

AUDITOR.

CHAPTER 22.

[H. F. 340.]

REPEAL OF LAW IN RELATION TO APPOINTMENT.

AN ACT to Repeal Sections 1 and 3, of Chapter 7, of the Political Code, Being Sections 68 and 70, of Chapter 5, of the Compiled Laws of 1887.

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

§ 1. REPEAL.] That Sections 1 and 3 of Chapter 7 of the Political Code, being Sections 68 and 70 of Chapter 5 of the Compiled Laws of 1887; be and the same are hereby repealed.

Approved March 31, 1890.

BANKING.

CHAPTER 23.

[H. F. 15.]

ORGANIZATION AND GOVERNMENT OF STATE BANKS.

AN ACT to Provide for the Organization and Government of State Banks.

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

§ 1. ASSOCIATIONS, HOW FORMED.] Associations for carrying on the business of banking under this title may be formed by any number of natural persons, not less than three, one-third of whom shall be residents of the State. They shall enter into articles of association, which shall specify in general terms the object for which the association is formed, and may contain any other provisions, not inconsistent with law, which the association may see fit to adopt for the regulation of its business, and the conduct of its affairs. These articles shall be signed by the persons unit-

ing to form the association, and a copy of them shall be forwarded to the Secretary of State of the State of North Dakota.

§ 2. CERTIFICATE.] The persons uniting to form such an organization shall, under their hands, make an organization certificate which shall specifically state:

First. The name assumed by such association, which name shall not be that of any other bank in the State.

Second. The place where the business of discount and deposit are to be carried on.

Third. The amount of the capital stock, and the amount into which its shares are to be divided.

Fourth. The names and places of residence of the shareholders and the number of shares held by each of them.

Fifth. The period at which such bank shall commence and terminate business.

§ 3. CERTIFICATE TO BE FILED WITH SECRETARY OF STATE.] The organization certificate shall be acknowledged before a clerk of some court of record or notary public, and shall be, together with the acknowledgment thereof, authenticated by the seal of such court or notary, recorded in the office of the register of deeds in the county where such bank may be established, and such certificate thus authenticated shall be transmitted to the Secretary of State, who shall record and carefully preserve the same in his office.

§ 4. POWERS.] Upon duly making and filing articles of association and an organization certificate, the association shall become as from the date of the execution of the same, a body corporate, and as such, and in the name designated in the certificate, it shall have power:

First. To adopt and use a corporate seal.

Second. To have succession for a period of twenty-five years from its organization, unless it is sooner dissolved, according to the provisions of this act, or unless its franchise becomes forfeited by some violation of law.

Third. To make contracts.

Fourth. To sue and be sued, complain and defend in any court of law or equity, as fully as natural persons.

Fifth. To elect or appoint directors, and by its board of directors to appoint a president, vice-president and chashier, define their duties, require bonds of them and fix the penalty thereof, dismiss such officers or any of them and appoint others to fill their places.

Sixth. To prescribe by its board of directors by-laws not inconsistent with the law, regulate the manner in which its stocks shall be transferred, its directors elected or appointed, its officers appointed, its property transferred, its business conducted, and the privileges granted it by law, exercised and enjoyed.

Seventh. To exercise by its board of directors or duly authorized officers or agents, subject to law, all such incidental powers

as shall be necessary to carry on the business of banking, by discounting and negotiating promissory notes, bills of exchange, drafts and other evidences of debt, by receiving deposits, by buying and selling exchange, coin and bullion, by loaning money on personal security; but no association shall transact any business, except such as is incidental and necessarily preliminary to its organization, until it has been authorized by the Secretary of State to commence the business of banking, and the Secretary of State may withhold from any association his certificate authorizing commencement of business whenever he has reason to suppose that the shareholders have formed the same for any other than legitimate objects as contemplated by this act.

§ 5. ADDITIONAL POWERS.] Banking associations formed under this act shall have power to purchase, hold and convey real estate for the following purposes and no other:

First. Such as may be necessary for its immediate accommodation in the transaction of its business.

Second. Such as shall be mortgaged to it in good faith, by way of security, for debts previously contracted.

Third. Such as shall be conveyed to it in good faith, in satisfaction of debts previously contracted in the course of its dealings.

Fourth. Such as it shall purchase at sales under judgments, decrees or mortgages held by the association, or shall purchase to secure debts due to it; but no such association shall hold the possession of any real estate under mortgage, or the title and possession of any real estate purchased to secure any debts due to it, for a longer period than ten years.

§ 6. CAPITAL REQUIRED.] No association shall be organized under this title in towns containing 500 inhabitants or less, with a less capital than \$5,000; in towns of over 500 and not over 1,000 inhabitants, with a less capital than \$10,000; in towns of over 2,000 and not over 3,000 inhabitants, the capital shall not be less than \$30,000, and in towns of over 3,000 inhabitants the capital shall not be less than \$50,000. At least 50 per cent. of the capital stock of every association shall be paid in before it shall be authorized to commence business; the balance of which shall be paid in in installments of not less than 10 per cent. at the end of each succeeding month from the time it is authorized to commence business; the payment of each installment shall be certified to the Secretary of State, under the oath by the president or cashier of the association.

§ 7. ORGANIZATION CERTIFICATE TO BE PUBLISHED.] The association shall cause the organization certificate and the official authorization of the Secretary of State issued under this section to be published in some newspaper in the city or county where the association is located, for at least four consecutive weeks next after the issuing thereof.

§ 8. ARTICLES USED IN EVIDENCE.] A certified copy of the articles of incorporation may be used in evidence in all courts for

or against such banks or any person for or against whom such evidence is necessary whether on civil or criminal trial.

§ 9. DELINQUENT STOCK, HOW SOLD.] Whenever any shareholder or his assignee fails to pay any installment on the stock, when the same is required to be paid, the directors of such association may sell the stock of the delinquent shareholder or as much thereof as is necessary to satisfy the debt, at public auction, after having given three weeks' previous notice thereof, in a newspaper published and in general circulation in the city or county where the association is located, to any person who will pay the highest price therefor to be not less than the amount due thereon, with the expenses of the advertisement and sale, and the excess if any shall be paid to the delinquent shareholder. If no bidder can be found who will pay for such stock the amount due thereon to the association and the cost of the advertisement and sale, the amount previously paid shall be forfeited to the association, and such stock shall be sold as the directors may order, within six months from the time of such forfeiture.

§ 10. CAPITAL STOCK—LIABILITY OF SHAREHOLDER.] The capital stock of each association shall be divided into shares of one hundred (100) dollars each and be deemed personal property, and transferable on the books of the association in such manner as may be prescribed by the by-laws or articles of such association; every person becoming a shareholder by such transfer shall in proportion to his shares succeed to all rights and liabilities of the prior holders of such shares, and no change shall be made in the articles of association by which the rights, remedies or security of the existing creditors of the association shall be impaired.

§ 11. INCREASE OR DECREASE OF CAPITAL STOCK.] Any association formed under this title may, by its articles of association, provide for an increase of its capital stock from time to time as may be deemed expedient, subject to the rules and limitations of this title, but no increase of capital shall be valid until the whole amount shall be paid in, in cash, and such payment certified, under oath, by the president or cashier of such association, to the Secretary of State, who shall give his certificate that the provisions of this section have been complied with, and specifying therein the amount of such increase of capital stock with his approval thereof, and that it has been duly paid in as a part of the capital thereof; any association formed under this title may by vote of its shareholders, owning two-thirds of its stock, reduce its capital to any sum, not below the amount required by this title to authorize the formation of association, but no such reduction shall be made until the amount of the proposed reduction is reported to the Secretary of State, and his approval thereof obtained in writing, and no such reduction shall be construed as affecting the liability of shareholders for any debts of the association incurred prior to such reduction.

§ 12. ASSOCIATION, HOW DISSOLVED—DUTIES OF PUBLIC EXAMINER IN RELATION THERETO.] Any association organized under the provisions of this act, may be dissolved by district court of the county where its office or principal place of business is situated, upon its voluntary application for that purpose. The application must be in writing and must set forth that at a meeting of the stockholders or members called for that purpose, the dissolution of the association was resolved upon by a two-thirds vote of all the stockholders or members, and that all claims and demands against the association have been satisfied and discharged. The application must be signed by a majority of the board of directors or other officers having the management of the affairs of the association, and must be verified in the same manner as a complaint in a civil action. A verified copy of the application shall be filed with the Public Examiner or such State officer as is by law authorized to examine such associations, within ten days after the filing of such application with the district court. If the court is satisfied that the application is in conformity with this act, it must order the application to be filed, and that the clerk give not less than thirty nor more than fifty days' notice of the application by publication in some newspaper published in the county, and if there are none such, then by advertisement posted up in five of the principal public places in the county. At any time before the expiration of the time of publication, any person may file his objections to the application. Before the final hearing and determination of the application, the Public Examiner shall make a thorough examination of the affairs of such association and file a certified statement of such examination with the clerk of the court of the county where such application is made, which statement shall be part of the papers in the case. After the time of publication has expired, the court may upon five days' notice to the persons who have filed objections, or without further notice if no objections have been filed, proceed to hear and determine the application, and if all the statements therein made are shown to be true, the court must declare the association dissolved. No stockholder or officer of such association shall be allowed to withdraw from such association, or surrender or dispose of his shares of stock, after the filing or making such application for dissolution, and prior to the final determination of the case. Upon the dissolution of such association by the district court, the clerk of said court shall forthwith notify the Secretary of State of such dissolution, by sending a copy of the order of the court, and said order and notice shall be filed by the Secretary of State with the original certificate of organization. The application, notices and proof of publication objections (if any) and declaration of dissolution, constitute the judgment roll, and from the judgment an appeal may be taken in the same manner as in other actions.

§ 13. DIVIDENDS.] The directors of any association organized under this act may semi-annually declare a dividend of so much

of the net profits of the association as they shall judge expedient, but each association shall, before the declaration of a dividend, carry one-tenth part of its net profits of the preceding half year to its surplus fund until the same shall amount to 20 per cent. of its capital stock.

§ 14. QUALIFICATION OF DIRECTOR.] Every director must own in his own right at least ten shares of the capital stock of the association of which he is a director; any director who ceases to be the owner of ten shares of the stock, or who becomes in any other manner disqualified, shall thereby vacate his place.

§ 15. CAPITAL TO REMAIN INVIOLETE—BAD DEBTS.] No association or any member thereof shall, during the time it shall continue its banking operations, withdraw or permit to be withdrawn, either in form of dividends or otherwise, any portion of its capital; if losses have at any time been sustained by such association equal or exceeding its undivided profits then on hand, no dividend shall be made; and no dividend shall be made by any association while it continues its banking business to an amount greater than its net profits on hand, deducting therefrom its losses and bad debts; all debts due to an association, on which the interest is past due and unpaid for a period of six months, unless the same are well secured and in process of collection, shall be considered bad debts within the meaning of this section; but nothing in this section shall prevent the reduction of capital of the association under Section 11.

§ 16. INTEREST.] Such association may demand and receive for loans on personal security, or for notes, bills, or other evidences of debt, discounted, such rate of interest as may be agreed upon, not exceeding the amount authorized by law to be contracted for, and it shall be lawful to receive the interest according to the ordinary usage of banking institutions.

§ 17. REPORTS, PENALTY FOR FAILURE TO MAKE.] Every association shall make at least four reports each year to the Public Examiner, according to the form which may be prescribed by him, verified by the oath of the president or cashier and attested by at least two of the directors; such report shall exhibit in detail and under appropriate heads the resources and liabilities of the association at the close of business on any past day by him specified, and shall be transmitted to the Public Examiner within seven days after the receipt of such request from him, and in the same form shall be published in a newspaper published in the city or county where such association is located, at the expense of the association. The Public Examiner shall also have power to call for special reports from any association whenever in his judgment the same are necessary, in order to [obtain] a full and complete knowledge of its condition; every association which fails to make and transmit any report required under this section shall be subject to a penalty of two hundred (200) dollars for each offense.

§ 18. RESPONSIBILITY OF SHAREHOLDERS.] The shareholders

of every association organized under this title, shall be individually responsible, equally and ratably, and not one for the other for all contracts, debts and engagements of such association made or entered into to the extent of the amount of his stock therein, at the par value thereof, in addition to the amount invested in, and due on such shares.

§ 19. CERTAIN LOANS PROHIBITED.] No association shall make any loans or discounts on the security of the shares of its own stock, nor be the purchaser or holder of any such shares, unless such security or purchase shall be necessary to prevent loss upon a debt previously contracted in good faith, and stock so purchased or acquired shall within six months be sold or disposed of at public or private sale.

§ 20. ASSETS AND LIABILITIES—RESERVE.] Each association shall at all times have on hand in available funds an amount equal to 20 per cent. of its deposits, one-half of which may consist of balances due to the associations from good solvent banks, and one-half shall consist of cash on hand; whenever the available funds shall be below 20 per cent. of its deposits such association shall not increase its liabilities by making any new loans or discounts, otherwise than by discounting or purchasing bills of exchange payable at sight, nor make any dividends of its profits until the required proportion between the aggregate amount of deposits and its lawful money reserve has been restored; and the Public Examiner may notify any association whose lawful money reserves shall be below the amount above required to be kept on hand, to make good such reserve, and if such association shall fail so to do for a period of thirty days after such notice, the Public Examiner may impose a penalty of not less than one hundred (100) dollars, or more than five hundred (500) dollars, which shall be collected in the same manner as other penalties prescribed in this act.

§ 21. FINES AND PENALTIES, HOW RECOVERED.] All fines and penalties heretofore provided for, to which any association organized under this act may become subject to, shall be recovered on complaint of the Public Examiner, before any court having competent jurisdiction, and all fines and penalties so recovered shall be paid into the State Treasury.

§ 22. LOANS AND DISCOUNTS.] The total liability to any association of any person or company, corporation or firm, for money borrowed, including in the liabilities of a company or firm, the liabilities of the several members thereof shall not at any time exceed 15 per cent. of the the capital stock of such association, actually paid in, but the discount of bills of exchange drawn in good faith against actual existing values or loans upon produce in transit or in store as collateral security and the discount of commercial or business paper actually owned by the person negotiating the same shall not be considered as money borrowed.

§ 23. PENALTIES FOR VIOLATION OF ACT.] Any person or persons violating the provisions of this act, not hereinbefore specially

provided for, shall upon conviction thereof pay a fine of not less than fifty (50) dollars or more than five hundred (500) dollars for each offense, to be recovered before any court having competent jurisdiction, and all fines and penalties so recovered shall be paid into the State Treasury.

§ 24. FALSE STATEMENTS—PENALTY.] Every officer, agent or clerk of any association under this title, who willfully and knowingly subscribes or makes any false statements or entries in the books of such association or knowingly subscribes or exhibits any false paper with the intent to deceive any person authorized to examine as to the condition of such association, or willfully subscribes or makes false reports, shall be subject to imprisonment at hard labor in the State's prison for such term, not less than one year or more than ten years, as the court trying him may designate.

§ 25. INSOLVENT BANK NOT TO RECEIVE DEPOSITS.] No banking association shall accept or receive on deposit, with or without interest, any money, bank bills or notes, or United States treasury notes or currency, or other notes, bills or drafts, circulating as money or currency, when such banking association is insolvent.

§ 26. PENALTY FOR VIOLATION OF PRECEDING SECTION.] If any such banking association shall receive or accept on deposit, any such deposits as aforesaid when insolvent, any officer, director, cashier, manager, member, party or managing party thereof, who shall knowingly receive or accept, be accessory or permit, or connive at the receiving or accepting on deposit therein or thereby, any such deposits as aforesaid, shall be guilty of a felony, and upon conviction thereof shall be punished by a fine not exceeding \$10,000, or by imprisonment in the penitentiary not exceeding five years, or by both fine and imprisonment as aforesaid.

§ 27. WHEN BANKS MUST ORGANIZE UNDER THIS ACT—PENALTY.] It shall be unlawful for any individual, firm or corporation, to continue to transact a banking business or to receive deposits for a period longer than six months immediately after the passage and approval of this act, without first having complied with and organized under the provisions of this act. Any person violating the provisions of this section either individually or as an interested party in any association or corporation, shall be guilty of a misdemeanor, and on conviction thereof be fined not less than five hundred (500) dollars nor more than \$1,000, or imprisonment in the county jail not less than ninety days or either or both at the discretion of the court.

§ 28. FORFEIT OF FRANCHISE FOR FAILURE TO OBEY ORDER OF PUBLIC EXAMINER.] Every association organized under this title which shall refuse or neglect to comply with any requirement lawfully made upon it by the Public Examiner, pursuant to this chapter, for the period of ninety days after demand in writing is made, shall be deemed to have forfeited its franchise, and any failure on the part of such association to comply with, or any vio-

lation of any of the provisions of this act shall work a forfeiture of its franchise and in either case the Attorney General, upon demand of the Public Examiner, shall commence an action for the purpose of annulling the existence of said corporation.

§ 29. PUBLIC EXAMINER EX-OFFICIO SUPERINTENDENT OF BANKS.]
The Public Examiner of North Dakota shall be ex-officio Superintendent of Banks; he shall as often as shall be deemed necessary and proper either in person or by agent duly appointed by him, examine every bank organized under this law; and he or his agent, in case he appoints one, shall have power to make a thorough examination into the affairs of the association, and in so doing may examine any of the officers, agents or clerks thereof on oath, and shall make a full and detailed report in writing of the condition of the association so examined to the Governor of the State, a copy of which report shall be filed in the office of the Secretary of State, which shall be open to all persons doing business with such association. No person shall be appointed to be such agent for said examiner to examine the affairs of any association of which he is a member, and the Public Examiner shall not be directly or indirectly interested in any association or in any way connected with any bank.

§ 30. EMERGENCY.] Whereas, there is an emergency existing in that there is no adequate existing law governing banks and banking, this act shall take effect and be in force immediately from and after the date of its passage and approval.

Approved February 20, 1890.

BOARD OF AGRICULTURE.

CHAPTER 24.

[S. F. 82.]

PROVIDING FOR AN ANNUAL EXHIBIT OF AGRICULTURAL PRODUCTS.

AN ACT to Provide for the Annual Exhibits of the Agricultural, Stock Breeding, Horticultural, Mining, Mechanical, Industrial and other Products and Resources of the State of North Dakota, and to Provide for a State Board of Agriculture.

PREAMBLE.

WHEREAS, It has become necessary to provide for a more complete and efficient exhibit of the production and resources of the State of North Dakota, and