If an authorized livestock farm corporation, the names and addresses of the officers and members of the board of directors.
 - (2) If an authorized livestock farm limited liability company, the names and addresses of the managers, members of the board of governors, and officers.
- d. A statement that the authorized livestock farm corporation or authorized livestock farm limited liability company does not ~~and will not directly or indirectly~~ own, lease, or hold any interest in more than one hundred sixty acres [64.75 hectares] of agricultural land in this state.
- e. If the purchase or lease of agricultural land is final at the time of the initial report, a statement listing the acreage and the number of hectares and location listed by section, township, range, and county of all agricultural land in this state in which the authorized livestock farm corporation or authorized livestock farm limited liability company has an ownership, leasehold, or other interest. If the purchase or lease of agricultural land is not final at the time of the initial report, a statement that there is a bona fide and imminent intent and a plan to purchase or lease agricultural land in this state.
- ~~f. A statement that no investors are shareholders or members in any other authorized livestock farm corporation or authorized livestock farm limited liability company that directly or indirectly with the corporation or limited liability company own, lease, or hold any interest in more than six hundred forty acres [259 hectares].~~
- ~~g.f. A statement that at least sixty-five percent of the gross income of the authorized livestock farm corporation or authorized livestock farm limited liability company will be derived from authorized livestock farm farming or ranching operations, and that twenty percent or less of the gross income of the corporation or limited liability company will be from nonfarm rent, nonfarm royalties, dividends, interest, and annuities.~~
- ~~h.g. A statement that the authorized livestock farm corporation or~~

authorized livestock farm limited liability company will not engage in the cultivation of land for the production of crops in this state.

i.h. If the authorized livestock farm facility is not operational, a statement as to the planned date of authorized livestock farm operations.

i.i. A statement that the authorized livestock farm corporation or authorized livestock farm limited liability company does not hold an interest in any other authorized livestock farm corporation or authorized livestock farm limited liability company in this state that in combination with the authorized livestock farm corporation or authorized livestock farm limited liability company own, lease, or otherwise have an interest in more than six hundred forty acres [259 hectares] of agricultural land holdings in this state..

2. An authorized livestock farm corporation or an authorized livestock farm limited liability company may not commence farming or ranching in this state until the secretary of state has received and filed the initial report required by this section and the articles of incorporation or articles of organization. The authorized livestock farm corporation or authorized livestock farm limited liability company shall furnish to the official county newspaper of each county or counties in which it has any interest in any land a legal notice reporting the following:
 - a. The name of the authorized livestock farm corporation or limited liability company and its shareholders or members as authorized livestock farm listed in the initial report.
 - b. A statement to the effect that the authorized livestock farm corporation or authorized livestock farm limited liability company has reported that it holds an interest in agricultural land in the county, the use of the land, and that a description of that land is available for inspection at the secretary of state's office.
 - ~~c. A statement to the effect that each of the shareholders of the corporation or members of the limited liability company do not directly or indirectly in combination with interests in any other person own more than six hundred forty acres [259 hectares] of agricultural land.~~

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

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

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

1. The name of the corporation or limited liability company.
2. The name of the registered agent of the corporation or limited liability company as provided in chapter 10-01.1 and, if a noncommercial registered agent, the address of the registered office of the corporation or limited liability company in this state.
3. With respect to each corporation:
 - a. A statement of the aggregate number of shares the corporation has authority to issue, itemized by classes, par value of shares, shares without par value, and series, if any, within a class.
 - b. A statement of the aggregate number of issued shares, itemized by

classes, par value of shares, shares without par value, and series, if any, within a class.

4. With respect to each limited liability company:

- a. A statement of the aggregate number of units the limited liability company has authority to issue, itemized by classes and series, if any, within a class.
 - b. A statement of the aggregate number of issued units, itemized by classes and series, if any, within a class.
5. With respect to each shareholder or member:
- a. The name and address of each, including the names and addresses and relationships of beneficiaries of trusts and estates which own shares or membership interests;
 - b. The number of shares or membership interests or percentage of shares or membership interests owned by each;
 - c. The relationship of each;
 - d. A statement of whether each is a citizen or permanent resident alien of the United States; and
 - e. A statement of whether at least one is an individual residing on or operating the farm or ranch.
- ~~5.6.~~ With respect to management:
- a. If a corporation, then the name and address of each officer and member of the board of directors, and a statement of whether each is a shareholder actively engaged in operating the farm or ranch; or
 - b. If a limited liability company, then the name and address of each manager and member of the board of governors, and a statement of whether each is a member actively engaged in operating the farm or ranch.
- ~~6.7.~~ A statement providing the land description and listing the acreage [hectarage] and location listed by section, township, range, and county of all land in the state owned or leased by the corporation or limited liability company and used for farming or ranching. The statement must also designate which, if any, of the acreage [hectarage] is leased from or jointly owned with any shareholder or member and list the name of the shareholder or member with that acreage [hectarage].
- ~~7.8.~~ A statement of the percentage of the annual average gross income of the corporation or limited liability company which has been derived from farming or ranching operations over the previous five years or for each year of existence if less than five years.
- ~~8.9.~~ A statement of the percentage of gross income of the corporation or limited liability company derived from nonfarm rent, nonfarm royalties, dividends, interest, and annuities during the period covered by the report.
- ~~9.10.~~ A corporation engaged in farming which fails to file an annual report is subject to the penalties for failure to file an annual report as provided in chapter 10-19.1, except that the penalties must be calculated from the date of the report required by this section.

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

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

Annual report - Contents - Filing requirements.

1. Except for the first annual report, the annual report of an authorized livestock farm corporation or authorized livestock farm limited liability company must be delivered to the secretary of state before April sixteenth of each year. The first annual report must be delivered before April sixteenth in the year following the calendar year of the effective date of the articles of incorporation or articles of organization. The annual report must be signed as defined in section 10-19.1-01 if an authorized livestock farm corporation or section 10-32.1-02 if an authorized livestock farm limited liability company and submitted on a form prescribed by the secretary of state. If the authorized livestock farm corporation or authorized livestock farm limited liability company is in the hands of a receiver or trustee, the annual report must be signed on behalf of the authorized livestock farm corporation or authorized livestock farm limited liability company by the receiver or trustee. An annual report must include the following information with respect to the preceding calendar year:
 - a. The name of the registered agent of the authorized livestock farm corporation or authorized livestock farm limited liability company as provided in chapter 10-01.1 and, if a noncommercial registered agent, the address of the registered office of the authorized livestock farm corporation or authorized livestock farm limited liability company in this state.
 - b. The name of the authorized livestock farm corporation or authorized livestock farm limited liability company.
 - c. With respect to each authorized livestock farm corporation:
 - (1) A statement of the aggregate number of shares the authorized livestock farm corporation has authority to issue, itemized by classes, par value of shares, shares without par value, and series, if any, within a class.
 - (2) A statement of the aggregate number of issued shares, itemized by classes, par value of shares, shares without par value, and series, if any, within a class.
 - d. With respect to each authorized livestock farm limited liability company:
 - (1) A statement of the aggregate number of units the authorized livestock farm limited liability company has authority to issue, itemized by classes and series, if any, within a class.
 - (2) A statement of the aggregate number of issued units, itemized by classes and series, if any, within a class.

e. With respect to each shareholder or member:

- (1) The name and address of each, including the names and addresses and relationships of trusts and estates that own shares or membership interests;
- (2) If an organization, the state of domicile;

- (3) The number of shares or membership interests;
 - (4) Each person's percentage of shares entitled to vote, or membership interests entitled to vote, and whether any voting agreement exists;
 - (5) Each person's percentage of capital and financial interests;
 - (6) As to individuals, a statement of whether each is a citizen or permanent resident alien of the United States; and
 - (7) As to individuals, a statement of whether each will be ~~actively engaged in~~ operating the ~~authorized livestock farm corporation or authorized livestock farm limited liability company~~ ~~farm or ranch~~ and whether each will reside on the farm or ranch.
- f. With respect to management:
- (1) If an ~~authorized livestock farm~~ corporation, the names and addresses of the officers and members of the board of directors.
 - (2) If an ~~authorized livestock farm~~ limited liability company, the names and addresses of the managers and members of the board of governors.
- g. A statement that the ~~authorized livestock farm~~ corporation or ~~authorized livestock farm~~ limited liability company does not ~~directly or indirectly~~ own, lease, or hold any interest in more than one hundred sixty acres [64.75 hectares] of agricultural land in this state.
- h. A statement providing the ~~agricultural~~ land description and listing the acreage, the total number of hectares and location listed by section, township, range, and county of all ~~agricultural~~ land in this state in which the ~~authorized livestock farm~~ corporation or ~~authorized livestock farm~~ limited liability company has an ownership, leasehold, or other interest.
- ~~i. A statement that no investors are shareholders or members in any other ~~authorized livestock farm~~ corporation or ~~authorized livestock farm~~ limited liability company that directly or indirectly with the corporation or limited liability company own, lease, or hold any interest in more than six hundred forty acres [259 hectares].~~
- ~~i.i. A statement that at least sixty-five percent of the gross income of the ~~authorized livestock farm~~ corporation or ~~authorized livestock farm~~ limited liability company will be derived from ~~authorized livestock farm farming or ranching~~ operations, and that twenty percent or less of the gross income of the ~~authorized livestock farm~~ corporation or ~~authorized livestock farm~~ limited liability company is from nonfarm rent, nonfarm royalties, dividends, interest, and annuities.~~
- ~~k.i. A statement that the ~~authorized livestock farm~~ corporation or ~~authorized livestock farm~~ limited liability company does not engage in the cultivation of land for the production of crops or the grazing of livestock in this state.~~
- ~~l.k. The first date of operations.~~

c. A statement that the corporation or limited liability company does not hold an interest in any other authorized livestock farm corporation or authorized livestock farm limited liability company. A statement that the authorized livestock farm corporation or authorized livestock farm limited liability company does not hold an interest in any other authorized livestock farm corporation or authorized livestock farm limited liability company in this state that in combination with the authorized livestock farm corporation or authorized livestock farm limited liability company own, lease, or otherwise have an interest in more than six hundred forty acres [259 hectares] of agricultural land holdings in this state..

m. —

n. The statement also must designate which, if any, of the acreage and the total number of hectares is leased from or jointly owned with any

shareholder or member and list the name of the shareholder or member with that acreage and the total number of hectares.

o.l. A statement of the percentage of the annual average gross income of the authorized livestock farm corporation or authorized livestock farm limited liability company which has been derived from authorized livestock farmfarming or ranching operations over the previous five years or for each year of existence if less than five years.

p.m. A statement of the percentage of gross income of the authorized livestock farm corporation or authorized livestock farm limited liability company derived from nonfarm rent, nonfarm royalties, dividends, interest, and annuities during the period covered by the report.

2. An authorized livestock farm corporation engaged in authorized livestock farm operationsfarming which fails to file an annual report is subject to the penalties for failure to file an annual report as provided in chapter 10-19.1, except the penalties must be calculated from the date of the report required by this section.
3. An authorized livestock farm limited liability company engaged in authorized livestock farm operationsfarming which fails to file an annual report is subject to the penalties for failure to file an annual report as provided in chapter 10-32.1, except the penalties must be calculated from the date of the report required by this section.

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

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

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

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

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

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

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

10-06.1-26. Protection of minority shareholders.

If a shareholder owns less than fifty percent of the shares of a farming or ranching corporation or authorized livestock farm corporation doing business under this chapter, and if the terms and conditions for the repurchase of those shares by the

corporation or by the other shareholders are not set forth in the bylaws or the instrument which transferred the shares to the shareholder, or are not the subject of a

shareholders' agreement or an agreement between that shareholder and the corporation, then the disposition of such shares must be determined by this section upon the withdrawal of the shareholder. Any shareholder who desires to withdraw from the corporation shall first offer the shares for sale to the remaining shareholders in proportion to the shares owned by them. If not all of the shareholders wish to purchase the shares, any one shareholder may purchase all of the shares of the withdrawing shareholder. If no shareholder desires to purchase the shares of a withdrawing shareholder, then the corporation may purchase the shares. If the corporation chooses not to purchase the shares of the withdrawing shareholder, then the withdrawing shareholder may sell the shares to any other person eligible to be a shareholder. If the withdrawing shareholder is unable to sell the shares to any other person eligible to become a shareholder, then the withdrawing shareholder may bring an action in district court to dissolve the corporation. Upon a finding that the withdrawing shareholder cannot sell the shares at a fair price, the court shall enter an order directing that the corporation itself or any or all of the remaining shareholders pro rata or otherwise shall have twelve months from the date of the court's order to purchase the shares of the withdrawing shareholder at a fair price as determined by the court and that if the shares of the withdrawing shareholder are not completely purchased at said price, the corporation shall be dissolved and the assets of the corporation shall be first used to pay all the liabilities of the corporation with the remaining net assets to be distributed pro rata to the shareholders in proportion to their ownership of shares. For the purpose of this section, a fair price for the shares of the withdrawing shareholder must be determined as though the shares were being valued for federal gift tax purposes under the Internal Revenue Code.

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

10-06.1-27. Protection of minority members.

If a member owns less than fifty percent of the membership interest of a farming or ranching limited liability company or authorized livestock farm limited liability company doing business under this chapter and if the terms and conditions for the repurchase of that membership interest by the limited liability company or by the other members are not set forth in the bylaws, the instrument that transferred the membership interest to the member, or are not the subject of a member-control agreement or other agreement between that member and the limited liability company, the disposition of the membership interest must be determined by this section upon the withdrawal of the member. Any member who desires to withdraw from the limited liability company shall first offer the membership interest for sale to the remaining members in proportion to the membership interests owned by the remaining members. If not all of the members wish to purchase the membership interest, any one member can purchase all of the membership interest of the withdrawing member. If no member desires to purchase the membership interest of the withdrawing member, the limited liability company may purchase the membership interest. If the limited liability company chooses not to purchase the membership interest of the withdrawing member, the withdrawing member may sell the membership interest to any other person eligible to be a member. If the withdrawing member is unable to sell the membership interest to any other person eligible to become a member, the withdrawing member may bring an action in district court to terminate the limited liability company. Upon a finding that the withdrawing member cannot sell the membership interest at a fair price, the court shall enter an order directing that the limited liability company or any of the remaining members pro rata or otherwise, have twelve months from the date of the court's order to purchase the membership interest of the withdrawing member at a fair price as

determined by the court and that if the membership interest of the withdrawing member is not completely purchased at the fair price, the limited liability company must be dissolved and the assets of the limited liability company must be first used to pay all liabilities of the limited liability company with the remaining net assets to be distributed pro rata to the members in proportion to the member's membership interest ownership. For the purpose of this section, a fair price for the membership interest of the withdrawing member must be determined as though the membership interest was being valued for federal gift tax purposes under the Internal Revenue Code."

Renumber accordingly

