

**FIRST ENGROSSMENT  
with Senate Amendments  
ENGROSSED HOUSE BILL NO. 1371**

Introduced by

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

Senators Conley, Hogue, Luick, Wanzek

1 A BILL for an Act to create and enact four new sections to chapter 10-06.1 of the North Dakota  
2 Century Code, relating to authorized livestock farm corporation and authorized livestock farm  
3 limited liability company requirements, and initial and annual reporting requirements for  
4 authorized livestock farm corporations, and authorized livestock farm limited liability companies;  
5 to amend and reenact sections 10-06.1-01, 10-06.1-02, 10-06.1-03, 10-06.1-04, 10-06.1-05,  
6 10-06.1-06, 10-06.1-07, and 10-06.1-08, subsection 1 of section 10-06.1-09, and sections  
7 10-06.1-10, 10-06.1-11, 10-06.1-12, 10-06.1-13, 10-06.1-14, 10-06.1-15, 10-06.1-16,  
8 10-06.1-17, 10-06.1-18, 10-06.1-19, 10-06.1-20, 10-06.1-21, 10-06.1-22, 10-06.1-23,  
9 10-06.1-24, 10-06.1-25, 10-06.1-26, and 10-06.1-27 of the North Dakota Century Code, relating  
10 to agricultural definitions, ownership exceptions for beekeeping, agriculture support services,  
11 livestock backgrounding and feedlot operations, raising or producing of livestock by persons  
12 that have limited landholdings, and required reporting for corporate farming; and to provide a  
13 penalty.

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

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

17 **10-06.1-01. Definitions.**

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

- 20 1. "Agricultural support services" means the business of providing aerial or surface  
21 application services for others of seed, fertilizer, pesticides, or soil amendments, or the  
22 business of custom harvesting.  
23 2. "Aquaculture" means the breeding, growing, or harvesting of fish or the growing of  
24 aquatic plants or crops.

- 1       3. "Authorized livestock farm corporation" means a corporation, joint-stock company or  
2       association formed for livestock backgrounding, livestock finishing, or the production of  
3       poultry or poultry products, milk or dairy products, or swine or swine products which is  
4       allowed to engage in the business of farming or ranching under section 13 of this Act,  
5       which, at all times, complies with the requirements of this chapter.
- 6       4. "Authorized livestock farm limited liability company" means a limited liability company  
7       formed for livestock backgrounding, livestock finishing, or the production of poultry or  
8       poultry products, milk or dairy products, or swine or swine products which is allowed to  
9       engage in the business of farming or ranching under section 13 of this Act, which, at  
10       all times, complies with the requirements of this chapter.
- 11       5. "Beekeeping" means the breeding or rearing of bee colonies or the owning,  
12       maintenance, or management of bee apiaries.
- 13       6. "Custom harvesting" means the business of providing crop harvesting services for  
14       others.
- 15       7. a. "Farming or ranching" means cultivating land for production of agricultural crops  
16       or livestock, or the raising or producing of agricultural crops, fruit, horticultural  
17       products, or livestock or livestock products, poultry or poultry products, milk or  
18       dairy products, or fruit or horticultural products. It or livestock backgrounding, or  
19       livestock finishing.
- 20       b. The term does not include:
- 21           (1) Agricultural support services;
- 22           (2) Aquaculture or greenhouse agriculture by a person that has farmland or  
23           ranchland holdings not exceeding forty acres [16.19 hectares];
- 24           (3) Beekeeping;
- 25           (4) The production of timber or forest products, the;
- 26           (5) The growing or processing of marijuana under chapter 19-24.1; or a  
27           (6) A contract whereby under which a processor or distributor of farm products  
28           or supplies provides grain, harvesting, or other farm services.
- 29       2-8. "Farming or ranching corporation" means a farm or ranch corporation, joint-stock  
30       company, or association which is allowed to engage in the business of farming or

1            ranching under section 10-06.1-12, which, at all times, complies with the requirements  
2            of this chapter.

3     ~~3-9.~~ "Farming or ranching limited liability company" means a farm or ranch limited liability  
4            company which is allowed to engage in the business of farming or ranching under  
5            section 10-06.1-12, which, at all times, complies with the requirements of this chapter.

6     10. "Farmland or rangeland" means agricultural land in this state used for farming or  
7            ranching.

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

11   ~~4-12.~~ "Livestock" includes beef cattle, dairy cattle, elk, bison, poultry, swine, sheep, goats,  
12           llamas, and alpacas.

13   13. "Livestock backgrounding" means the feeding or growing of livestock from weaning  
14           until the livestock enter a livestock finishing feedlot or facility.

15   14. "Livestock finishing" means the feeding or growing of livestock for the purpose of  
16           expeditiously preparing the livestock for harvest.

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

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

29   ~~5-16.~~ "Operating the farm or ranch" means engaging in personal labor or management  
30           activities on or off the farm or ranch, which contribute 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       1. All corporations and limited liability companies, except as otherwise provided in this  
6 chapter, are prohibited from owning or leasing ~~land used for farming or~~  
7 ~~ranching~~farmland or ranchland and from engaging in the business of farming or  
8 ranching.

9       2. A corporation or a limited liability company may be a partner in a partnership ~~that~~  
10 ~~is under title 45 which owns or leases farmland or ranchland or engages~~ in the  
11 business of farming or ranching only if that corporation or limited liability company  
12 complies with this chapter.

13       3. Notwithstanding any other provision of law, an authorized livestock farm corporation or  
14 authorized livestock farm limited liability company may not be a partner in a  
15 partnership under title 45 which owns or leases farmland or ranchland or engages in  
16 the business of farming or ranching.

17       **SECTION 3. AMENDMENT.** Section 10-06.1-03 of the North Dakota Century Code is  
18 amended and reenacted as follows:

19       **10-06.1-03. Retention of mineral interests prohibited.**

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

28       **SECTION 4. AMENDMENT.** Section 10-06.1-04 of the North Dakota Century Code is  
29 amended and reenacted as follows:

1       **10-06.1-04. Conversion of corporations.**

2       1. A business corporation regulated under chapter 10-19.1 may convert to a farming or  
3       ranching corporation or an authorized livestock farm corporation by adopting an  
4       amendment to its articles of incorporation or by applying for an amended certificate of  
5       authority which specifies that the corporation elects to be subject to this chapter and  
6       by complying with all requirements of this chapter. The amendment must be filed with  
7       the secretary of state with the prescribed fee and with the initial report required by  
8       section 10-06.1-15 or section 18 of this Act.

9       2. A farming or ranching corporation or an authorized livestock farm corporation may  
10      convert to a business corporation by adopting an amendment to its articles of  
11      incorporation or by applying for an amended certificate of authority. The amendment  
12      must be filed with the secretary of state with the prescribed fee. The amendment must  
13      be accompanied by a report outlining the information, as of the date of the  
14      amendment, which is required under section 10-06.1-17 or section 21 of this Act, and  
15      the manner in which the corporation has divested itself of its owned or leased land  
16      holdings and its business of farming or ranching.

17      **SECTION 5. AMENDMENT.** Section 10-06.1-05 of the North Dakota Century Code is  
18      amended and reenacted as follows:

19      **10-06.1-05. Conversion of limited liability company.**

20      1. A business limited liability company regulated under chapter 10-32.1 may convert to a  
21      farming or ranching limited liability company or an authorized livestock farm limited  
22      liability company by adopting an amendment to its articles of organization or by  
23      applying for an amended certificate of authority which specifies that the limited liability  
24      company elects to be subject to this chapter and by complying with all requirements of  
25      this chapter. The amendment must be filed with the secretary of state with the  
26      prescribed fee and with the initial report required by section 10-06.1-15 or section 18  
27      of this Act.

28      2. A farming or ranching limited liability company or an authorized livestock farm limited  
29      liability company may convert to a business limited liability company by adopting an  
30      amendment to its articles of organization or by applying for an amended certificate of  
31      authority. The amendment must be filed with the secretary of state with the prescribed

1 fee. The amendment must be accompanied by a report outlining the information, as of  
2 the date of the amendment, which is required under section 10-06.1-17 or section 21  
3 of this Act, and the manner in which the limited liability company has divested itself of  
4 its owned or leased land holdings and its business of farming or ranching.

5 **SECTION 6. AMENDMENT.** Section 10-06.1-06 of the North Dakota Century Code is  
6 amended and reenacted as follows:

7 **10-06.1-06. Surface coal mining - Exception.**

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

17 **SECTION 7. AMENDMENT.** Section 10-06.1-07 of the North Dakota Century Code is  
18 amended and reenacted as follows:

19 **10-06.1-07. Industrial and business purpose ~~exception-~~ Exception.**

20 A corporation or limited liability company that is not engaged in the business of farming or  
21 ranching may own or lease ~~land used for farming or ranching~~farmland or ranchland when the  
22 land is necessary for residential or commercial development; the siting of buildings, plants,  
23 facilities, industrial parks, or similar business or industrial purposes of the corporation or limited  
24 liability company; or for uses supportive of or ancillary to adjacent ~~nonagricultural~~ land that is  
25 not farmland or ranchland for the benefit of both land parcels. The farmland or ranchland while  
26 not being immediately used for any purpose of the corporation or limited liability company must  
27 be available to be leased by persons who farm or ranch as sole proprietorships or partnerships,  
28 or by farming or ranching corporations or farming or ranching limited liability companies ~~allowed~~  
29 ~~to engage in farming or ranching under section 10-06.1-12.~~

30 **SECTION 8. AMENDMENT.** Section 10-06.1-08 of the North Dakota Century Code is  
31 amended and reenacted as follows:

1           **10-06.1-08. Cooperative corporations allowed to engage in the business of farming or**  
2 **ranching - Requirements.**

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

7           **SECTION 9. AMENDMENT.** Subsection 1 of section 10-06.1-09 of the North Dakota  
8 Century Code is amended and reenacted as follows:

- 9           1. A nonprofit organization or a trust for the benefit of an individual or a class of  
10 individuals related within the degrees of kinship specified in subsection 2 of section  
11 10-06.1-12 may own or lease farmland or ranchland if that land is leased to a person  
12 who farms or ranches the land as a sole proprietorship or partnership, or a farming or  
13 ranching corporation or a farming or ranching limited liability company ~~allowed to~~  
14 ~~engage in farming or ranching under section 10-06.1-12.~~

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

17           **10-06.1-10. Acquisition of certain farmland or ranchland by certain nonprofit**  
18 **organizations.**

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

- 21           1. Unless it is permitted to own or lease farmland or ranchland under section 10-06.1-09,  
22 the nonprofit organization must have been either incorporated in this state or issued a  
23 certificate of authority to do business in this state before January 1, 1985, or, before  
24 January 1, 1987, have been incorporated in this state if the nonprofit organization was  
25 created or authorized under Public Law No. 99-294 [100 Stat. 418]. A nonprofit  
26 organization created or authorized under Public Law No. 99-294 [100 Stat. 418] may  
27 acquire no more than twelve thousand acres [4856.228 hectares] of land from interest  
28 derived from state, federal, and private sources held in its trust fund.
- 29           2. The ~~land~~farmland or ranchland may be acquired only for the purpose of conserving  
30 natural areas and habitats for biota, and, after acquisition:

- 1           a. The land must be maintained and managed for the purpose of conserving natural  
2           area and habitat for biota.
- 3           b. Any agricultural use of the land is in accordance with the management of the land  
4           for conservation and agricultural use, and is by a sole proprietorship or  
5           partnership, or a farming or ranching corporation or a farming or ranching limited  
6           liability company ~~allowed to engage in farming or ranching under section~~  
7           ~~10-06.1-12~~.
- 8           c. If any parcel of the land is open to hunting, it must be open to hunting by the  
9           general public.
- 10          d. The nonprofit organization must fully comply with all state laws relating to the  
11          control of noxious and other weeds and insects.
- 12          e. The nonprofit organization must make payments in lieu of property taxes on the  
13          property, calculated in the same manner as if the property was subject to full  
14          assessment and levy of property taxes.
- 15          f. All property subject to valuation must be assessed for the purpose of making the  
16          payments under subdivision e in the same manner as other real property in this  
17          state is assessed for tax purposes. Before June thirtieth of each year, the county  
18          auditor of any county in which property subject to valuation is located shall give  
19          written notice to the nonprofit organization and the tax commissioner of the value  
20          placed by the county board of equalization upon each parcel of property subject  
21          to valuation in the county.
- 22          3. a. Before farmland or ranchland may be purchased by a nonprofit organization for  
23          the purpose of conserving natural areas and habitats for biota, the governor must  
24          approve the proposed acquisition.
- 25          b. A nonprofit organization that desires to purchase farmland or ranchland for the  
26          purpose of conserving natural areas and habitats for biota shall first submit a  
27          proposed acquisition plan to the agriculture commissioner who shall convene an  
28          advisory committee consisting of the director of the parks and recreation  
29          department, the agriculture commissioner, the state forester, the director of the  
30          game and fish department, the president of the North Dakota farmers union, the  
31          president of the North Dakota farm bureau, the president of the North Dakota

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

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

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

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

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

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

16 **10-06.1-11. Required nonprofit organization divestiture of agricultural landfarmland**  
17 **or ranchland.**

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

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

1           **10-06.1-12. Corporation Farming or ranching corporation or farming or ranching**  
2 **limited liability company allowed to engage in the business of farming or ranching -**  
3 **Requirements.**

4           This chapter does not prohibit a farming or ranching corporation or a farming or ranching  
5 limited liability company from owning ~~real-estate~~ or leasing farmland or rangeland and engaging  
6 in the business of farming or ranching, if the corporation meets all the requirements of chapter  
7 10-19.1 or the limited liability company meets all the requirements of chapter 10-32.1 which are  
8 not inconsistent with this chapter. The following requirements also apply:

- 9           1. a. If a farming or ranching corporation, the corporation must not have more than  
10           fifteen shareholders.
- 11           b. If a farming or ranching limited liability company, the limited liability company  
12           must not have more than fifteen members.
- 13           2. Each shareholder or member must be related to each of the other shareholders or  
14           members within one of the following degrees of kinship or affinity: parent, son,  
15           daughter, stepson, stepdaughter, grandparent, grandson, granddaughter, brother,  
16           sister, uncle, aunt, nephew, niece, great-grandparent, great-grandchild, first cousin,  
17           second cousin, or the spouse or surviving spouse of a person so related.
- 18           3. Each shareholder or member must be an individual or one of the following:
  - 19           a. A trust for the benefit of an individual or a class of individuals who are related to  
20           every shareholder of the corporation or member of the limited liability company  
21           within the degrees of kinship or affinity specified in this section.
  - 22           b. An estate of a decedent who was related to every shareholder of the corporation  
23           or member of the limited liability company within the degrees of kinship or affinity  
24           specified in this section.
- 25           4. A trust or an estate may not be a shareholder or member if the beneficiaries of the  
26           trust or the estate together with the other shareholders or members are more than  
27           fifteen in number.
- 28           5. Each individual who is a shareholder or member must be a citizen of the United States  
29           or a permanent resident alien of the United States.
- 30           6. a. If a farming or ranching corporation, the officers and directors of the corporation  
31           must be shareholders who are actively engaged in operating the farm or ranch

1                   ~~and at least one of the corporation's shareholders must be an individual residing~~  
2                   ~~on or operating the farm or ranch.~~

3                   b. If a farming or ranching limited liability company, the governors and managers,  
4                   and members authorized under a statement of authority of the limited liability  
5                   company must be members who are actively engaged in operating the farm or  
6                   ~~and at least one of its members must be an individual residing on or~~  
7                   ~~operating the farm or ranch.~~

8                   7. An annual average of at least sixty-five percent of the gross income of the farming or  
9                   ranching corporation or farming or ranching limited liability company over the previous  
10                   five years, or for each year of its existence, if less than five years, must have been  
11                   derived from engaging in the business of farming or ranching operations.

12                   8. The income of the farming or ranching corporation or farming or ranching limited  
13                   liability company from nonfarm rent, nonfarm royalties, dividends, interest, and  
14                   annuities cannot exceed twenty percent of the gross income of the corporation or  
15                   limited liability company.

16                   9. The farming or ranching corporation or farming or ranching limited liability company  
17                   must own or lease farmland or ranchland ~~in this state.~~

18                   **SECTION 13.** A new section to chapter 10-06.1 of the North Dakota Century Code is  
19                   created and enacted as follows:

20                   **Authorized livestock farm corporation or authorized livestock farm limited liability**  
21                   **company allowed to engage in the business of farming or ranching - Requirements.**

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

28                   1.    a. If an authorized livestock farm corporation, the corporation may not have more  
29                   than ten shareholders.

30                   b. If an authorized livestock farm limited liability company, the limited liability  
31                   company may not have more than ten members.

- 1       2.   a.   If an authorized livestock farm corporation, shareholders holding seventy-five  
2                   percent or more of the shares entitled to vote and the shares entitled to  
3                   distributions must be individuals who are actively engaged in the business of  
4                   farming or ranching, farming or ranching corporations, or farming or ranching  
5                   limited liability companies.
- 6       b.   If an authorized livestock farm limited liability company, members holding fifty-one  
7                   percent or more of interests entitled to vote and interests entitled to distributions  
8                   in the limited liability company must be individuals who are actively engaged in  
9                   the business of farming or ranching, farming or ranching corporations, or farming  
10                  or ranching limited liability companies.
- 11      3.   a.   If an authorized livestock farm corporation  
12                  (1)   All shareholders who are individuals must be citizens of the United States  
13                  permanent resident aliens of the United States, or an authorized individual  
14                  under section 47-10.1-02.
- 15                  (2)   All shareholders that are persons otherwise eligible under this chapter, and  
16                  any controlling individual or entity of the person, must be organized in the  
17                  United States and one hundred percent of the stock must be owned by  
18                  citizens of the United States, permanent resident aliens of the United  
19                  States, or an authorized individual under section 47-10.1-02.
- 20      b.   If an authorized livestock farm limited liability company:  
21                  (1)   All members who are individuals must be citizens of the United States,  
22                  permanent resident aliens of the United States, or an authorized individual  
23                  under section 47-10.1-02; and
- 24                  (2)   All members that are persons otherwise eligible under this chapter, and any  
25                  controlling individual or entity of the person, must be organized in the United  
26                  States and one hundred percent of the interests must be owned by citizens  
27                  of the United States, permanent resident aliens of the United States, or an  
28                  authorized individual under section 47-10.1-02.
- 29      4.   The authorized livestock farm corporation or authorized livestock farm limited liability  
30                  company may not own, lease, or otherwise have an interest in more than one hundred  
31                  sixty acres [64.75 hectares] of farmland or ranchland.

- 1       5.   a.   If an authorized livestock farm corporation, none of its shareholders may hold  
2               direct or indirect interests in other authorized livestock farm corporations or in  
3               authorized livestock farm limited liability companies that in combination with the  
4               corporation own, lease, or otherwise have an interest in more than six hundred  
5               forty acres [259 hectares] of farmland or ranchland.
- 6       b.   If an authorized livestock farm limited liability company, none of its members may  
7               hold direct or indirect interests in other authorized livestock farm limited liability  
8               companies or in other authorized livestock farm corporations that in combination  
9               with the limited liability company own, lease, or otherwise have an interest more  
10              than six hundred forty acres [259 hectares] of farmland or ranchland.
- 11       c.   This section does not restrict the number of acres [hectares] of farmland or  
12               ranchland directly owned or leased by shareholders or members who are  
13               individuals, farming or ranching corporations, farming or ranching limited liability  
14               companies, or partnerships that meet the requirements of subsection 2 of section  
15               10-06.1-02.
- 16       6.   a.   If an authorized livestock farm corporation, the officers and directors of the  
17               corporation must be shareholders who are individuals and who are actively  
18               engaged in operating the corporation.
- 19       b.   If an authorized livestock farm limited liability company, the governors, managers,  
20               and members authorized under a statement of authority, must be members who  
21               are individuals and who are actively engaged in operating the limited liability  
22               company.
- 23       7.   An annual average of at least sixty-five percent of the gross income of the authorized  
24               livestock farm corporation or authorized livestock farm limited liability company over  
25               the previous five years, or for each year of its existence, if less than five years, must  
26               have been derived from livestock backgrounding, livestock finishing, or the production  
27               of poultry or poultry products, milk or dairy products, or swine or swine products.
- 28       8.   The income of the authorized livestock farm corporation or authorized livestock farm  
29               limited liability company from nonfarm rent, nonfarm royalties, dividends, interest, and  
30               annuities may not exceed twenty percent of the gross income of the authorized  
31               livestock farm corporation or authorized livestock farm limited liability company.

- 1        9. The authorized livestock farm corporation or authorized livestock farm limited liability  
2        company may not engage in the production of crops or the grazing of livestock on  
3        farmland or ranchland.
- 4        10. If the authorized livestock farm corporation or authorized livestock farm limited liability  
5        company is intended to primarily comprise an animal feeding operation or  
6        concentrated animal feeding operation on farmland or ranchland, the corporation or  
7        limited liability company must:
- 8        a. Begin construction of the facilities used in the animal feeding operation or  
9        concentrated animal feeding operation within one year of obtaining the  
10       agricultural landholding; and
- 11       b. Have a fully operational animal feeding operation or concentrated animal feeding  
12       operation within six years of obtaining the farmland or ranchland.
- 13       11. An authorized livestock farm corporation or limited liability company violating this  
14       section, or which is inactive for three consecutive years as determined by the  
15       agriculture commissioner, is subject to the divestment provisions of section  
16       10-06.1-24.

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

19        **10-06.1-13. Applicability of North Dakota Business Corporation Act.**

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

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

27        **10-06.1-14. Applicability of North Dakota limited liability company laws.**

28        Chapter 10-32.1, ~~except those sections which pertain to foreign limited liability companies,~~  
29 is applicable to farming or ranching limited liability companies and authorized livestock farm  
30 limited liability companies, which have the powers and privileges and are subject to the duties,  
31 restrictions, and liabilities of other business limited liability companies, except when inconsistent

1 with the intent of this chapter. This chapter takes precedence in the event of any conflict with the  
2 provisions of chapter 10-32.1.

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

5 **10-06.1-15. Initial report - ShareholderFarming or ranching corporation shareholder**  
6 **and farming or ranching limited liability member requirements.**

7 1. Every farming or ranching corporation or farming or ranching limited liability company  
8 shall file an initial report with its articles of incorporation, articles of organization, or  
9 certificate of authority. The report must be signed by the incorporators or organizers or,  
10 in the case of a certificate of authority, an authorized person, and must contain the  
11 following:

12 a. The name of the farming or ranching corporation or farming or ranching limited  
13 liability company.

14 b. With respect to each shareholder or member:

15 (1) The name and address of each, including the names and addresses and

16 relationships of trusts and estates that own shares or membership interests;

17 (2) The number of shares or membership interests or percentage of shares or  
18 membership interests owned by each;

19 (3) The relationship of each;

20 (4) A statement of whether each is a citizen or permanent resident alien of the  
21 United States; and

22 (5) A statement of whether each will be actively engaged in operating the farm  
23 or ranch ~~and whether each will reside on the farm or ranch.~~

24 c. With respect to management:

25 (1) If a farming or ranching corporation, ~~then~~ the names and addresses of the  
26 officers and members of the board of directors; or

27 (2) If a farming or ranching limited liability company, ~~then~~ the names and  
28 addresses of the managers, members authorized under a statement of  
29 authority, and members of the board of governors.

30 d. If the purchase or lease of farmland or rangeland is final at the time of the initial  
31 report, a statement listing the acreage [hectarage] and location listed by section,

1 township, range, and county of all ~~land in the state~~farmland or ranchland owned  
2 or leased by the farming or ranching corporation or farming or ranching limited  
3 liability company ~~and used for farming or ranching~~. If the purchase or lease of  
4 farmland or ranchland is not yet final at the time of the initial report, a statement  
5 that there is a bona fide and imminent intent and a plan to purchase or lease  
6 farmland or ranchland ~~in the state~~.

7 e. A statement that at least sixty-five percent of the gross income of the farming or  
8 ranching corporation or farming or ranching limited liability company will be  
9 derived from engaging in the business of farming or ranching ~~operations~~, and that  
10 twenty percent or less of the gross income of the corporation or limited liability  
11 company will be from nonfarm rent, nonfarm royalties, dividends, interest, and  
12 annuities.

13 2. A farming or ranching corporation or a farming or ranching limited liability company  
14 may not commence farming or ranching in this state until the secretary of state has  
15 received and filed the articles of incorporation ~~or~~, articles of organization, or certificate  
16 of authority, and the initial report required ~~by~~under this section.

17 3. The farming or ranching corporation or farming or ranching limited liability company  
18 shall furnish to the official county newspaper of each county or counties in which ~~any~~  
19 ~~land~~farmland or ranchland is owned or leased by the corporation or limited liability  
20 company a legal notice reporting the following:

21 a. The name of the farming or ranching corporation or farming or ranching limited  
22 liability company and its shareholders or members as listed in the initial report.

23 b. A statement ~~to the effect that the~~ farming or ranching corporation or farming or  
24 ranching limited liability company has reported that it owns or leases ~~land used~~  
25 ~~for farming or ranching~~farmland or ranchland in the county and that a description  
26 of that land is available for inspection at the ~~secretary of state's office~~office of the  
27 secretary of state.

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

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

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

4        **SECTION 18.** A new section to chapter 10-06.1 of the North Dakota Century Code is  
5 created and enacted as follows:

6        **Initial report - Authorized livestock farm corporation shareholder and authorized**  
7 **livestock farm limited liability company member requirements.**

8        1. Every authorized livestock farm corporation or authorized livestock farm limited liability  
9 company shall file an initial report with its articles of incorporation, articles of  
10 organization, or certificate of authority. The report must be signed by the incorporators  
11 or organizers, or in the case of a certificate of authority, an authorized person, and  
12 must contain the following:

13        a. The name of the authorized livestock farm corporation or authorized livestock  
14 farm limited liability company.

15        b. With respect to each shareholder or member:

16            (1) The name and address of each;

17            (2) If a person other than an individual, the state of incorporation organization  
18 or domicile;

19            (3) The number of shares or membership interests or percentage of shares or  
20 membership interests of each;

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

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

24            (6) As to individuals, a statement of whether each is a citizen or permanent  
25 resident alien of the United States;

26            (7) As to individuals, a statement of whether each will be actively engaged in  
27 the business of farming or ranching; and

28            (8) As to a person other than an individual, a statement of whether the person,  
29 and any controlling person of the person, is incorporated in the United  
30 States and one hundred percent of the stock or interests is owned by

1                    citizens of the United States, permanent aliens of the United States, or  
2                    individuals or persons in compliance with section 47-10.1-02.

3            c. With respect to management:

4            (1) If an authorized livestock farm corporation, the names and addresses of the  
5            officers and members of the board of directors, and a statement whether  
6            each will be actively engaged in the operation of the corporation; or

7            (2) If an authorized livestock farm limited liability company, the names and  
8            addresses of the managers, members of the board of governors, and  
9            members authorized under a statement of authority, and a statement  
10           whether each will be actively engaged in the operation of the limited liability  
11           company.

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

15           e. If the purchase or lease of farmland or ranchland is final at the time of the initial  
16           report, a statement listing the acreage [hectarage] and location listed by section,  
17           township, range, and county of all farmland or ranchland in which the authorized  
18           livestock farm corporation or authorized livestock farm limited liability company  
19           has an ownership, leasehold, or other interest. If the purchase or lease of  
20           farmland or ranchland is not final at the time of the initial report, a statement that  
21           there is a bona fide and imminent intent and a plan to purchase or lease farmland  
22           or ranchland.

23           f. A statement that no shareholders or members hold a direct or indirect interest in  
24           other authorized livestock farm corporations or authorized livestock farm limited  
25           liability companies that in combination with the corporation or limited liability  
26           company own, lease, or hold any interest in more than six hundred forty acres  
27           [259 hectares] of farmland or ranchland. An interest disclosed under this  
28           subdivision does not include the number of acres of farmland or ranchland  
29           directly owned or leased by shareholders or members that are individuals,  
30           farming or ranching corporations, farming or ranching limited liability companies,  
31           or partnerships that meet the requirements of subsection 2 of section 10-06.1-02.

- 1           g. A statement that at least sixty-five percent of the gross income of the authorized  
2           livestock farm corporation or authorized livestock farm limited liability company  
3           will be derived from authorized livestock farm operations, and that twenty percent  
4           or less of the gross income of the corporation or limited liability company will be  
5           from nonfarm rent, nonfarm royalties, dividends, interest, and annuities.
- 6           h. A statement that the authorized livestock farm corporation or authorized livestock  
7           farm limited liability company will not engage in the production of crops or the  
8           grazing of livestock on farmland or ranchland.
- 9           i. If the authorized livestock farm corporation facility or authorized livestock farm  
10          limited liability company facility is not operational, a statement as to the planned  
11          date of the commencement of facility operations.
- 12          2. An authorized livestock farm corporation or authorized livestock farm limited liability  
13          company may not commence farming or ranching in this state until the secretary of  
14          state has received and filed the initial report required by this section and the articles of  
15          incorporation, articles of organization, or certificate of authority.
- 16          3. The authorized livestock farm corporation or authorized livestock farm limited liability  
17          company shall furnish to the official county newspaper of each county in which it has  
18          an interest in farmland and ranchland a legal notice reporting the following:
- 19           a. The name of the authorized livestock farm corporation or authorized livestock  
20           farm limited liability company and its shareholders or members as listed in the  
21           initial report.
- 22           b. A statement that the authorized livestock farm corporation or authorized livestock  
23           farm limited liability company has reported that it holds an interest in farmland or  
24           ranchland in the county, the use of the land, and that a description of that land is  
25           available for inspection at the office of the secretary of state.
- 26           c. A statement that each of the shareholders of the authorized livestock farm  
27           corporation or members of the authorized livestock farm limited liability company  
28           do not hold a direct or indirect interest in authorized livestock farm corporations  
29           or authorized livestock farm limited liability companies that in aggregate, own,  
30           lease, or otherwise hold an interest in more than six hundred forty acres [259  
31           hectares] of farmland or ranchland. An interest disclosed under this subdivision

1           does not include the number of acres of farmland or ranchland directly owned or  
2           leased by shareholders or members that are individuals, farming or ranching  
3           corporations, farming or ranching limited liability companies, or partnerships that  
4           meet the requirements of subsection 2 of section 10-06.1-02.

5           **SECTION 19. AMENDMENT.** Section 10-06.1-16 of the North Dakota Century Code is  
6 amended and reenacted as follows:

7           **10-06.1-16. Share and membership interest transfer records.**

8           1. a. Every corporation owning or leasing ~~land used for farming or ranching~~farmland or  
9           ranchland or engaged in the business of farming or ranching ~~after June 30, 1981,~~  
10           shall keep a record of transfers of shares or transfers of interests in the  
11           corporation.

12           b. Every limited liability company owning or leasing ~~land used for farming or~~  
13           ~~ranching~~farmland or ranchland or engaged in the business of farming or ranching  
14           shall keep a record of transfers of membership interests in the limited liability  
15           company.

16           2. a. If a corporation, the corporation's secretary shall cause to be recorded in the  
17           record all transfers of shares or transfers of interests among and between the  
18           corporation and its respective shareholders or holders of interest.

19           b. If a limited liability company, the limited liability company's secretary shall cause  
20           to be recorded in the record all transfers of membership interests among and  
21           between the limited liability company and its respective members.

22           3. The record must contain at least the following: the names of the transferor and  
23           transferee, their relationship, the date of the transfer and, if a corporation, the number  
24           of shares or the percentage of interests transferred or, if a limited liability company, the  
25           number or percentage of membership interests transferred.

26           **SECTION 20. AMENDMENT.** Section 10-06.1-17 of the North Dakota Century Code is  
27 amended and reenacted as follows:

28           **10-06.1-17. Annual report - Farming or ranching corporations and farming or**  
29 **ranching limited liability companies - Contents - Filing requirements.**

30           1. Except for the first annual report, the annual report of a farming or ranching  
31           ~~corporation engaged in farming or ranching after June 30, 1981, and~~ a farming or

1           ranching limited liability company engaged in the business of farming or ranching must  
2           be delivered to the secretary of state before April sixteenth of each year. The first  
3           annual report must be delivered before April sixteenth in the year following the  
4           calendar year of the effective date of the articles of incorporation, articles of  
5           organization, or certificate of authority.

6           2. The annual report must be signed as provided in subsection 58 of section 10-19.1-01  
7           if a farming or ranching corporation and subsection 49 of section 10-32.1-02 if a  
8           farming or ranching limited liability company, and submitted on a form prescribed by  
9           the secretary of state. If the corporation or limited liability company is in the hands of a  
10          receiver or trustee, it the annual report must be signed on behalf of the corporation or  
11          limited liability company by the receiver or trustee.

12          3. An annual report of the farming or ranching corporation or the farming or ranching  
13          limited liability company must include the following information with respect to the  
14          preceding calendar year:

15          4. a. The name of the farming or ranching corporation or farming or ranching limited  
16          liability company.

17          2. b. The name of the registered agent of the farming or ranching corporation or  
18          farming or ranching limited liability company as provided in chapter 10-01.1 and,  
19          if a noncommercial registered agent, the address of the registered office of the  
20          corporation or limited liability company in this state.

21          3. c. With respect to each farming or ranching corporation:

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

25          b. (2) A statement of the aggregate number of issued shares, itemized by classes,  
26          par value of shares, shares without par value, and series, if any, within a  
27          class.

28          4. d. With respect to each farming or ranching limited liability company:

29          (1) A statement of the aggregate membership interests the limited liability  
30          company has authority to issue, itemized by classes and series, if any,  
31          within a class.

- 1                   (2) A statement of the aggregate membership interests, itemized by classes  
2                   and series, if any, within a class.
- 3           e. With respect to each shareholder or member:
- 4           a. (1) The name and address of each, including the names and addresses and  
5                   relationships of beneficiaries of trusts and estates which own shares or  
6                   membership interests;
- 7           b. (2) The number of shares or membership interests or percentage of shares or  
8                   membership interests owned by each;
- 9           c. (3) The relationship of each; and
- 10          d. (4) A statement of whether each is a citizen or permanent resident alien of the  
11                   United States; ~~and~~
- 12          e. ~~A statement of whether at least one is an individual residing on or operating the~~  
13                   ~~farm or ranch.~~
- 14          5. f. With respect to management:
- 15          a. (1) If a farming or ranching corporation, ~~then~~ the name and address of each  
16                   officer and member of the board of directors, and a statement of whether  
17                   each is a shareholder actively engaged in operating the farm or ranch; or
- 18          b. (2) If a farming or ranching limited liability company, ~~then~~ the name and address  
19                   of each manager ~~and~~, member of the board of governors, and member  
20                   authorized under a statement of authority, and a statement of whether each  
21                   is a member actively engaged in operating the farm or ranch.
- 22          6. g. A statement providing the land description and listing the acreage [hectareage]  
23                   and location listed by section, township, range, and county of all ~~land in the~~  
24                   ~~state~~farmland or ranchland owned or leased by the farming or ranching  
25                   corporation or farming or ranching limited liability company ~~and used for farming~~  
26                   ~~or ranching~~. The statement must also designate which, if any, of the acreage  
27                   [hectareage] is leased from or jointly owned with any shareholder or member and  
28                   list the name of the shareholder or member with that acreage [hectareage].
- 29          7. h. A statement of the percentage of the annual average gross income of the farming  
30                   or ranching corporation or farming or ranching limited liability company which has

1                   been derived from engaging in the business of farming or ranching operations-  
2                   over the previous five years or for each year of existence if less than five years.

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

7       9-4.   A farming or ranching corporation engaged in the business of farming or ranching  
8                   which fails to file an annual report is subject to the penalties for failure to file an annual  
9                   report as provided in chapter 10-19.1, except that the penalties must be calculated  
10                  from the date of the report required byunder this section.

11       10-5.   A farming or ranching limited liability company engaged in the business of farming or  
12                  ranching which fails to file an annual report is subject to the penalties for failure to file  
13                  an annual report as provided in chapter 10-32.1, except that the penalties must be  
14                  calculated from the date of the report required byunder this section.

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

17               **Annual report - Authorized livestock farm corporations and authorized livestock farm**  
18               **limited liability companies - Contents - Filing requirements.**

19               1.    Except for the first annual report, the annual report of an authorized livestock farm  
20                  corporation or authorized livestock farm limited liability company must be delivered to  
21                  the secretary of state before April sixteenth of each year. The first annual report must  
22                  be delivered before April sixteenth in the year following the calendar year of the  
23                  effective date of the articles of incorporation, articles of organization, or certificate of  
24                  authority.

25               2.    The annual report must be signed as defined in subsection 58 of section 10-19.1-01 if  
26                  an authorized livestock farm corporation and subsection 49 of section 10-32.1-02 if an  
27                  authorized livestock farm limited liability company and submitted on a form prescribed  
28                  by the secretary of state. If the authorized livestock farm corporation or authorized  
29                  livestock farm limited liability company is in the hands of a receiver or trustee, the  
30                  annual report must be signed on behalf of the authorized livestock farm corporation or  
31                  authorized livestock farm limited liability company by the receiver or trustee.

- 1       3. An annual report of the authorized livestock farm corporation or the authorized  
2       livestock farm limited liability company must include the following information with  
3       respect to the preceding calendar year:
- 4       a. The name of the authorized livestock farm corporation or authorized livestock  
5       farm limited liability company.
- 6       b. The name of the registered agent of the authorized livestock farm corporation or  
7       authorized livestock farm limited liability company as provided in chapter 10-01.1  
8       and, if a noncommercial registered agent, the address of the registered office of  
9       the authorized livestock farm corporation or authorized livestock farm limited  
10       liability company in this state.
- 11       c. With respect to each authorized livestock farm corporation:
- 12       (1) A statement of the aggregate number of shares the authorized livestock  
13       farm corporation has authority to issue, itemized by classes, par value of  
14       shares, shares without par value, and series, if any, within a class.
- 15       (2) A statement of the aggregate number of issued shares, itemized by classes,  
16       par value of shares, shares without par value, and series, if any, within a  
17       class.
- 18       d. With respect to each authorized livestock farm limited liability company:
- 19       (1) A statement of the aggregate membership interests the authorized livestock  
20       farm limited liability company has authority to issue, itemized by classes and  
21       series, if any, within a class.
- 22       (2) A statement of the aggregate number of issued membership interests,  
23       itemized by classes and series, if any, within a class.
- 24       e. With respect to each shareholder or member:
- 25       (1) The name and address of each;
- 26       (2) If a person other than an individual, the state of incorporation, organization,  
27       or domicile;
- 28       (3) The number of shares or membership interests or percentage of shares or  
29       membership interests of each;
- 30       (4) Each person's percentage of total shares entitled to vote, or membership  
31       interests entitled to vote, and whether any voting agreement exists;

- 1           (5) Each person's percentage of total capital and financial interests;
- 2           (6) As to individuals, a statement of whether each is a citizen or permanent
- 3                 resident alien of the United States;
- 4           (7) As to individuals, a statement of whether each will be actively engaged in
- 5                 the business of farming or ranching; and
- 6           (8) As to persons other than an individual, a statement of whether the person,
- 7                 and any controlling person of the person, is incorporated or organized in the
- 8                 United States and one hundred percent of the stock or interests is owned by
- 9                 citizens of the United States, permanent resident aliens of the United
- 10                 States, or individuals or persons in compliance with section 47-10.1-02.
- 11         f. With respect to management:
- 12           (1) If an authorized livestock farm corporation, the names and addresses of the
- 13                 officers and members of the board of directors, and a statement whether
- 14                 each actively is engaged in the operation of the corporation; or
- 15           (2) If an authorized livestock farm limited liability company, the names and
- 16                 addresses of the managers and members of the board of governors, and a
- 17                 statement whether each actively is engaged in the operation of the limited
- 18                 liability company.
- 19         g. A statement that the authorized livestock farm corporation or authorized livestock
- 20                 farm limited liability company does not own, lease, or hold any interest in more
- 21                 than one hundred sixty acres [64.75 hectares] of farmland or ranchland.
- 22         h. A statement providing the farmland or ranchland description and listing the
- 23                 acreage[hectarage] and location listed by section, township, range, and county of
- 24                 all farmland or ranchland in which the authorized livestock farm corporation or
- 25                 authorized livestock farm limited liability company has an ownership, leasehold,
- 26                 or other interest.
- 27         i. A statement that no shareholders or members hold a direct or indirect interest in
- 28                 other authorized livestock farm corporations or authorized livestock farm limited
- 29                 liability companies that in combination with the corporation or limited liability
- 30                 company own, lease, or hold any interest in more than six hundred forty acres
- 31                 [259 hectares] of farmland or ranchland. The interest disclosed under this

1 subdivision does not include the number of acres [hectares] of farmland or  
2 ranchland directly owned or leased by shareholders or members who are  
3 individuals, farming or ranching corporations, farming or ranching limited liability  
4 companies, or partnerships that meet the requirements of subsection 2 of section  
5 10-06.1-02.

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

9 k. The first date of livestock operations.

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

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

18 4. An authorized livestock farm corporation engaged in authorized livestock farm  
19 operations that fails to file an annual report is subject to the penalties for failure to file  
20 an annual report as provided in chapter 10-19.1, except the penalties must be  
21 calculated from the date of the report required under this section.

22 5. An authorized livestock farm limited liability company engaged in authorized livestock  
23 farm operations that fails to file an annual report is subject to the penalties for failure to  
24 file an annual report as provided in chapter 10-32.1, except the penalties must be  
25 calculated from the date of the report required under this section.

26 **SECTION 22. AMENDMENT.** Section 10-06.1-18 of the North Dakota Century Code is  
27 amended and reenacted as follows:

28 **10-06.1-18. Reports of corporations and limited liability companies not engaged in**  
29 **farming or ranching.**

30 Any business or nonprofit corporation and any limited liability company, or nonprofit  
31 organization not engaged in the business of farming or ranching which owns or leases a tract of

1 ~~land used for farming or ranching~~farmland or ranchland which is larger than twenty acres [8.09  
2 hectares] in size shall file with the attorney general, within twelve months of any transaction  
3 involving the purchase, sale, or surface leasing of ~~such~~the farmland or ranchland by that  
4 corporation or limited liability company, a report containing all of the following information:

5 1. The name of the corporation or limited liability company and its place of incorporation  
6 or organization and, if a nonprofit ~~corporation~~organization, a copy of its section 501(c)  
7 (3) exemption letter from the internal revenue service.

8 2. The name of the registered agent of the corporation or limited liability company as  
9 provided in chapter 10-01.1 and, if a noncommercial registered agent, then the  
10 address of the noncommercial registered agent in this state.

11 3. The acreage [hectarage] and location listed by section, township, range, and county of  
12 all ~~such land in the state~~the farmland or ranchland owned or leased by the corporation  
13 or limited liability company ~~and used for farming or ranching~~.

14 4. The date and method of acquisition or disposal of ~~such~~the farmland or ranchland.

15 **SECTION 23. AMENDMENT.** Section 10-06.1-19 of the North Dakota Century Code is  
16 amended and reenacted as follows:

17 **10-06.1-19. Exemption from certain disclosure and other requirements for certain**  
18 **organizations.**

19 Sections 10-06.1-12, 10-06.1-15, 18 of this Act, 10-06.1-17, 21 of this Act, and 10-06.1-18  
20 do not apply to nonprofit organizations or to corporations or limited liability companies such as  
21 banks, trust companies, or foundations serving in a fiduciary capacity as the personal  
22 representative or trustee of an estate or trust for an individual described in subsection 2 of  
23 section 10-06.1-12.

24 **SECTION 24. AMENDMENT.** Section 10-06.1-20 of the North Dakota Century Code is  
25 amended and reenacted as follows:

26 **10-06.1-20. Failure to file report - Penalty.**

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

30 **SECTION 25. AMENDMENT.** Section 10-06.1-21 of the North Dakota Century Code is  
31 amended and reenacted as follows:

1           **10-06.1-21. Secretary of state to transmit information of noncompliance.**

2           If the secretary of state finds from the annual report that the corporation or limited liability  
3 company is not in compliance with the requirements of section 10-06.1-12 or section 13 of this  
4 Act, the secretary of state shall transmit ~~such~~the information to the attorney general and the  
5 governor.

6           **SECTION 26. AMENDMENT.** Section 10-06.1-22 of the North Dakota Century Code is  
7 amended and reenacted as follows:

8           **10-06.1-22. Tax commissioner to compare returns and reports.**

9           Each year the tax commissioner shall select at random at least five percent of the income  
10 tax returns filed by corporations or limited liability companies which report on income from  
11 engaging in the business of farming or ranching ~~operations~~ and shall compare ~~such~~the returns  
12 with the annual report required to be filed with the secretary of state by section 10-06.1-17 and  
13 section 21 of this Act and shall forward any apparent violations to the attorney general and the  
14 governor.

15           **SECTION 27. AMENDMENT.** Section 10-06.1-23 of the North Dakota Century Code is  
16 amended and reenacted as follows:

17           **10-06.1-23. Attorney general to conduct random compliance program.**

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

25           **SECTION 28. AMENDMENT.** Section 10-06.1-24 of the North Dakota Century Code is  
26 amended and reenacted as follows:

27           **10-06.1-24. Enforcement - Penalty.**

28           1.   a.   The recorder shall mail or deliver a copy of every instrument filed or recorded,  
29                   within thirty days after the instrument is recorded, to the attorney general if the  
30                   instrument documents evidence of a lease agreement or purchase agreement

- 1                   pursuant to subsection 6 or 7 or if the instrument conveys the title to farmland or  
2                   ranchland to a corporation or limited liability company.
- 3           **b.**   The attorney general shall commence an action in the district court of the county  
4                   in which the substantial portion of farmland or ranchland used in violation of this  
5                   chapter is situated if the attorney general has reason to believe that any person is  
6                   violating this chapter. The attorney general shall file for record with the recorder  
7                   of each county in which any portion of the land is located a notice of the  
8                   pendency of the action.
- 9           **c.**   If the court finds that the ~~land in question~~ farmland or ranchland is being held in  
10                   violation of this chapter, or that a corporation or limited liability company is  
11                   ~~conducting~~ engaging in the business of farming or ranching in violation of this  
12                   chapter, the court shall enter an order ~~so declaring~~ pursuant to the court's findings  
13                   of fact and conclusions of law. The attorney general shall file ~~any such~~ the order  
14                   for record with the recorder of each county in which any portion of the land is  
15                   located. Thereafter, the corporation or limited liability company shall, within the  
16                   time set by the court not to exceed one year from the date of the court's final  
17                   order, divest itself of ~~any farming or ranching land~~ the farmland or ranchland  
18                   owned or leased by it in violation of this chapter, and cease ~~all~~ engaging in the  
19                   business of farming or ranching operations.
- 20           **d.**   Except as otherwise provided in subsection 10, any corporation or limited liability  
21                   company that fails to comply with the court's order is subject to a civil penalty not  
22                   to exceed twenty-five thousand dollars and may be dissolved or terminated by  
23                   the secretary of state.
- 24           2.   The divestment period is deemed to be a covenant running with the title to the  
25                   ~~land~~ farmland or ranchland against any corporate or limited liability company grantee,  
26                   corporate or limited liability company successor, or corporation or limited liability  
27                   company assignee of the corporation or limited liability company not authorized to  
28                   ~~de~~ engage in the business of farming or ranching under this chapter.
- 29           3.   Any ~~land~~ farmland or ranchland not divested within the divestment period prescribed  
30                   must be sold at public sale in the manner prescribed by law for the foreclosure of real  
31                   estate mortgage by action. In addition, any prospective or threatened violation may be

- 1           enjoyed by an action brought by the attorney general in the manner provided by law,  
2           including enjoining the corporation or limited liability company from completing  
3           performance on the remainder of any leasehold which is in violation of this chapter.
- 4           4. Subject to the divestiture requirements of subsections 5, 6, and 7, a ~~domestic or~~  
5           ~~foreign~~ corporation or limited liability company may acquire farmland or ranchland as  
6           security for indebtedness, by process of law in the collection of debts, or by any  
7           procedure for the enforcement of a lien or claim thereon, whether created by mortgage  
8           or otherwise.
- 9           5. Unless retention of the farmland or ranchland is permitted under subsection 6 or 7, all  
10          farmland or ranchland acquired as security for indebtedness, in the collection of debts,  
11          or by the enforcement of a lien or claim shall be disposed of within three years after  
12          acquiring ownership, if the acquisition would otherwise violate this chapter.
- 13          6. The disposition requirement does not apply to a corporation or limited liability company  
14          that has acquired title to the ~~land~~farmland or ranchland through the process of  
15          foreclosure of a mortgage, or a deed from a mortgagor instead of a foreclosure, if, by  
16          the expiration of one month after what is or what would have been the redemption  
17          period of the mortgage if the mortgage had been foreclosed, that corporation or limited  
18          liability company leases to the prior mortgagor from whom it was acquired, with an  
19          option to purchase, and if documents evidencing the lease agreement have been filed  
20          with the recorder of each county in which the land is located. A copy of a notice of  
21          lease is sufficient evidence. The exemption in this subsection applies for only five  
22          years and then only if the property has been appraised in accordance with  
23          subsection 8. The annual lease payments required of the tenant may not exceed  
24          seven percent of the appraised value.
- 25          7. The disposition requirement does not apply to a corporation or limited liability company  
26          that has acquired title to the ~~land~~farmland or ranchland through the process of  
27          foreclosure of a mortgage, or a deed from the mortgagor instead of foreclosure, if, by  
28          the expiration of one month after what is or what would have been the redemption  
29          period of the mortgage if the mortgage had been foreclosed, that corporation or limited  
30          liability company contracts for the sale of the land to the prior mortgagor from whom it  
31          was acquired, and if documents evidencing the purchase agreement have been filed

1 with the recorder of each county in which the land is located. A copy of a notice of the  
2 contract for deed is sufficient evidence. An exemption under this subsection is valid  
3 only if an appraisal has been made in accordance with subsection 8, and if it is valid,  
4 the exemption is unlimited in duration. The sale price may not exceed the price  
5 determined by the appraisers.

6 8. If an appraisal is required, the appraisal must be made by three independent  
7 appraisers, one selected by the corporation or limited liability company, one selected  
8 by the prior mortgagor, and the third selected by the first two appraisers.

9 9. If a corporation or limited liability company holds ~~land~~farmland or ranchland pending  
10 divestiture, and the holding is not otherwise ~~governed by~~regulated under this section,  
11 the land must be leased to persons actually engaged in the business of farming or  
12 ranching and a disposal may not be to a corporation or limited liability company unless  
13 ownership by that corporation or limited liability company is authorized under this  
14 chapter.

15 10. The civil penalty for a violation of section 10-06.1-10 may not exceed one hundred  
16 thousand dollars.

17 11. Except as provided in subsection 10, any corporation or limited liability company  
18 continuing to violate this chapter is subject to a civil penalty not to exceed twenty-five  
19 thousand dollars and may be dissolved or terminated by the attorney general in  
20 accordance with the laws of this state.

21 **SECTION 29. AMENDMENT.** Section 10-06.1-25 of the North Dakota Century Code is  
22 amended and reenacted as follows:

23 **10-06.1-25. Private enforcement.**

24 This chapter may be enforced in the same manner as provided in section 10-06.1-24 by any  
25 corporation or limited liability company authorized to engage in the business of farming or  
26 ranching ~~by~~under this chapter or any resident of legal age of a county in which the ~~land~~farmland  
27 or ranchland owned or leased by a corporation or limited liability company in violation of this  
28 chapter is located. ~~If such action is successful, all costs of the action must be assessed against~~  
29 ~~the defendant and a reasonable attorney's fee must be allowed the plaintiff. If judgment is~~  
30 ~~rendered for the defendant, such costs and a reasonable attorney's fee for the defendant must~~

1 be paid by the plaintiff if an action is brought under this section, the district court must award to  
2 the prevailing party the actual costs and disbursements and reasonable attorney's fees.

3 **SECTION 30. AMENDMENT.** Section 10-06.1-26 of the North Dakota Century Code is  
4 amended and reenacted as follows:

5 **10-06.1-26. Protection of minority shareholders.**

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

1 corporation shall be first used to pay all the liabilities of the corporation with the  
2 remaining net assets to be distributed pro rata to the shareholders in proportion to  
3 their ownership of shares. For the purpose of this section, a fair price for the shares of  
4 the withdrawing shareholder must be determined as though the shares were being  
5 valued for federal gift tax purposes under the Internal Revenue Code.

6 **SECTION 31. AMENDMENT.** Section 10-06.1-27 of the North Dakota Century Code is  
7 amended and reenacted as follows:

8 **10-06.1-27. Protection of minority members.**

- 9 1. If a member owns less than fifty percent of the membership interest of a farming or  
10 ranching limited liability company or authorized livestock farm limited liability company  
11 ~~doing~~engaged in the business of farming and ranching under this chapter and if the  
12 terms and conditions for the repurchase of that membership interest by the limited  
13 liability company or by the other members are not set forth in the bylaws, the  
14 instrument that transferred the membership interest to the member, or are not the  
15 subject of a member-control agreement or other agreement between that member and  
16 the limited liability company, the disposition of the membership interest must be  
17 determined ~~by~~under this section upon the withdrawal of the member.
- 18 2. Any member who desires to withdraw from the farming or ranching limited liability  
19 company or authorized livestock farm limited liability company shall first offer the  
20 membership interest for sale to the remaining members in proportion to the  
21 membership interests owned by the remaining members. If not all of the members  
22 wish to purchase the membership interest, any one member can purchase all of the  
23 membership interest of the withdrawing member. If no member desires to purchase  
24 the membership interest of the withdrawing member, the limited liability company may  
25 purchase the membership interest. If the limited liability company chooses not to  
26 purchase the membership interest of the withdrawing member, the withdrawing  
27 member may sell the membership interest to any other person eligible to be a  
28 member. If the withdrawing member is unable to sell the membership interest to any  
29 other person eligible to become a member, the withdrawing member may bring an  
30 action in district court to terminate the limited liability company.

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