

HOUSE BILL NO. 1371

Introduced by

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

Senators Conley, Hogue, Luick, Wanzek

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

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

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

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

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

- 17 1. "Agricultural support services" means the business of providing aerial or surface
18 application services for others of seed, fertilizer, pesticides, soil amendments, or
19 custom harvesting.
- 20 2. "Aquaculture agriculture" means the breeding, growing, or harvesting of fish or the
21 growing of aquatic plants or crops.
- 22 3. ~~"Beekeeping" means the breeding or rearing of bee colonies or the owning,~~
23 ~~maintenance, or management of bee apiaries"~~Authorized livestock farm corporation"
24 means a corporation formed for cattle backgrounding, cattle finishing, or the

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

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

7 4.5. "Cattle backgrounding" means the feeding or growing of cattle from weaning until the
8 cattle enter a cattle finishing feedlot.

9 ~~5. "Cattle finishing feedlot" means a parcel of land which contains a commercial~~
10 ~~operation, which is operated as a separate activity and not incidental to farming, for~~
11 ~~the feeding or growing of cattle for the purpose of expeditiously preparing the cattle for~~
12 ~~market.~~

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

15 ~~6.7. "Custom harvesting" means the business of providing crop harvesting services for~~
16 ~~others.~~

17 ~~7. a.~~ 8. "Farming or ranching" means cultivating;

18 ~~(1) Cultivating~~ land for production of agricultural crops or livestock, ~~;~~ or the

19 ~~(2) The~~ raising or producing of livestock or livestock products, poultry or
20 poultry products, milk or dairy products, or fruit or horticultural products. It

21 ~~b. Notwithstanding subdivision a, "farming or ranching" does not include:~~

22 ~~(1) Beekeeping;~~

23 ~~(2)a. Agricultural support services;~~

24 ~~(3)b. The production of timber or forest products, the;~~

25 ~~(4)c. The growing or processing of marijuana under chapter 19-24.1;~~

26 ~~(5)d. Cattle backgrounding or cattle finishing feedlot operations, or the raising~~
27 ~~or producing of poultry, poultry products, milk, dairy products, swine, or swine~~
28 ~~products, by a person that has agricultural landholding not exceeding one~~
29 ~~hundred sixty acres [64.75 hectares]~~ Custom harvesting;

1 —~~(6)~~e. Aquaculture agriculture, hydroponic agriculture, or greenhouse agriculture
2 by a person that has agricultural landholding not exceeding forty acres [16.19
3 hectares]; or a

4 —~~(7)~~f. A contract whereby under which a processor or distributor of farm products
5 or supplies provides grain, harvesting, or other farm services.

6 ~~2.8.9.~~ "Farming or ranching corporation" means a farm or ranch corporation, joint-stock
7 company, or association which, at all times, complies with the requirements of this
8 chapter.

9 ~~3.9.10.~~ "Farming or ranching limited liability company" means a farm or ranch limited liability
10 company which, at all times, complies with the requirements of this chapter.

11 ~~10.11.~~ "Greenhouse agriculture" means the growing of plants or crops primarily under a
12 controlled environment in a sheltered structure with walls and a roof, both made
13 primarily of transparent or translucent material.

14 ~~11.~~ "Hydroponic agriculture" means the growing of plants or crops with plant root
15 structures situated in sand, gravel, or a liquid nutrient solution rather than in soil.

16 4.12. "Nonprofit organization" means an organization or trust that has tax-exempt status
17 under at least one of the following sections of the Internal Revenue Code:

- 18 a. An organization that was in existence on December 31, 1984, and that is
19 organized and operated exclusively for religious, charitable, scientific, testing for
20 public safety, literary, or educational purposes, or for the prevention of cruelty to
21 children or animals under section 501(c)(3), or is a domestic fraternal
22 organization under section 501(c)(10).
23 b. A charitable, religious, educational, or scientific organization classified as either a
24 private foundation or as a public charity having status as an organization
25 described in section 509(a)(1) or (3).
26 c. A trust described in section 4947 for which a deduction is allowable under
27 section 170.

28 5.13. "Operating the farm or ranch" means engaging in day-to-day personal labor or
29 day-to-day management activities on or off the farm or ranch, which contribute
30 significantly to the farm or ranch operations.

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

3 **10-06.1-02. Farming or ranching by corporations and limited liability companies**
4 **prohibited.**

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

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

16 **10-06.1-04. Conversion of corporations.**

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

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

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

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

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

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

14 1. If a corporation, the corporation may not have more than ten shareholders. If a limited
15 liability company, the limited liability company may not have more than ten members.

16 2. If a corporation, shareholders holding seventy-five percent or more of the shares
17 entitled to vote and the shares entitled to distributions must be individuals who are
18 actively engaged in operating a farm or ranch, corporations that meet the
19 requirements of chapter 10-06.1-12, or limited liability companies that meet the
20 requirements of chapter 10-06.1-12. If a limited liability company, members holding
21 fifty-one percent or more of interests entitled to vote and interests entitled to
22 distributions in the limited liability company must be individuals who are actively
23 engaged in operating a farm or ranch, corporations that meet the requirements of
24 chapter 10-06.1-12, or limited liability companies that meet the requirements of
25 chapter 10-06.1-12.

26 3. If a corporation, all shareholders who are individuals must be citizens of the United
27 States or permanent resident aliens of the United States, and all shareholders that are
28 persons otherwise eligible under this chapter, and any controlling person of the
29 corporation, must be organized in the United States and one hundred percent of the
30 stock must be owned by citizens of the United States or permanent resident aliens. If a
31 limited liability company, all members who are individuals must be citizens of the

1 United States or permanent resident aliens of the United States, and all members that
2 are persons otherwise eligible under this chapter, and any controlling person limited
3 liability company, must be organized in the United States and one hundred percent of
4 the interests must be owned by citizens of the United States or permanent resident
5 aliens.

6 4. The authorized livestock farm corporation or authorized livestock farm limited liability
7 company may not at any time, directly or indirectly, own, lease, or otherwise have an
8 interest in more than one hundred sixty acres [64.75 hectares] of land.

9 5. If a corporation, none of its shareholders are shareholders in other authorized
10 livestock farm corporations, or members in authorized livestock farm limited liability
11 companies, that directly or indirectly in combination with the corporation own, lease, or
12 otherwise have an interest in more than six hundred forty acres [259 hectares] of land.
13 If a limited liability company, none of its members are members in other authorized
14 livestock farm limited liability companies or shareholders in authorized livestock farm
15 corporations that directly or indirectly in combination with the limited liability company
16 own, lease, or otherwise have an interest more than six hundred forty acres
17 [259 hectares] of land.

18 6. If a corporation, the officers and directors of the corporation must be shareholders who
19 are actively engaged in operating the authorized livestock farm corporation. If a limited
20 liability company, the governors, managers, and officers must be members who are
21 actively engaged in operating the authorized farm limited liability company.

22 7. An annual average of at least sixty-five percent of the gross income of the corporation
23 or limited liability company over the previous five years, or for each year of its
24 existence, if less than five years, must have been derived from the production of cattle,
25 poultry or poultry products, milk or dairy products, or swine or swine products.

26 8. The income of the corporation or limited liability company from nonfarm rent, nonfarm
27 royalties, dividends, interest, and annuities may not exceed twenty percent of the
28 gross income of the corporation or limited liability company.

29 9. The corporation or limited liability company may not directly or indirectly engage in the
30 cultivation of land for the production of crops or the grazing of livestock.

1 10. The corporation or limited liability company must begin construction of the facilities
2 used in the animal feeding operation or concentrated animal feeding operation within
3 one year of obtaining the agricultural landholding.

4 11. The corporation or limited liability company must have a fully operational animal
5 feeding operation or concentrated animal feeding operation within three years of
6 obtaining the agricultural landholding.

7 12. An authorized livestock farm corporation or limited liability company violating
8 subsection 10 or 11, or which is inactive for three consecutive years as determined by
9 the agriculture commissioner, is subject to the divestment provisions of section
10 10-06.1-24.

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

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

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

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

21 **10-06.1-14. Applicability of North Dakota limited liability company laws.**

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

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

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

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

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

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

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

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

10 b. With respect to each shareholder or member:

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

13 (2) If an organization, the state of domicile;

14 (3) The number of shares or membership interests;

15 (4) Each person's percentage of shares entitled to vote or membership
16 interests entitled to vote; and whether any voting agreement exists;

17 (5) Each person's percentage of capital and financial interests;

18 (6) A statement of whether each is a citizen or permanent resident alien of the
19 United States; and

20 (7) As to individuals, a statement of whether each will be actively engaged in
21 operating the farm or ranch and whether each will reside on the farm or
22 ranch.

23 c. With respect to management:

24 (1) If a corporation, the names and addresses of the officers and members of
25 the board of directors.

26 (2) If a limited liability company, the names and addresses of the managers,
27 members of the board of governors, and officers.

28 d. A statement that the corporation or limited liability company does not and will not
29 directly or indirectly own, lease, or hold any interest in more than one hundred
30 sixty acres [64.75 hectares].

1 e. If the purchase or lease of land is final at the time of the initial report, a statement
2 listing the acreage and the number of hectares and location listed by section,
3 township, range, and county of all land in the state in which the corporation or
4 limited liability company has an ownership, leasehold, or other interest. If the
5 purchase or lease of land is not final at the time of the initial report, a statement
6 that there is a bona fide and imminent intent and a plan to purchase or lease land
7 in the state.

8 f. A statement that no investors are shareholders or members in any other
9 authorized livestock farm corporation or authorized livestock farm limited liability
10 company that directly or indirectly with the corporation or limited liability company
11 own, lease, or hold any interest in more than six hundred forty acres
12 [259 hectares].

13 g. A statement that at least sixty-five percent of the gross income of the corporation
14 or limited liability company will be derived from farming or ranching operations,
15 and that twenty percent or less of the gross income of the corporation or limited
16 liability company will be from nonfarm rent, nonfarm royalties, dividends, interest,
17 and annuities.

18 h. A statement that the corporation or limited liability company will not engage in the
19 cultivation of land for the production of crops.

20 i. If the facility is not operational, a statement as to the planned date of operations.

21 j. A statement that the corporation or limited liability company does not hold an
22 interest in any other authorized livestock farm corporation or authorized livestock
23 farm limited liability company.

24 2. A corporation or a limited liability company may not commence farming or ranching in
25 this state until the secretary of state has received and filed the initial report required by
26 this section and the articles of incorporation or articles of organization. The corporation
27 or limited liability company shall furnish to the official county newspaper of each
28 county or counties in which it has any interest in any land a legal notice reporting the
29 following:

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

1 b. A statement to the effect that the corporation or limited liability company has
2 reported that it holds an interest in land in the county, the use of the land, and
3 that a description of that land is available for inspection at the secretary of state's
4 office.

5 c. A statement to the effect that each of the shareholders of the corporation or
6 members of the limited liability company do not directly or indirectly in
7 combination with interests in any other person own more than six hundred forty
8 acres [259 hectares] of agricultural land.

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

11 **10-06.1-17. Annual report - Contents - Filing requirements.**

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

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

- 1 b. A statement of the aggregate number of issued shares, itemized by classes,
2 par value of shares, shares without par value, and series, if any, within a class.
- 3 4. With respect to each limited liability company:
- 4 a. A statement of the aggregate number of units the limited liability company has
5 authority to issue, itemized by classes and series, if any, within a class.
- 6 b. A statement of the aggregate number of issued units, itemized by classes and
7 series, if any, within a class.
- 8 5. With respect to each shareholder or member:
- 9 a. The name and address of each, including the names and addresses and
10 relationships of beneficiaries of trusts and estates which own shares or
11 membership interests;
- 12 b. The number of shares or membership interests or percentage of shares or
13 membership interests owned by each;
- 14 c. The relationship of each;
- 15 d. A statement of whether each is a citizen or permanent resident alien of the United
16 States; and
- 17 e. A statement of whether at least one is an individual residing on or operating the
18 farm or ranch.
- 19 ~~5.6.~~ With respect to management:
- 20 a. If a corporation, then the name and address of each officer and member of the
21 board of directors, and a statement of whether each is a shareholder actively
22 engaged in operating the farm or ranch; or
- 23 b. If a limited liability company, then the name and address of each manager and
24 member of the board of governors, and a statement of whether each is a member
25 actively engaged in operating the farm or ranch.
- 26 ~~6.7.~~ A statement providing the land description and listing the acreage [hectarage] and
27 location listed by section, township, range, and county of all land in the state owned or
28 leased by the corporation or limited liability company and used for farming or ranching.
29 The statement must also designate which, if any, of the acreage [hectarage] is leased
30 from or jointly owned with any shareholder or member and list the name of the
31 shareholder or member with that acreage [hectarage].

1 ~~7.8.~~ A statement of the percentage of the annual average gross income of the corporation
2 or limited liability company which has been derived from farming or ranching
3 operations over the previous five years or for each year of existence if less than five
4 years.

5 ~~8.9.~~ A statement of the percentage of gross income of the corporation or limited liability
6 company derived from nonfarm rent, nonfarm royalties, dividends, interest, and
7 annuities during the period covered by the report.

8 ~~9.10.~~ A corporation engaged in farming which fails to file an annual report is subject to the
9 penalties for failure to file an annual report as provided in chapter 10-19.1, except that
10 the penalties must be calculated from the date of the report required by this section.

11 ~~10.11.~~ A limited liability company engaged in farming which fails to file an annual report is
12 subject to the penalties for failure to file an annual report as provided in chapter
13 10-32.1, except that the penalties must be calculated from the date of the report
14 required by this section.

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

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

18 1. Except for the first annual report, the annual report of an authorized livestock farm
19 corporation or authorized livestock farm limited liability company must be delivered to
20 the secretary of state before April sixteenth of each year. The first annual report must
21 be delivered before April sixteenth in the year following the calendar year of the
22 effective date of the articles of incorporation or articles of organization. The annual
23 report must be signed as defined in section 10-19.1-01 if a corporation or section
24 10-32.1-02 if a limited liability company and submitted on a form prescribed by the
25 secretary of state. If the corporation or limited liability company is in the hands of a
26 receiver or trustee, the annual report must be signed on behalf of the corporation or
27 limited liability company by the receiver or trustee. An annual report must include the
28 following information with respect to the preceding calendar year:

29 a. The name of the registered agent of the corporation or limited liability company
30 as provided in chapter 10-01.1 and, if a noncommercial registered agent, the

- 1 address of the registered office of the corporation or limited liability company in
2 this state.
- 3 b. The name of the corporation or limited liability company.
- 4 c. With respect to each corporation:
- 5 (1) A statement of the aggregate number of shares the corporation has
6 authority to issue, itemized by classes, par value of shares, shares without
7 par value, and series, if any, within a class.
- 8 (2) A statement of the aggregate number of issued shares, itemized by classes,
9 par value of shares, shares without par value, and series, if any, within a
10 class.
- 11 d. With respect to each limited liability company:
- 12 (1) A statement of the aggregate number of units the limited liability company
13 has authority to issue, itemized by classes and series, if any, within a class.
- 14 (2) A statement of the aggregate number of issued units, itemized by classes
15 and series, if any, within a class.
- 16 e. With respect to each shareholder or member:
- 17 (1) The name and address of each, including the names and addresses and
18 relationships of trusts and estates that own shares or membership interests;
- 19 (2) If an organization, the state of domicile;
- 20 (3) The number of shares or membership interests;
- 21 (4) Each person's percentage of shares entitled to vote, or membership
22 interests entitled to vote, and whether any voting agreement exists;
- 23 (5) Each person's percentage of capital and financial interests;
- 24 (6) A statement of whether each is a citizen or permanent resident alien of the
25 United States; and
- 26 (7) As to individuals, a statement of whether each will be actively engaged in
27 operating the farm or ranch and whether each will reside on the farm or
28 ranch.
- 29 f. With respect to management:
- 30 (1) If a corporation, the names and addresses of the officers and members of
31 the board of directors.

1 (2) If a limited liability company, the names and addresses of the managers and
2 members of the board of governors.

3 g. A statement that the corporation or limited liability company does not directly or
4 indirectly own, lease, or hold any interest in more than one hundred sixty acres
5 [64.75 hectares].

6 h. A statement providing the land description and listing the acreage, the total
7 number of hectares and location listed by section, township, range, and county of
8 all land in the state in which the corporation or limited liability company has an
9 ownership, leasehold, or other interest.

10 i. A statement that no investors are shareholders or members in any other
11 authorized livestock farm corporation or authorized livestock farm limited liability
12 company that directly or indirectly with the corporation or limited liability company
13 own, lease, or hold any interest in more than six hundred forty acres
14 [259 hectares].

15 j. A statement that at least sixty-five percent of the gross income of the corporation
16 or limited liability company will be derived from farming or ranching operations,
17 and that twenty percent or less of the gross income of the corporation or limited
18 liability company is from nonfarm rent, nonfarm royalties, dividends, interest, and
19 annuities.

20 k. A statement that the corporation or limited liability company does not engage in
21 the cultivation of land for the production of crops or the grazing of livestock.

22 l. The first date of operations.

23 m. A statement that the corporation or limited liability company does not hold an
24 interest in any other authorized livestock farm corporation or authorized livestock
25 farm limited liability company.

26 n. The statement also must designate which, if any, of the acreage and the total
27 number of hectares is leased from or jointly owned with any shareholder or
28 member and list the name of the shareholder or member with that acreage and
29 the total number of hectares.

30 o. A statement of the percentage of the annual average gross income of the
31 corporation or limited liability company which has been derived from farming or

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

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

6 2. A corporation engaged in farming which fails to file an annual report is subject to the
7 penalties for failure to file an annual report as provided in chapter 10-19.1, except the
8 penalties must be calculated from the date of the report required by this section.

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

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

15 **10-06.1-21. Secretary of state to transmit information of noncompliance.**

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

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

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

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

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

1 **10-06.1-26. Protection of minority shareholders.**

2 If a shareholder owns less than fifty percent of the shares of a farming or ranching
3 corporation or authorized livestock farm corporation doing business under this chapter, and if
4 the terms and conditions for the repurchase of those shares by the corporation or by the other
5 shareholders are not set forth in the bylaws or the instrument which transferred the shares to
6 the shareholder, or are not the subject of a shareholders' agreement or an agreement between
7 that shareholder and the corporation, then the disposition of such shares must be determined
8 by this section upon the withdrawal of the shareholder. Any shareholder who desires to
9 withdraw from the corporation shall first offer the shares for sale to the remaining shareholders
10 in proportion to the shares owned by them. If not all of the shareholders wish to purchase the
11 shares, any one shareholder may purchase all of the shares of the withdrawing shareholder. If
12 no shareholder desires to purchase the shares of a withdrawing shareholder, then the
13 corporation may purchase the shares. If the corporation chooses not to purchase the shares of
14 the withdrawing shareholder, then the withdrawing shareholder may sell the shares to any other
15 person eligible to be a shareholder. If the withdrawing shareholder is unable to sell the shares to
16 any other person eligible to become a shareholder, then the withdrawing shareholder may bring
17 an action in district court to dissolve the corporation. Upon a finding that the withdrawing
18 shareholder cannot sell the shares at a fair price, the court shall enter an order directing that the
19 corporation itself or any or all of the remaining shareholders pro rata or otherwise shall have
20 twelve months from the date of the court's order to purchase the shares of the withdrawing
21 shareholder at a fair price as determined by the court and that if the shares of the withdrawing
22 shareholder are not completely purchased at said price, the corporation shall be dissolved and
23 the assets of the corporation shall be first used to pay all the liabilities of the corporation with
24 the remaining net assets to be distributed pro rata to the shareholders in proportion to their
25 ownership of shares. For the purpose of this section, a fair price for the shares of the
26 withdrawing shareholder must be determined as though the shares were being valued for
27 federal gift tax purposes under the Internal Revenue Code.

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

1 **10-06.1-27. Protection of minority members.**

2 If a member owns less than fifty percent of the membership interest of a farming or ranching
3 limited liability company or authorized livestock farm limited liability company doing business
4 under this chapter and if the terms and conditions for the repurchase of that membership
5 interest by the limited liability company or by the other members are not set forth in the bylaws,
6 the instrument that transferred the membership interest to the member, or are not the subject of
7 a member-control agreement or other agreement between that member and the limited liability
8 company, the disposition of the membership interest must be determined by this section upon
9 the withdrawal of the member. Any member who desires to withdraw from the limited liability
10 company shall first offer the membership interest for sale to the remaining members in
11 proportion to the membership interests owned by the remaining members. If not all of the
12 members wish to purchase the membership interest, any one member can purchase all of the
13 membership interest of the withdrawing member. If no member desires to purchase the
14 membership interest of the withdrawing member, the limited liability company may purchase the
15 membership interest. If the limited liability company chooses not to purchase the membership
16 interest of the withdrawing member, the withdrawing member may sell the membership interest
17 to any other person eligible to be a member. If the withdrawing member is unable to sell the
18 membership interest to any other person eligible to become a member, the withdrawing
19 member may bring an action in district court to terminate the limited liability company. Upon a
20 finding that the withdrawing member cannot sell the membership interest at a fair price, the
21 court shall enter an order directing that the limited liability company or any of the remaining
22 members pro rata or otherwise, have twelve months from the date of the court's order to
23 purchase the membership interest of the withdrawing member at a fair price as determined by
24 the court and that if the membership interest of the withdrawing member is not completely
25 purchased at the fair price, the limited liability company must be dissolved and the assets of the
26 limited liability company must be first used to pay all liabilities of the limited liability company
27 with the remaining net assets to be distributed pro rata to the members in proportion to the
28 member's membership interest ownership. For the purpose of this section, a fair price for the
29 membership interest of the withdrawing member must be determined as though the
30 membership interest was being valued for federal gift tax purposes under the Internal Revenue
31 Code.