CHAPTER 10-06.1
CORPORATE OR LIMITED LIABILITY COMPANY FARMING

10-06.1-01. Definitions.

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

1. "Agricultural support services" means the business of providing aerial or surface application services for others of seed, fertilizer, pesticides, or soil amendments, or the business of custom harvesting.
2. "Aquaculture" means the breeding, growing, or harvesting of fish or the growing of aquatic plants or crops.
3. "Authorized livestock farm corporation" means a corporation, joint-stock company or association formed for livestock backgrounding, livestock finishing, or the production of poultry or poultry products, milk or dairy products, or swine or swine products which is allowed to engage in the business of farming or ranching under section 10-06.1-12.2, which, at all times, complies with the requirements of this chapter.
4. "Authorized livestock farm limited liability company" means a limited liability company formed for livestock backgrounding, livestock finishing, or the production of poultry or poultry products, milk or dairy products, or swine or swine products which is allowed to engage in the business of farming or ranching under section 10-06.1-12.2, which, at all times, complies with the requirements of this chapter.
5. "Beekeeping" means the breeding or rearing of bee colonies or the owning, maintenance, or management of bee apiaries.
6. "Custom harvesting" means the business of providing crop harvesting services for others.
7. a. "Farming or ranching" means raising or producing agricultural crops, fruit, horticultural products, or livestock or livestock products, or livestock backgrounding, or livestock finishing.
   b. The term does not include:
      (1) Agricultural support services;
      (2) Aquaculture or greenhouse agriculture by a person that has farmland or ranchland holdings not exceeding forty acres [16.19 hectares];
      (3) Beekeeping;
      (4) The production of timber or forest products;
      (5) The growing or processing of marijuana under chapter 19-24.1; or
      (6) A contract under which a processor or distributor of farm or ranch products or supplies provides grain, harvesting, or other farm or ranch services.
8. "Farming or ranching corporation" means a farm or ranch corporation, joint-stock company, or association which is allowed to engage in the business of farming or ranching under section 10-06.1-12, which, at all times, complies with the requirements of this chapter.
9. "Farming or ranching limited liability company" means a farm or ranch limited liability company which is allowed to engage in the business of farming or ranching under section 10-06.1-12, which, at all times, complies with the requirements of this chapter.
10. "Farmland or ranchland" means agricultural land in this state used for farming or ranching.
11. "Greenhouse agriculture" means the growing of plants or crops primarily under a controlled environment in a sheltered structure with walls and a roof, both made primarily of transparent or translucent material.
12. "Livestock" includes beef cattle, dairy cattle, elk, bison, poultry, swine, sheep, goats, llamas, and alpacas.
13. "Livestock backgrounding" means the feeding or growing of livestock from weaning until the livestock enter a livestock finishing feedlot or facility.
14. "Livestock finishing" means the feeding or growing of livestock for the purpose of expeditiously preparing the livestock for harvest.

15. "Nonprofit organization" means an organization or trust that has tax-exempt status under at least one of the following sections of the Internal Revenue Code:
    a. An organization that was in existence on December 31, 1984, and that is organized and operated exclusively for religious, charitable, scientific, testing for public safety, literary, or educational purposes, or for the prevention of cruelty to children or animals under section 501(c)(3), or is a domestic fraternal organization under section 501(c)(10).
    b. A charitable, religious, educational, or scientific organization classified as either a private foundation or as a public charity having status as an organization described in section 509(a)(1) or (3).
    c. A trust described in section 4947 for which a deduction is allowable under section 170.
16. "Operating the farm or ranch" means engaging in personal labor or management activities on or off the farm or ranch, which contribute to the farm or ranch operations.

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

1. All corporations and limited liability companies, except as otherwise provided in this chapter, are prohibited from owning or leasing farmland or ranchland and from engaging in the business of farming or ranching.
2. A corporation or a limited liability company may be a partner in a partnership under title 45 which owns or leases farmland or ranchland or engages in the business of farming or ranching only if that corporation or limited liability company complies with this chapter.
3. Notwithstanding any other provision of law, an authorized livestock farm corporation or authorized livestock farm limited liability company may not be a partner in a partnership under title 45 which owns or leases farmland or ranchland or engages in the business of farming or ranching.

10-06.1-03. Retention of mineral interests prohibited.

For land and minerals acquired after July 1, 1985, any corporation or limited liability company that acquires mineral interests through foreclosure or in lieu of foreclosure which were not specifically valued at the time the security interest in the minerals was acquired, and which is prohibited from owning or leasing farmland or ranchland, is prohibited from retaining mineral interests in farmland or ranchland when the corporation or limited liability company divests itself of the land, and the mineral interests must be passed with the surface estate of the land when the corporation or limited liability company divests itself of the land under this chapter.

10-06.1-04. Conversion of corporations.

1. A business corporation regulated under chapter 10-19.1 may convert to a farming or ranching corporation or an authorized livestock farm 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 or 10-06.1-15.2.
2. A farming or ranching corporation or an authorized livestock farm 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 or 10-06.1-17.1, and the manner in which the corporation has divested itself of its owned or leased land holdings and its business of farming or ranching.

10-06.1-05. Conversion of limited liability company.

1. A business limited liability company regulated under chapter 10-32.1 may convert to a farming or ranching limited liability company or an authorized livestock farm limited liability company by adopting an amendment to its articles of organization or by applying for an amended certificate of authority which specifies that the limited liability company 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 or 10-06.1-15.2.
2. A farming or ranching limited liability company or an authorized livestock farm limited liability company may convert to a business limited liability company by adopting an amendment to its articles of organization 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 or 10-06.1-17.1, and the manner in which the limited liability company has divested itself of its owned or leased land holdings and its business of farming or ranching.

10-06.1-06. Surface coal mining - Exception.

A corporation or limited liability company not engaged in the business of farming or ranching may own or lease farmland or ranchland, when the business of the corporation or limited liability company is conducting surface coal mining operations or related energy conversion, and when the owning or leasing of farmland or ranchland is reasonably necessary in the conduct of the business of surface coal mining or related energy conversion. When the necessity for owning or leasing of farmland or ranchland no longer exists, the exception provided in this section ceases and the corporation or limited liability company owning or leasing the lands is subject to this chapter.

10-06.1-07. Industrial and business purpose - Exception.

A corporation or limited liability company that is not engaged in the business of farming or ranching may own or lease farmland or ranchland when the land is necessary for residential or commercial development; the siting of buildings, plants, facilities, industrial parks, or similar business or industrial purposes of the corporation or limited liability company; or for uses supportive of or ancillary to adjacent land that is not farmland or ranchland for the benefit of both land parcels. The farmland or ranchland while not being immediately used for any purpose of the corporation or limited liability company must be available to be leased by persons who farm or ranch as sole proprietorships or partnerships, or by farming or ranching corporations or farming or ranching limited liability companies.

10-06.1-08. Cooperative corporations allowed to engage in the business of farming or ranching - Requirements.

This chapter does not prohibit cooperative corporations, seventy-five percent of whose members or shareholders are actual farmers or ranchers residing on farms or ranches or depending principally on farming or ranching for their livelihood, from acquiring farmland or ranchland and engaging in the business of cooperative farming or ranching.

10-06.1-09. Certain nonprofit organizations or trusts may own or lease land - Certain nonprofit organizations may continue farming or ranching - Restriction on acquisition and ownership of land.

1. A nonprofit organization or a trust for the benefit of an individual or a class of individuals related within the degrees of kinship specified in subsection 2 of section 10-06.1-12 may own or lease farmland or ranchland if that land is leased to a person who farms or ranches the land as a sole proprietorship or partnership, or a farming or ranching corporation or a farming or ranching limited liability company.

2. To the extent farming or ranching is essential to a nonprofit organization's charitable purposes, a nonprofit organization actively engaged in the business of farming or ranching in this state on January 1, 1983, may continue to engage in the business of farming or ranching without interruption after January 1, 1983.
3. A nonprofit organization that owned farmland or ranchland for the preservation of unique historical, archaeological, or environmental land before January 1, 1983, may continue ownership of that land without interruption after January 1, 1983. An organization that is holding land for scenic preservation shall either prohibit all hunting, or if any parcel of the land is open to hunting, it must be open to hunting by the general public.

10-06.1-10. Acquisition of certain farmland or ranchland by certain nonprofit organizations.

A nonprofit organization may acquire farmland or ranchland only in accordance with the following:

1. Unless it is permitted to own or lease farmland or ranchland under section 10-06.1-09, the nonprofit organization must have been either incorporated in this state or issued a certificate of authority to do business in this state before January 1, 1985, or, before January 1, 1987, have been incorporated in this state if the nonprofit organization was created or authorized under Public Law No. 99-294 [100 Stat. 418]. A nonprofit organization created or authorized under Public Law No. 99-294 [100 Stat. 418] may acquire no more than twelve thousand acres [4856.228 hectares] of land from interest derived from state, federal, and private sources held in its trust fund.
2. The farmland or ranchland may be acquired only for the purpose of conserving natural areas and habitats for biota, and, after acquisition:
   a. The land must be maintained and managed for the purpose of conserving natural area and habitat for biota.
   b. Any agricultural use of the land is in accordance with the management of the land for conservation and agricultural use, and is by a sole proprietorship or partnership, or a farming or ranching corporation or a farming or ranching limited liability company.
   c. If any parcel of the land is open to hunting, it must be open to hunting by the general public.
   d. The nonprofit organization must fully comply with all state laws relating to the control of noxious and other weeds and insects.
   e. The nonprofit organization must make payments in lieu of property taxes on the property, calculated in the same manner as if the property was subject to full assessment and levy of property taxes.
   f. All property subject to valuation must be assessed for the purpose of making the payments under subdivision e in the same manner as other real property in this state is assessed for tax purposes. Before June thirtieth of each year, the county auditor of any county in which property subject to valuation is located shall give written notice to the nonprofit organization and the tax commissioner of the value placed by the county board of equalization upon each parcel of property subject to valuation in the county.
3. a. Before farmland or ranchland may be purchased by a nonprofit organization for the purpose of conserving natural areas and habitats for biota, the governor must approve the proposed acquisition.
   b. A nonprofit organization that desires to purchase farmland or ranchland for the purpose of conserving natural areas and habitats for biota shall first submit a proposed acquisition plan to the agriculture commissioner who shall convene an advisory committee consisting of the director of the parks and recreation department, the agriculture commissioner, the state forester, the director of the game and fish department, the president of the North Dakota farmers union, the president of the North Dakota farm bureau, the president of the North Dakota

stockmen's association, and the chairman of the county commission of any county affected by the acquisition, or their designees.

c. The advisory committee shall hold a public hearing with the board of county commissioners concerning the proposed acquisition plan and shall make recommendations to the governor within forty-five days after receipt of the proposed acquisition plan.

d. The governor shall approve or disapprove any proposed acquisition plan, or any part thereof, within thirty days after receipt of the recommendations from the advisory committee.

4. Land acquired in accordance with this section may not be conveyed to the United States or any agency or instrumentality of the United States.

5. On failure to qualify to continue ownership under subsection 2, the land must be disposed of within five years of that failure to qualify.

10-06.1-11. Required nonprofit organization divestiture of farmland or ranchland.

In addition to the divestiture requirements of sections 10-06.1-10 and 10-06.1-24, a nonprofit organization that acquires farmland or ranchland by gift or devise after December 31, 1984, the ownership of which is not permitted under this chapter, shall divest itself of the land within ten years after the acquisition. For purposes of this section, "ownership" means holding either fee or equitable title, unless fee title is held solely as security for payment of the purchase price, or unless fee title does not carry with it the right to immediate possession of the property. If the organization fails to divest itself of the land within the required time, the attorney general shall take action under section 10-06.1-24.

10-06.1-12. Farming or ranching corporation or farming or ranching limited liability company allowed to engage in the business of farming or ranching - Requirements.

This chapter does not prohibit a farming or ranching corporation or a farming or ranching limited liability company from owning or leasing farmland or ranchland and engaging in the business of farming or ranching, if the corporation meets all the requirements of chapter 10-19.1 or the 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. a. If a farming or ranching corporation, the corporation must not have more than fifteen shareholders.

   b. If a farming or ranching limited liability company, the limited liability company must not have more than fifteen members.

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

3. Each shareholder or member must be an individual or one of the following:

   a. A trust for the benefit of an individual or a class of individuals who are related to every shareholder of the corporation or member of the limited liability company within the degrees of kinship or affinity specified in this section.

   b. An estate of a decedent who was related to every shareholder of the corporation or member of the limited liability company within the degrees of kinship or affinity specified in this section.

4. A trust or an estate may not be a shareholder or member if the beneficiaries of the trust or the estate together with the other shareholders or members are more than fifteen in number.

5. Each individual who is a shareholder or member must be a citizen of the United States or a permanent resident alien of the United States.

6. a. If a farming or ranching corporation, the officers and directors of the corporation must be shareholders who are actively engaged in operating the farm or ranch.

   b. If a farming or ranching limited liability company, the governors, managers, and members authorized under a statement of authority of the limited liability

company must be members who are actively engaged in operating the farm or ranch.

7. An annual average of at least sixty-five percent of the gross income of the farming or ranching corporation or farming or ranching 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 engaging in the business of farming or ranching.
8. The income of the farming or ranching corporation or farming or ranching limited liability company from nonfarm rent, nonfarm royalties, dividends, interest, and annuities cannot exceed twenty percent of the gross income of the corporation or limited liability company.
9. The farming or ranching corporation or farming or ranching limited liability company must own or lease farmland or ranchland.

10-06.1-12.1. Ownership or leasing of land by corporations - Exceptions.

Disapproved by R.M. June 14, 2016.

10-06.1-12.2. Authorized livestock farm corporation or authorized livestock farm limited liability company allowed to engage in the business of farming or ranching - Requirements.

This chapter does not prohibit an authorized livestock farm corporation or an authorized livestock farm limited liability company from owning or leasing farmland or ranchland 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. a. If an authorized livestock farm corporation, the corporation may not have more than ten shareholders.
   b. If an authorized livestock farm limited liability company, the limited liability company may not have more than ten members.
2. a. 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 the business of farming or ranching, farming or ranching corporations, or farming or ranching limited liability companies.
   b. 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 the business of farming or ranching, farming or ranching corporations, or farming or ranching limited liability companies.
3. a. If an authorized livestock farm corporation:
      (1) All shareholders who are individuals must be citizens of the United States, permanent resident aliens of the United States, or an authorized person under section 47-10.1-02.
      (2) All shareholders that are persons otherwise eligible under this chapter, and any controlling individual or organization of the person, must be organized in the United States and one hundred percent of the stock must be owned by citizens of the United States, permanent resident aliens of the United States, or an authorized person under section 47-10.1-02.
   b. If an authorized livestock farm limited liability company:
      (1) All members who are individuals must be citizens of the United States, permanent resident aliens of the United States, or an authorized person under section 47-10.1-02.
      (2) All members that are persons otherwise eligible under this chapter, and any controlling individual or organization of the person, must be organized in the United States and one hundred percent of the interests must be owned by

citizens of the United States, permanent resident aliens of the United States, or an authorized person under section 47-10.1-02.

4. The authorized livestock farm corporation or authorized livestock farm limited liability company may not own, lease, or otherwise have an interest in more than one hundred sixty acres [64.75 hectares] of farmland or ranchland.
5. a. If an authorized livestock farm corporation, none of its shareholders may hold direct or indirect interests in other authorized livestock farm corporations or in authorized livestock farm limited liability companies that in combination with the corporation own, lease, or otherwise have an interest in more than six hundred forty acres [259 hectares] of farmland or ranchland.
   b. If an authorized livestock farm limited liability company, none of its members may hold direct or indirect interests in other authorized livestock farm limited liability companies or in other authorized livestock farm corporations that in combination with the limited liability company own, lease, or otherwise have an interest in more than six hundred forty acres [259 hectares] of farmland or ranchland.
   c. This section does not restrict the number of acres [hectares] of farmland or ranchland directly owned or leased by shareholders or members who are individuals, farming or ranching corporations, farming or ranching limited liability companies, or partnerships that meet the requirements of subsection 2 of section 10-06.1-02.
6. a. If an authorized livestock farm corporation, the officers and directors of the corporation must be shareholders who are individuals and who are actively engaged in operating the corporation.
   b. If an authorized livestock farm limited liability company, the governors, managers, and members authorized under a statement of authority, must be members who are individuals and who are actively engaged in operating the 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 livestock backgrounding, livestock finishing, or the production of 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 engage in the production of crops or the grazing of livestock on farmland or ranchland.
10. If the authorized livestock farm corporation or authorized livestock farm limited liability company is intended to primarily comprise an animal feeding operation or concentrated animal feeding operation on farmland or ranchland, the corporation or limited liability company must:
    a. Begin construction of the facilities used in the animal feeding operation or concentrated animal feeding operation within one year of obtaining the agricultural landholding; and
    b. Have a fully operational animal feeding operation or concentrated animal feeding operation within six years of obtaining the farmland or ranchland.
11. An authorized livestock farm corporation or limited liability company violating this section, 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.

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.

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

Chapter 10-32.1 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.

10-06.1-15. Initial report - Farming or ranching corporation shareholder and farming or ranching limited liability member requirements.

1. Every farming or ranching corporation or farming or ranching limited liability company shall file an initial report with its articles of incorporation, articles of organization, or certificate of authority. The report must be signed by the incorporators or organizers or, in the case of a certificate of authority, an authorized person, and must contain the following:
   a. The name of the farming or ranching corporation or farming or ranching 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) The number of shares or membership interests or percentage of shares or membership interests owned by each;
      (3) The relationship of each;
      (4) A statement of whether each is a citizen or permanent resident alien of the United States; and
      (5) A statement of whether each will be actively engaged in operating the farm or ranch.
   c. With respect to management:
      (1) If a farming or ranching corporation, the names and addresses of the officers and members of the board of directors; or
      (2) If a farming or ranching limited liability company, the names and addresses of the managers, members authorized under a statement of authority, and members of the board of governors.
   d. If the purchase or lease of farmland or ranchland is final at the time of the initial report, a statement listing the acreage [hectarage] and location listed by section, township, range, and county of all farmland or ranchland owned or leased by the farming or ranching corporation or farming or ranching limited liability company. If the purchase or lease of farmland or ranchland is not yet 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 farmland or ranchland.
   e. A statement that at least sixty-five percent of the gross income of the farming or ranching corporation or farming or ranching limited liability company will be derived from engaging in the business of farming or ranching, 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.
2. A farming or ranching corporation or a farming or ranching limited liability company may not commence farming or ranching in this state until the secretary of state has received and filed the articles of incorporation, articles of organization, or certificate of authority, and the initial report required under this section.
3. The farming or ranching corporation or farming or ranching limited liability company shall furnish to the official county newspaper of each county or counties in which farmland or ranchland is owned or leased by the corporation or limited liability company a legal notice reporting the following:

a. The name of the farming or ranching corporation or farming or ranching limited liability company and its shareholders or members as listed in the initial report.
b. A statement that the farming or ranching corporation or farming or ranching limited liability company has reported that it owns or leases farmland or ranchland in the county and that a description of that land is available for inspection at the office of the secretary of state.

10-06.1-15.1. Applicability of restriction on alien ownership of land.

The provisions of chapter 47-10.1 take precedence in the event of any conflict with this chapter.

10-06.1-15.2. Initial report - Authorized livestock farm corporation shareholder and authorized livestock farm limited liability company member requirements.

1. Every authorized livestock farm corporation or authorized livestock farm limited liability company shall file an initial report with its articles of incorporation, articles of organization, or certificate of authority. The report must be signed by the incorporators or organizers, or in the case of a certificate of authority, an authorized person, 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;
      (2) If a person other than an individual, the state of incorporation, organization, or domicile;
      (3) The number of shares or membership interests or percentage of shares or membership interests of each;
      (4) Each person's percentage of total shares entitled to vote or membership interests entitled to vote; and whether any voting agreement exists;
      (5) Each person's percentage of total capital and financial interests;
      (6) As to individuals, a statement of whether each is a citizen or permanent resident alien of the United States;
      (7) As to individuals, a statement of whether each will be actively engaged in the business of farming or ranching; and
      (8) As to a person other than an individual, a statement of whether the person, and any controlling individual or organization of the person, is incorporated in the United States and one hundred percent of the stock or interests is owned by citizens of the United States, permanent aliens of the United States, or an authorized person under section 47-10.1-02.
   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, and a statement whether each will be actively engaged in the operation of the corporation; or
      (2) If an authorized livestock farm limited liability company, the names and addresses of the managers, members of the board of governors, and members authorized under a statement of authority, and a statement whether each will be actively engaged in the operation of the limited liability company.
   d. A statement that the authorized livestock farm corporation or authorized livestock farm limited liability company does not own, lease, or hold any interest in more than one hundred sixty acres [64.75 hectares] of farmland or ranchland.
   e. If the purchase or lease of farmland or ranchland is final at the time of the initial report, a statement listing the acreage [hectarage] and location listed by section, township, range, and county of all farmland or ranchland 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 farmland or ranchland 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 farmland or ranchland.

f. A statement that no shareholders or members hold a direct or indirect interest in other authorized livestock farm corporations or authorized livestock farm limited liability companies that in combination with the corporation or limited liability company own, lease, or hold any interest in more than six hundred forty acres [259 hectares] of farmland or ranchland. An interest disclosed under this subdivision does not include the number of acres of farmland or ranchland directly owned or leased by shareholders or members that are individuals, farming or ranching corporations, farming or ranching limited liability companies, or partnerships that meet the requirements of subsection 2 of section 10-06.1-02.

g. 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 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. A statement that the authorized livestock farm corporation or authorized livestock farm limited liability company will not engage in the production of crops or the grazing of livestock on farmland or ranchland.

i. If the authorized livestock farm corporation facility or authorized livestock farm limited liability company facility is not operational, a statement as to the planned date of the commencement of facility operations.

2. An authorized livestock farm corporation or 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, articles of organization, or certificate of authority.

3. The authorized livestock farm corporation or authorized livestock farm limited liability company shall furnish to the official county newspaper of each county in which it has an interest in farmland or ranchland a legal notice reporting the following:

   a. The name of the authorized livestock farm corporation or authorized livestock farm limited liability company and its shareholders or members as listed in the initial report.

   b. A statement that the authorized livestock farm corporation or authorized livestock farm limited liability company has reported that it holds an interest in farmland or ranchland in the county, the use of the land, and that a description of that land is available for inspection at the office of the secretary of state.

   c. A statement that each of the shareholders of the authorized livestock farm corporation or members of the authorized livestock farm limited liability company do not hold a direct or indirect interest in authorized livestock farm corporations or authorized livestock farm limited liability companies that in aggregate, own, lease, or otherwise hold an interest in more than six hundred forty acres [259 hectares] of farmland or ranchland. An interest disclosed under this subdivision does not include the number of acres of farmland or ranchland directly owned or leased by shareholders or members that are individuals, farming or ranching corporations, farming or ranching limited liability companies, or partnerships that meet the requirements of subsection 2 of section 10-06.1-02.

10-06.1-16. Share and membership interest transfer records.

1. a. Every corporation owning or leasing farmland or ranchland or engaged in the business of farming or ranching shall keep a record of transfers of shares or transfers of interests in the corporation.

   b. Every limited liability company owning or leasing farmland or ranchland or engaged in the business of farming or ranching shall keep a record of transfers of membership interests in the limited liability company.

2. a. If a corporation, the corporation's secretary shall cause to be recorded in the record all transfers of shares or transfers of interests among and between the corporation and its respective shareholders or holders of interest.
   b. If a limited liability company, the limited liability company's secretary shall cause to be recorded in the record all transfers of membership interests among and between the limited liability company and its respective members.
3. The record must contain at least the following: the names of the transferor and transferee, their relationship, the date of the transfer and, if a corporation, the number of shares or the percentage of interests transferred or, if a limited liability company, the number or percentage of membership interests transferred.

10-06.1-17. Annual report - Farming or ranching corporations and farming or ranching limited liability companies - Contents - Filing requirements.

1. Except for the first annual report, the annual report of a farming or ranching corporation or a farming or ranching limited liability company engaged in the business of 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.
2. The annual report must be signed as provided in subsection 58 of section 10-19.1-01 if a farming or ranching corporation and subsection 49 of section 10-32.1-02 if a farming or ranching 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, the annual report must be signed on behalf of the corporation or limited liability company by the receiver or trustee.
3. An annual report of the farming or ranching corporation or the farming or ranching limited liability company must include the following information with respect to the preceding calendar year:
   a. The name of the farming or ranching corporation or farming or ranching limited liability company.
   b. The name of the registered agent of the farming or ranching corporation or farming or ranching 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.
   c. With respect to each farming or ranching corporation:
      (1) 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.
      (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 farming or ranching limited liability company:
      (1) A statement of the aggregate number of membership interests the limited liability company has authority to issue, itemized as designated under the operating agreement.
      (2) A statement of the aggregate number of issued membership interests, itemized as designated under the operating agreement.
   e. With respect to each shareholder or member:
      (1) 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;
      (2) The number of shares or membership interests or percentage of shares or membership interests owned by each;
      (3) The relationship of each; and
      (4) A statement of whether each is a citizen or permanent resident alien of the United States.

f. With respect to management:
   (1) If a farming or ranching corporation, 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
   (2) If a farming or ranching limited liability company, the name and address of each manager, member of the board of governors, and member authorized under a statement of authority, and a statement of whether each is a member actively engaged in operating the farm or ranch.

g. A statement providing the land description and listing the acreage [hectarage] and location listed by section, township, range, and county of all farmland or ranchland owned or leased by the farming or ranching corporation or farming or ranching limited liability company. 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].

h. A statement of the percentage of the annual average gross income of the farming or ranching corporation or farming or ranching limited liability company which has been derived from engaging in the business of farming or ranching over the previous five years or for each year of existence if less than five years.

i. A statement of the percentage of gross income of the farming or ranching corporation or farming or ranching limited liability company derived from nonfarm rent, nonfarm royalties, dividends, interest, and annuities during the period covered by the report.

4. A farming or ranching corporation engaged in the business of farming or ranching 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 under this section.

5. A farming or ranching limited liability company engaged in the business of farming or ranching 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 under this section.

10-06.1-17.1. Annual report - Authorized livestock farm corporations and authorized livestock farm limited liability companies - 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, articles of organization, or certificate of authority.

2. The annual report must be signed as defined in subsection 58 of section 10-19.1-01 if an authorized livestock farm corporation and subsection 49 of 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.

3. An annual report of the authorized livestock farm corporation or the authorized livestock farm limited liability company must include the following information with respect to the preceding calendar year:
   a. The name of the authorized livestock farm corporation or authorized livestock farm limited liability company.
   b. 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.

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 membership interests the authorized livestock farm limited liability company has authority to issue, itemized as designated under the operating agreement.
   (2) A statement of the aggregate number of issued membership interests, itemized as designated under the operating agreement.

e. With respect to each shareholder or member:
   (1) The name and address of each;
   (2) If a person other than an individual, the state of incorporation, organization, or domicile;
   (3) The number of shares or membership interests or percentage of shares or membership interests of each;
   (4) Each person's percentage of total shares entitled to vote, or membership interests entitled to vote, and whether any voting agreement exists;
   (5) Each person's percentage of total capital and financial interests;
   (6) As to individuals, a statement of whether each is a citizen or permanent resident alien of the United States;
   (7) As to individuals, a statement of whether each will be actively engaged in the business of farming or ranching; and
   (8) As to a person other than an individual, a statement of whether the person, and any controlling individual or organization of the person, is incorporated or organized in the United States and one hundred percent of the stock or interests is owned by citizens of the United States, permanent resident aliens of the United States, or an authorized person under section 47-10.1-02.

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, and a statement whether each is actively engaged in the operation of the corporation; or
   (2) If an authorized livestock farm limited liability company, the names and addresses of the managers and members of the board of governors, and a statement whether each is actively engaged in the operation of the limited liability company.

g. A statement that the authorized livestock farm corporation or authorized livestock farm limited liability company does not own, lease, or hold any interest in more than one hundred sixty acres [64.75 hectares] of farmland or ranchland.

h. A statement providing the farmland or ranchland description and listing the acreage [hectarage] and location listed by section, township, range, and county of all farmland or ranchland 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 shareholders or members hold a direct or indirect interest in other authorized livestock farm corporations or authorized livestock farm limited liability companies that in combination with the corporation or limited liability company own, lease, or hold any interest in more than six hundred forty acres [259 hectares] of farmland or ranchland. The interest disclosed under this subdivision does not include the number of acres [hectares] of farmland or

ranchland directly owned or leased by shareholders or members who are individuals, farming or ranching corporations, farming or ranching limited liability companies, or partnerships that meet the requirements of subsection 2 of section 10-06.1-02.

j. A statement that the authorized livestock farm corporation or authorized livestock farm limited liability company does not engage in the production of crops or the grazing of livestock on farmland or ranchland.

k. The first date of livestock operations.

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 farm operations over the previous five years or for each year of existence if less than five years.

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.

4. An authorized livestock farm corporation engaged in authorized livestock farm operations that 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 under this section.

5. An authorized livestock farm limited liability company engaged in authorized livestock farm operations that 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 under this section.

10-06.1-18. Reports of corporations and limited liability companies not engaged in farming or ranching.

Any business corporation, limited liability company, or nonprofit organization not engaged in the business of farming or ranching which owns or leases a tract of farmland or ranchland which is larger than twenty acres [8.09 hectares] in size shall file with the attorney general, within twelve months of any transaction involving the purchase, sale, or surface leasing of the farmland or ranchland by that corporation or limited liability company, a report containing all of the following information:

1. The name of the corporation or limited liability company and its place of incorporation or organization and, if a nonprofit organization, a copy of its section 501(c)(3) exemption letter from the internal revenue service.
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, then the address of the noncommercial registered agent in this state.
3. The acreage [hectarage] and location listed by section, township, range, and county of all the farmland or ranchland owned or leased by the corporation or limited liability company.
4. The date and method of acquisition or disposal of the farmland or ranchland.

10-06.1-19. Exemption from certain disclosure and other requirements for certain organizations.

Sections 10-06.1-12, 10-06.1-15, 10-06.1-15.2, 10-06.1-17, 10-06.1-17.1, and 10-06.1-18 do not apply to nonprofit organizations or to corporations or limited liability companies such as banks, trust companies, or foundations serving in a fiduciary capacity as the personal representative or trustee of an estate or trust for an individual described in subsection 2 of section 10-06.1-12.

10-06.1-20. Failure to file report - Penalty.

Every corporation or limited liability company that willfully fails to file any report required under this chapter or willfully files false information on any report required under this chapter is guilty of a class A misdemeanor.

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 10-06.1-12.2, the secretary of state shall transmit the information to the attorney general and the governor.

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 engaging in the business of farming or ranching and shall compare the returns with the annual report required to be filed with the secretary of state by section 10-06.1-17 and section 10-06.1-17.1 and shall forward any apparent violations to the attorney general and the governor.

10-06.1-23. Attorney general to conduct random compliance program.

Each year the attorney general shall select at random at least five percent of the total number of corporations and limited liability companies authorized under this chapter for requests for information to determine compliance with this chapter. For this purpose, the attorney general may request affidavits, share transfer records, certified copies of marriage licenses, birth certificates, deeds, leases, and other records and documents necessary to determine compliance. The corporation or limited liability company shall comply with any request for information made under this section.

10-06.1-24. Enforcement - Penalty.

1. a. The recorder shall mail or deliver a copy of every instrument filed or recorded, within thirty days after the instrument is recorded, to the attorney general if the instrument documents evidence of a lease agreement or purchase agreement pursuant to subsection 6 or 7 or if the instrument conveys the title to farmland or ranchland to a corporation or limited liability company.
   b. The attorney general shall commence an action in the district court of the county in which the substantial portion of farmland or ranchland used in violation of this chapter is situated if the attorney general has reason to believe that any person is violating this chapter. The attorney general shall file for record with the recorder of each county in which any portion of the land is located a notice of the pendency of the action.
   c. If the court finds that the farmland or ranchland is being held in violation of this chapter, or that a corporation or limited liability company is engaging in the business of farming or ranching in violation of this chapter, the court shall enter an order pursuant to the court's findings of fact and conclusions of law. The attorney general shall file the order for record with the recorder of each county in which any portion of the land is located. Thereafter, the corporation or limited liability company shall, within the time set by the court not to exceed one year from the date of the court's final order, divest itself of the farmland or ranchland owned or leased by it in violation of this chapter, and cease engaging in the business of farming or ranching.
   d. Except as otherwise provided in subsection 10, any corporation or limited liability company that fails to comply with the court's order is subject to a civil penalty not to exceed twenty-five thousand dollars and may be dissolved or terminated by the secretary of state.
2. The divestment period is deemed to be a covenant running with the title to the farmland or ranchland against any corporate or limited liability company grantee, corporate or limited liability company successor, or corporation or limited liability

company assignee of the corporation or limited liability company not authorized to engage in the business of farming or ranching under this chapter.

3. Any farmland or ranchland not divested within the divestment period prescribed must be sold at public sale in the manner prescribed by law for the foreclosure of real estate mortgage by action. In addition, any prospective or threatened violation may be enjoined by an action brought by the attorney general in the manner provided by law, including enjoining the corporation or limited liability company from completing performance on the remainder of any leasehold which is in violation of this chapter.
4. Subject to the divestiture requirements of subsections 5, 6, and 7, a corporation or limited liability company may acquire farmland or ranchland as security for indebtedness, by process of law in the collection of debts, or by any procedure for the enforcement of a lien or claim thereon, whether created by mortgage or otherwise.
5. Unless retention of the farmland or ranchland is permitted under subsection 6 or 7, all farmland or ranchland acquired as security for indebtedness, in the collection of debts, or by the enforcement of a lien or claim shall be disposed of within three years after acquiring ownership, if the acquisition would otherwise violate this chapter.
6. The disposition requirement does not apply to a corporation or limited liability company that has acquired title to the farmland or ranchland through the process of foreclosure of a mortgage, or a deed from a mortgagor instead of a foreclosure, if, by the expiration of one month after what is or what would have been the redemption period of the mortgage if the mortgage had been foreclosed, that corporation or limited liability company leases to the prior mortgagor from whom it was acquired, with an option to purchase, and if documents evidencing the lease agreement have been filed with the recorder of each county in which the land is located. A copy of a notice of lease is sufficient evidence. The exemption in this subsection applies for only five years and then only if the property has been appraised in accordance with subsection 8. The annual lease payments required of the tenant may not exceed seven percent of the appraised value.
7. The disposition requirement does not apply to a corporation or limited liability company that has acquired title to the farmland or ranchland through the process of foreclosure of a mortgage, or a deed from the mortgagor instead of foreclosure, if, by the expiration of one month after what is or what would have been the redemption period of the mortgage if the mortgage had been foreclosed, that corporation or limited liability company contracts for the sale of the land to the prior mortgagor from whom it was acquired, and if documents evidencing the purchase agreement have been filed with the recorder of each county in which the land is located. A copy of a notice of the contract for deed is sufficient evidence. An exemption under this subsection is valid only if an appraisal has been made in accordance with subsection 8, and if it is valid, the exemption is unlimited in duration. The sale price may not exceed the price determined by the appraisers.
8. If an appraisal is required, the appraisal must be made by three independent appraisers, one selected by the corporation or limited liability company, one selected by the prior mortgagor, and the third selected by the first two appraisers.
9. If a corporation or limited liability company holds farmland or ranchland pending divestiture, and the holding is not otherwise regulated under this section, the land must be leased to persons actually engaged in the business of farming or ranching and a disposal may not be to a corporation or limited liability company unless ownership by that corporation or limited liability company is authorized under this chapter.
10. The civil penalty for a violation of section 10-06.1-10 may not exceed one hundred thousand dollars.
11. Except as provided in subsection 10, any corporation or limited liability company continuing to violate this chapter is subject to a civil penalty not to exceed twenty-five thousand dollars and may be dissolved or terminated by the attorney general in accordance with the laws of this state.

10-06.1-25. Private enforcement.

This chapter may be enforced in the same manner as provided in section 10-06.1-24 by any corporation or limited liability company authorized to engage in the business of farming or ranching under this chapter or any resident of legal age of a county in which the farmland or ranchland owned or leased by a corporation or limited liability company in violation of this chapter is located. If an action is brought under this section, the district court must award to the prevailing party the actual costs and disbursements and reasonable attorney's fees.

10-06.1-26. Protection of minority shareholders.

1. If a shareholder owns less than fifty percent of the shares of a farming or ranching corporation or authorized livestock farm corporation engaged in the business of farming or ranching 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.
2. Any shareholder who desires to withdraw from the farming or ranching corporation or authorized livestock farm 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.
3. Upon a finding that the withdrawing shareholder cannot sell the shares at a fair price, the court shall enter an order directing that the farming or ranching corporation or authorized livestock farm 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.

10-06.1-27. Protection of minority members.

1. 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 engaged in the business of farming or ranching 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 under this section upon the withdrawal of the member.
2. Any member who desires to withdraw from the farming or ranching limited liability company or authorized livestock farm 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.

3. 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 authorized livestock farm limited liability company itself 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.