

**SENATE BILL NO. 2344**

Introduced by

Senator W. Stenehjem

Representative Kretschmar

1 A BILL for an Act to create and enact sections 10-19.1-41.1, 10-19.1-72.1, 10-19.1-73.2,  
2 10-19.1-73.3, 10-19.1-75.1, 10-19.1-75.2, 10-19.1-76.1, 10-19.1-76.2, 10-19.1-76.3,  
3 10-19.1-85.1, 10-19.1-132, 10-19.1-133, 10-19.1-134, 10-19.1-135, 10-19.1-136, 10-19.1-137,  
4 10-19.1-138, 10-19.1-139, 10-19.1-140, 10-19.1-141, 10-19.1-142, 10-19.1-143, 10-19.1-144,  
5 10-19.1-145, 10-19.1-146, 10-19.1-147, 10-19.1-148, 10-19.1-149, 10-19.1-150, 10-19.1-151,  
6 10-19.1-152, 10-32-39.1, 10-32-40.1, 10-32-40.2, 10-32-43.1, 10-32-43.2, 10-32-48.1,  
7 10-32-52.1, 10-32-78.1, 10-32-130.1, 10-32-130.2, 10-32-156, 57-38-07.2, and 57-38.1-17.3 of  
8 the North Dakota Century Code, relating to the North Dakota Business Corporation Act -  
9 General Provisions, the Limited Liability Company Act, limited liability partnerships, income tax,  
10 and the Uniform Division of Income Tax Act; to amend and reenact sections 10-06.1-17,  
11 10-19.1-01, 10-19.1-10, 10-19.1-13, 10-19.1-14, 10-19.1-15, 10-19.1-16, 10-19.1-25,  
12 10-19.1-26, 10-19.1-30, 10-19.1-31, 10-19.1-35, 10-19.1-40, 10-19.1-41, 10-19.1-42,  
13 10-19.1-43, 10-19.1-47, 10-19.1-48, 10-19.1-50, 10-19.1-51, 10-19.1-52, 10-19.1-53,  
14 10-19.1-55, 10-19.1-56, 10-19.1-57, 10-19.1-58, 10-19.1-59, 10-19.1-60, 10-19.1-66,  
15 10-19.1-71, 10-19.1-72, 10-19.1-73, 10-19.1-74, 10-19.1-75, 10-19.1-76, 10-19.1-81,  
16 10-19.1-82, 10-19.1-83, 10-19.1-85, 10-19.1-86, 10-19.1-87, 10-19.1-89, 10-19.1-90,  
17 10-19.1-91, 10-19.1-92, 10-19.1-95, 10-19.1-110, 10-19.1-110.1, 10-19.1-115, 10-19.1-117,  
18 10-19.1-123, 10-19.1-124, 10-19.1-127, 10-31-01, 10-31-02, 10-31-02.1, 10-31-02.2, 10-31-03,  
19 10-31-04, 10-31-05, 10-31-07, 10-31-07.1, 10-31-07.2, 10-31-07.3, 10-31-12, 10-31-13,  
20 10-31-13.1, 10-32-02, 10-32-06, 10-32-07, 10-32-10, 10-32-11, 10-32-12, 10-32-13, 10-32-15,  
21 10-32-16, 10-32-17, 10-32-19, 10-32-22, 10-32-23, 10-32-28, 10-32-31, 10-32-32, 10-32-34,  
22 10-32-37, 10-32-38, 10-32-39, 10-32-40, 10-32-42, 10-32-43, 10-32-44, 10-32-47, 10-32-48,  
23 10-32-51, 10-32-52, 10-32-53, 10-32-54, 10-32-55, 10-32-56, 10-32-58, 10-32-64, 10-32-66,  
24 10-32-67, 10-32-68, 10-32-72, 10-32-77, 10-32-78, 10-32-79, 10-32-80, 10-32-81, 10-32-83,  
25 10-32-84, 10-32-85, 10-32-86, 10-32-87, 10-32-88, 10-32-89, 10-32-91, 10-32-92, 10-32-93,

1 10-32-94, 10-32-95, 10-32-96, 10-32-97, 10-32-99, 10-32-100, 10-32-101, 10-32-102,  
2 10-32-103, 10-32-104, 10-32-105, 10-32-106, 10-32-107, 10-32-108, 10-32-109, 10-32-110,  
3 10-32-113, 10-32-114, 10-32-115, 10-32-117, 10-32-119, 10-32-121, 10-32-122, 10-32-127,  
4 10-32-135, 10-32-136, 10-32-137, 10-32-138, 10-32-139, 10-32-140, 10-32-141, 10-32-142,  
5 10-32-143, 10-32-144, 10-32-145, 10-32-146, 10-32-147, 10-32-148, 10-32-149, 10-32-150,  
6 10-32-152, 10-32-153, 10-32-154, 10-32-155, 45-10.1-01, 45-10.1-02, 45-10.1-03, 45-10.1-04,  
7 45-10.1-07.1, 45-10.1-08, 45-10.1-51, 45-10.1-52, 45-10.1-53, 45-10.1-54, 45-10.1-55,  
8 45-10.1-56, 45-10.1-57, 45-10.1-58, 45-22-01, 45-22-03, 45-22-04, 45-22-05, 45-22-06,  
9 45-22-07, 45-22-08, 45-22-11, 45-22-12, 45-22-13, 45-22-14, 45-22-16, 45-22-17, 45-22-18,  
10 45-22-20, 45-22-22, 45-22-23, 45-22-24, 45-22-25, 45-22-26, 45-22-27, 57-38-07.1, and  
11 57-38.1-17.2 of the North Dakota Century Code, relating to corporations or limited liability  
12 company farming, the Business Corporation Act, the Professional Organizations Act, the  
13 Limited Liability Company Act, the Uniform Limited Partnership Act, limited liability partnerships,  
14 income tax, and the Uniform Division of Income Tax Act; to repeal sections 10-19.1-54,  
15 10-19.1-73.1, 10-19.1-77, 10-19.1-78, 10-19.1-79, 10-19.1-80, chapters 10-22, 10-23, sections  
16 10-32-41, 10-32-45, 10-32-46, 10-32-90, and 10-32-151 of the North Dakota Century Code,  
17 relating to the North Dakota Business Corporation Act - General Provisions, the North Dakota  
18 Business Corporation Act - Foreign Corporations, the North Dakota Business Corporation Act -  
19 Administration, Reports, Fees, Effect, and the Limited Liability Company Act; and to provide  
20 penalties.

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

22 **SECTION 1. AMENDMENT.** Section 10-06.1-17 of the North Dakota Century Code is  
23 amended and reenacted as follows:

24 **10-06.1-17. Annual report - Contents - Filing requirements.** ~~Prior to~~ Before April  
25 fifteenth of each year, every corporation engaged in farming or ranching after June 30, 1981,  
26 and every limited liability company engaged in farming or ranching shall file with the secretary  
27 of state a report executed by its president, a vice president, secretary, or treasurer containing  
28 all of the following information with respect to the preceding calendar year:

29 1. The name of the corporation or limited liability company.

- 1           2.    The address of the registered office of the corporation or limited liability company in  
2                    this state and the name of its registered agent in this state at that address.
- 3           3.    With respect to each corporation:
- 4                a.    A statement of the aggregate number of shares the corporation has authority  
5                    to issue, itemized by classes, par value of shares, shares without par value,  
6                    and series, if any, within a class.
- 7                b.    A statement of the aggregate number of issued shares, itemized by classes,  
8                    par value of shares, shares without par value, and services, if any, within a  
9                    class.
- 10          4.    With respect to each shareholder or member:
- 11                a.    The name and address of each, including the names and addresses and  
12                    relationships of beneficiaries of trusts and estates which own shares or  
13                    membership interests;
- 14                b.    The number of shares or membership interests or percentage of shares or  
15                    membership interests owned by each;
- 16                c.    The relationship of each;
- 17                d.    A statement of whether each is a citizen or permanent resident alien of the  
18                    United States; and
- 19                e.    A statement of whether at least one is an individual residing on or operating  
20                    the farm or ranch.
- 21          ~~4.~~ 5. With respect to management:
- 22                a.    If a corporation, then the names and addresses of the officers and members  
23                    of the board of directors; or
- 24                b.    If a limited liability company, then the names and addresses of the managers  
25                    and members of the board of governors.
- 26          ~~5.~~ 6. A statement listing the acreage [hectarage] and location listed by section,  
27                    township, range, and county of all land in the state owned or leased by the  
28                    corporation or limited liability company and used for farming or ranching. The  
29                    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       ~~6-~~ 7. A statement of the percentage of the annual average gross income of the  
2                   corporation or limited liability company which has been derived from farming or  
3                   ranching operations over the previous five years or for each year of its existence if  
4                   less than five years.
- 5       ~~7-~~ 8. 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       ~~8-~~ 9. A corporation engaged in farming which fails to file an annual report is subject to  
9                   the penalties provided in section ~~40-23-02~~ 10-19.1-147 except that the penalties  
10                  must be calculated from the date of the report required by this section.
- 11      ~~9-~~ 10. A limited liability company engaged in farming which fails to file an annual report is  
12                  subject to the penalties provided in subsections 5 and 6 of section 10-32-149  
13                  except that the penalties must be calculated from the date of the report required by  
14                  this section.

15               **SECTION 2. AMENDMENT.** Section 10-19.1-01 of the North Dakota Century Code is  
16      amended and reenacted as follows:

17               **10-19.1-01. Definitions.** For the purposes of this chapter, unless the context clearly  
18      indicates that a different meaning is intended:

- 19               1. "Acquiring corporation" means the domestic or foreign corporation that acquires  
20                  the shares of a corporation in an exchange.
- 21               2. "Address" means ~~mailing address~~;
- 22                  a. In the case of a registered office or principal executive office, the ~~term means~~  
23                  ~~the office~~ mailing address, including a zip code of the actual office location,  
24                  which may not be only a post-office box; and
- 25                  b. In any other case, the mailing address, including a zip code.
- 26               3. "Articles" means:
- 27                  a. In the case of a corporation incorporated under or governed by this chapter,  
28                  articles of incorporation, articles of amendment, a resolution of election to  
29                  become governed by this chapter, a demand retaining the two-thirds majority  
30                  for shareholder approval of certain transactions, a statement of change of  
31                  registered office, registered agent, or name of registered agent, a statement

- 1                    establishing or fixing the rights and preferences of a class or series of shares,  
2                    a statement of cancellation of authorized shares, articles of merger, articles of  
3                    abandonment, and articles of dissolution.
- 4                    b.    In the case of a foreign corporation, the term includes all documents serving a  
5                    similar function required to be filed with the secretary of state or other officer  
6                    of the corporation's state of incorporation.
- 7                    4.    "Board" or "board of directors" means the board of directors of a corporation.
- 8                    5.    "Board member" means:
- 9                    a.    An individual serving on the board of directors in the case of a corporation;  
10                    and  
11                    b.    An individual serving on the board of governors in the case of a limited liability  
12                    company.
- 13                    6.    "Bylaws" means the code adopted for the regulation or management of the internal  
14                    affairs of a corporation, regardless of how that code is designated.
- 15                    7.    "Class", when used with reference to shares, means a category of shares that  
16                    differs in designation or one or more rights or preferences from another category of  
17                    shares of the corporation.
- 18                    ~~7.~~ 8.    "Closely held corporation" means a corporation that does not have more than  
19                    thirty-five shareholders.
- 20                    ~~8.~~ 9.    "Constituent corporation" means a domestic or foreign corporation that is a party to  
21                    a merger or exchange.
- 22                    ~~9.~~ 10.    "Corporation" means a corporation, other than a foreign corporation, organized for  
23                    profit and incorporated under or governed by this chapter.
- 24                    ~~10.~~ 11.    "Director" means a member of the board.
- 25                    ~~11.~~ 12.    "Distribution" means a direct or indirect transfer of money or other property, other  
26                    than its own shares, with or without consideration, or an incurrence or issuance of  
27                    indebtedness, by a corporation to any of its shareholders in respect of its shares-  
28                    ~~A distribution, and~~ and may be in the form of a dividend or a distribution in liquidation,  
29                    or as consideration for the purchase, redemption, or other acquisition of its shares,  
30                    or otherwise.





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- 1    ~~23.~~ 25. "Organization" means ~~a,~~ whether domestic or foreign, a corporation incorporated in  
2                    or authorized to do business in this state under this or another chapter of this code,  
3                    limited liability company, partnership, limited partnership, limited liability  
4                    partnership, joint venture, association, business trust, estate, trust, enterprise, and  
5                    any other legal or commercial entity.
- 6    ~~24.~~ 26. "Outstanding shares" means all shares duly issued and not reacquired by a  
7                    corporation.
- 8    ~~25.~~ 27. "Owners" means:  
9                    a. Shareholders in the case of a corporation; and  
10                    b. Members in the case of a limited liability company or a nonprofit corporation.
- 11   ~~26.~~ 28. "Ownership interests" means:  
12                    a. Shares in the case of a corporation; and  
13                    b. Membership interests in the case of a nonprofit corporation or limited liability  
14                    company; and  
15                    c. Similar interests in other organizations.
- 16   ~~27.~~ 29. "Parent" of a specified corporation means a corporation or limited liability company  
17                    that directly, or indirectly through related corporations or limited liability companies,  
18                    owns more than fifty percent of the voting power of the shares entitled to vote for  
19                    directors of the specified corporation.
- 20   ~~28.~~ 30. "Principal executive office" means an office where the elected or appointed  
21                    president of a corporation has an office. ~~If, or if~~ the corporation has no elected or  
22                    appointed president "~~principal executive office~~" means, then the registered office of  
23                    the corporation.
- 24    ~~29.~~ "~~Related organization~~" of a specified corporation means:  
25                    a. ~~A parent or subsidiary of the specified corporation;~~  
26                    b. ~~Another subsidiary of a parent of the specified corporation;~~  
27                    c. ~~A limited liability company owning, directly or indirectly, more than fifty percent~~  
28                    ~~of the voting power of the shares entitled to vote for directors of the specified~~  
29                    ~~corporation;~~



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- 1           d. ~~A limited liability company having more than fifty percent of the voting power~~  
2           ~~of its membership interests entitled to vote for governors owned directly or~~  
3           ~~indirectly by the specified corporation;~~
- 4           e. ~~A limited liability company having more than fifty percent of the voting power~~  
5           ~~of its membership interests entitled to vote for governors owned directly or~~  
6           ~~indirectly by either:~~
- 7           (1) ~~A parent of the specified corporation; or~~
- 8           (2) ~~A limited liability company owning, directly or indirectly, more than fifty~~  
9           ~~percent of the voting power of the shares entitled to vote for directors of~~  
10           ~~the specified corporation; or.~~
- 11          f. ~~A corporation having more than fifty percent of the voting power of its shares~~  
12           ~~entitled to vote for directors owned directly or indirectly by a limited liability~~  
13           ~~company owning, directly or indirectly, more than fifty percent of the voting~~  
14           ~~power of the shares entitled to vote for directors of the specified corporation.~~
- 15          31. "Registered office" means the place in this state designated in the articles as the  
16           registered office of the corporation.
- 17          32. "Related organization" means an organization that controls, is controlled by, or is  
18           under common control with another organization with control existing if an  
19           organization:
- 20           a. Owns, directly or indirectly, at least fifty percent of the shares, membership  
21           interests, or other ownership interests of another organization;
- 22           b. Has the right, directly or indirectly, to elect, appoint, or remove fifty percent or  
23           more of the voting members of the governing body of another organization; or
- 24           c. Has the power, directly or indirectly, to direct or cause the direction of the  
25           management and policies of another organization, whether through the  
26           ownership of voting interests, by contract, or otherwise.
- 27          ~~30.~~ 33. "Security" has the meaning given it in subsection 13 of section 10-04-02.
- 28          ~~34.~~ 34. "Series" means a category of shares, within a class of shares authorized or issued  
29           by a corporation by or pursuant to its articles, that have some of the same rights  
30           and preferences as other shares within the same class, but that differ in

- 1 designation or one or more rights and preferences from another category of shares  
2 within that class.
- 3 ~~32.~~ 35. "Share" means one of the units, however designated, into which the shareholders'  
4 proprietary interests in a corporation are divided.
- 5 ~~33.~~ 36. "Shareholder" means a person registered on the books or records of a corporation  
6 or its transfer agent or registrar as the owner of whole or fractional shares of the  
7 corporation.
- 8 ~~34.~~ 37. "Signed" means that the signature of a person has been placed on a document, as  
9 provided in subsection 39 of section 41-01-11, and, ~~with:~~
- 10 a. With respect to a document required by this chapter to be filed with the  
11 secretary of state, means that the document has been signed by a person  
12 authorized to do so by this chapter, the articles or bylaws, or a resolution  
13 approved by the affirmative vote of the required proportion or number of the  
14 directors or the holders of the required proportion or number of the voting  
15 power of the shares present and entitled to vote. ~~A signature on; and~~
- 16 b. With respect to a document not required by this chapter to be filed with the  
17 secretary of state, the signature may be a facsimile affixed, engraved, printed,  
18 placed, stamped with indelible ink, or in any other manner reproduced on the  
19 document.
- 20 ~~35.~~ 38. "Subscriber" means a person who subscribes for shares in a corporation, whether  
21 before or after incorporation.
- 22 ~~36.~~ 39. "Subsidiary" of a specified corporation means:
- 23 a. A corporation having more than fifty percent of the voting power of its shares  
24 entitled to vote for directors owned directly, or indirectly through related  
25 corporations or limited liability companies, by the specified corporation; or
- 26 b. A limited liability company having more than fifty percent of the voting power  
27 of its membership interests entitled to vote for governors owned directly, or  
28 indirectly through related limited liability companies or corporations, by the  
29 specified limited liability company.
- 30 ~~37.~~ 40. "Surviving corporation" means the domestic or foreign corporation resulting from a  
31 merger.

- 1 ~~38.~~ 41. "Vote" includes authorization by written action.
- 2 ~~39.~~ 42. "Written action" means a written document signed by all of the persons required to
- 3 take the action ~~described. The term also means, or~~ the counterparts of a written
- 4 document signed by any of the persons taking the action described. Each
- 5 counterpart constitutes the action of the person signing it, and all the counterparts,
- 6 taken together, constitute one written action by all of the persons signing them.

7 **SECTION 3. AMENDMENT.** Section 10-19.1-10 of the North Dakota Century Code is

8 amended and reenacted as follows:

9 **10-19.1-10. Articles.**

- 10 1. The articles of incorporation must contain:
- 11 a. The name of the corporation.
- 12 b. The address of the registered office of the corporation and the name of its
- 13 registered agent, at that address.
- 14 c. The aggregate number of shares that the corporation has authority to issue.
- 15 d. The name and address of each incorporator.
- 16 e. The effective date of ~~the corporation~~ incorporation if a later date than that on
- 17 which the certificate of incorporation is issued by the secretary of state.—~~A~~
- 18 ~~later effective date, which~~ may not be later than ninety days after the date on
- 19 which the certificate of incorporation is issued.
- 20 2. The articles of incorporation may not contain:
- 21 a. Any provision limiting the right of cumulative voting as guaranteed by section
- 22 6 of article XII of the Constitution of North Dakota.
- 23 b. Any provision authorizing the issuance of stocks or bonds in violation of
- 24 section 9 of article XII of the Constitution of North Dakota.
- 25 3. The following provisions govern a corporation unless modified in the articles:
- 26 a. A corporation has general business purposes as provided in section
- 27 10-19.1-08.
- 28 b. A corporation has perpetual existence and certain powers as provided in
- 29 section 10-19.1-26.
- 30 c. The power to adopt, amend, or repeal the bylaws is vested in the board as
- 31 provided in section 10-19.1-31.

- 1 d. The affirmative vote of a majority of directors present is required for an action  
2 of the board as provided in section 10-19.1-46.
- 3 e. A written action by the board taken without a meeting must be signed by all  
4 directors as provided in section 10-19.1-47.
- 5 f. The board may authorize the issuance of securities and rights to purchase  
6 securities as provided in subsection 1 of section 10-19.1-61.
- 7 g. All shares are common shares entitled to vote and are of one class and one  
8 series as provided in subdivisions a and b of subsection 2 of section  
9 10-19.1-61.
- 10 h. All shares have equal rights and preferences in all matters not otherwise  
11 provided for by the board as provided in subdivisions a and b of subsection 2  
12 of section 10-19.1-61.
- 13 i. The par value of shares is fixed at one cent per share for certain purposes  
14 and may be fixed by the board for certain other purposes as provided in  
15 subdivisions a and b of subsection 2 of section 10-19.1-61.
- 16 j. The board or the shareholders may issue shares for any consideration or for  
17 no consideration to effectuate share dividends or splits and determine the  
18 value of nonmonetary consideration as provided in subsection 1 of section  
19 10-19.1-63.
- 20 k. Shares of a class or series may not be issued to holders of shares of another  
21 class or series to effectuate share dividends or splits, unless authorized by a  
22 majority of the voting power of the shares of the same class or series as the  
23 shares to be issued as provided in subsection 1 of section 10-19.1-63.
- 24 l. A corporation may issue rights to purchase securities whose terms,  
25 provisions, and conditions are fixed by the board as provided in section  
26 10-19.1-64.
- 27 m. The affirmative vote of the holders of a majority of the voting power of the  
28 shares present and entitled to vote at a duly held meeting is required for an  
29 action of the shareholders, except where this chapter requires the affirmative  
30 vote of a majority of the voting power of all shares entitled to vote as provided  
31 in subsection 1 of section 10-19.1-74.

- 1 n. Shares of a corporation acquired by the corporation may be reissued as  
2 provided in subsection 1 of section 10-19.1-93.
- 3 o. An exchange need not be approved by shareholders of the acquiring  
4 corporation unless the outstanding shares entitled to vote of that corporation  
5 will be increased by more than twenty percent immediately after the exchange  
6 as provided in subdivision c of subsection 3 of section 10-19.1-98.
- 7 p. An exchange need not be approved by shareholders of the acquiring  
8 corporation unless the outstanding participating shares of that corporation will  
9 be increased by more than twenty percent immediately after the exchange as  
10 provided in subdivision d of subsection 3 of section 10-19.1-98.
- 11 q. Each share has one vote unless otherwise provided in the terms of the share  
12 as provided in subsection 3 of section 10-19.1-77.
- 13 r. The board may effect share dividends, divisions, and combinations under  
14 certain circumstances without shareholder approval as provided in section  
15 10-19.1-61.1.
- 16 4. The following provisions govern a corporation unless modified either in the articles  
17 or in the bylaws:
- 18 a. ~~Directors serve~~ A director serves for an indefinite term that expires upon the  
19 election and qualification of a successor as provided in section 10-19.1-35.
- 20 b. The compensation of directors is fixed by the board as provided in section  
21 10-19.1-37.
- 22 c. The method provided in section 10-19.1-41 or 10-19.1-41.1 must be used for  
23 removal of directors.
- 24 d. The method provided in section 10-19.1-42 must be used for filling board  
25 vacancies.
- 26 e. If the board fails to select a place for a board meeting, it must be held at the  
27 principal executive office as provided in subsection 1 of section 10-19.1-43.
- 28 f. ~~The~~ A director may call a board meeting, and the notice of ~~a board~~ the  
29 meeting need not state the purpose of the meeting as provided in  
30 subsection 3 of section 10-19.1-43.

- 1           g. A majority of the board is a quorum for a board meeting as provided in section  
2                   10-19.1-45.
- 3           h. A committee must consist of one or more persons, who need not be directors,  
4                   appointed by affirmative vote of a majority of the directors present as provided  
5                   in subsection 2 of section 10-19.1-48.
- 6           i. The board may establish a special litigation committee as provided in section  
7                   10-19.1-48.
- 8           j. Officers may delegate some or all of their duties and powers, if not prohibited  
9                   by the board from doing so as provided in section 10-19.1-59.
- 10          k. Regular meetings of shareholders need not be held, unless demanded by a  
11                   shareholder under certain conditions as provided in section 10-19.1-71.
- 12          l. No fewer than ten nor more than fifty days' notice is required for a meeting of  
13                   shareholders as provided in subsection 3 of section 10-19.1-73.
- 14          m. The number of shares required for a quorum at a shareholders' meeting is a  
15                   majority of the voting power of the shares entitled to vote at the meeting as  
16                   provided in section 10-19.1-76.
- 17          n. The board may fix a date up to fifty days before the date of a shareholders'  
18                   meeting as the date for the determination of the holders of shares entitled to  
19                   notice of and entitled to vote at the meeting as provided in subsection 1 of  
20                   section 10-19.1-77.
- 21          o. Indemnification of certain persons is required as provided in section  
22                   10-19.1-91.
- 23          p. The board may authorize, and the corporation may make, distributions not  
24                   prohibited, limited, or restricted by an agreement as provided in subsection 1  
25                   of section 10-19.1-92.
- 26          5. The following provisions relating to the management of the business or the  
27                   regulation of the affairs of a corporation may be included either in the articles or,  
28                   except for naming members of the first board fixing a greater than majority director  
29                   or shareholder vote or giving or prescribing the manner of giving voting rights to  
30                   persons other than shareholders otherwise than pursuant to the articles, or  
31                   eliminating or limiting a director's personal liability, in the bylaws:

- 1 a. The members of the first board may be named in the articles as provided in
- 2 subsection 1 of section 10-19.1-32.
- 3 b. A manner for increasing or decreasing the number of directors as provided in
- 4 section 10-19.1-33.
- 5 c. Additional qualifications for directors may be imposed as provided in section
- 6 10-19.1-34.
- 7 d. Directors may be classified as provided in section 10-19.1-38.
- 8 e. The day or date, time, and place of board meetings may be fixed as provided
- 9 in subsection 1 of section 10-19.1-43.
- 10 f. Absent directors may be permitted to give written consent or opposition to a
- 11 proposal as provided in section 10-19.1-44.
- 12 g. A larger than majority vote may be required for board action as provided in
- 13 section 10-19.1-46.
- 14 h. Authority to sign and deliver certain documents may be delegated to an officer
- 15 or agent of the corporation other than the president as provided in section
- 16 10-19.1-53.
- 17 i. Additional officers may be designated as provided in section 10-19.1-54.
- 18 j. Additional powers, rights, duties, and responsibilities may be given to officers
- 19 as provided in section 10-19.1-53.
- 20 k. A method for filling vacant offices may be specified as provided in subsection
- 21 3 of section 10-19.1-58.
- 22 l. A certain officer or agent may be authorized to sign share certificates as
- 23 provided in subsection 1 of section 10-19.1-66.
- 24 m. The transfer or registration of transfer of securities may be restricted as
- 25 provided in section 10-19.1-70.
- 26 n. The day or date, time, and place of regular shareholder meetings may be
- 27 fixed as provided in subsection 3 of section 10-19.1-71.
- 28 o. Certain persons may be authorized to call special meetings of shareholders
- 29 as provided in subsection 1 of section 10-19.1-72.
- 30 p. Notices of shareholder meetings may be required to contain certain
- 31 information as provided in subsection 4 of section 10-19.1-73.

- 1 q. A larger than majority vote may be required for shareholder action as provided  
2 in section 10-19.1-74.
- 3 r. Voting rights may be granted in or pursuant to the articles to persons who are  
4 not shareholders as provided in subsection 4 of section 10-19.1-77.
- 5 s. Corporate actions giving rise to dissenter rights may be designated as  
6 provided in subdivision d of subsection 1 of section 10-19.1-87.
- 7 t. The rights and priorities of persons to receive distributions may be established  
8 as provided in section 10-19.1-92.
- 9 u. A director's personal liability to the corporation or its shareholders for  
10 monetary damages for breach of fiduciary duty as a director may be  
11 eliminated or limited in the articles as provided in section 10-19.1-50.
- 12 6. The articles may contain other provisions not inconsistent with law relating to the  
13 management of the business or the regulation of the affairs of the corporation.
- 14 7. It is not necessary to set forth in the articles any of the corporate powers granted  
15 by this chapter.

16 **SECTION 4. AMENDMENT.** Section 10-19.1-13 of the North Dakota Century Code is  
17 amended and reenacted as follows:

18 **10-19.1-13. Corporate name.**

- 19 1. The corporate name:
- 20 a. Must be in the English language or in any other language expressed in  
21 English letters or characters.
- 22 b. Must contain the word "company", "corporation", "incorporated", or "limited",  
23 or ~~must contain~~ an abbreviation of one or more of these words, ~~or the word~~  
24 "company" or the abbreviation "Co."
- 25 c. May not contain a word or phrase that indicates or implies that it is  
26 ~~incorporated for a purpose other than one or more business purposes for~~  
27 ~~which a corporation~~ may not be incorporated under this chapter.
- 28 d. ~~May not be the same as, or deceptively similar to, the name of a domestic or~~  
29 ~~foreign corporation, limited liability company, or limited partnership, whether~~  
30 ~~profit or nonprofit, authorized to do business in this state, or a name the right~~  
31 ~~to which is, at the time of incorporation, reserved in the manner provided in~~



1 ~~section 10-19.1-14 or is a fictitious name registered with the office of the~~  
2 ~~secretary of state in the manner provided in chapter 45-11 or is a trade name~~  
3 ~~registered with the office of the secretary of state in the manner provided in~~  
4 ~~chapter 47-25, unless there is filed with the articles:~~

- 5 ~~(1) The written consent of the domestic or foreign corporation, limited~~  
6 ~~liability company, limited partnership, or partnership authorized to do~~  
7 ~~business in this state having a deceptively similar name or the holder of~~  
8 ~~a reserved name or registered trade name to use the deceptively~~  
9 ~~similar name; or~~  
10 ~~(2) A certified copy of a judgment of a court in this state establishing the~~  
11 ~~prior right of the applicant to the use of the name in this state.~~

12 ~~This subsection does not affect the right of a domestic corporation existing on~~  
13 ~~July 1, 1985, or a foreign corporation authorized to do business in this state on that~~  
14 ~~date to continue the use of its name. May not contain a word or phrase that~~  
15 ~~indicates or implies that it is incorporated for a purpose other than a legal business~~  
16 ~~purpose for which a corporation may be incorporated under this chapter.~~

17 e. May not be the same as, or deceptively similar to:

- 18 (1) The name whether foreign and authorized to do business in this state,  
19 or domestic, unless there is filed with the articles a document which  
20 complies with subsection 2 of this section, of:  
21 (a) Another corporation;  
22 (b) A corporation incorporated or authorized to do business in this  
23 state under another chapter of this code;  
24 (c) A limited liability company;  
25 (d) A limited partnership; or  
26 (e) A limited liability partnership; or  
27 (2) A name the right to which is, at the time of incorporation, reserved in  
28 the manner provided in section 10-19.1-14, 10-32-11, 10-33-11,  
29 45-10.1-03, or 45-22-05;  
30 (3) A fictitious name registered in the manner provided in chapter 45-11; or  
31 (4) A trade name registered in the manner provided in chapter 47-25.

- 1           2.    The secretary of state shall determine whether a corporate name is "deceptively  
2                    similar" to another name for purposes of this chapter.
- 3           3.    This section and section 10-19.1-14 do not:
- 4                a.    Abrogate or limit:
- 5                    (1)   The law of unfair competition or unfair practices;
- 6                    (2)   Chapter 47-25;
- 7                    (3)   The laws of the United States with respect to the right to acquire and  
8                            protect copyrights, trade names, trademarks, service names, service  
9                            marks; or
- 10                  (4)   Any other rights to the exclusive use of names or symbols; or
- 11                b.    Derogate the common law or the principles of equity.
- 12           4.    A corporation that is merged with another domestic or foreign ~~corporation~~  
13                   organization, or that is incorporated by the reorganization of one or more domestic  
14                    or foreign ~~corporations~~ organizations, or that acquires by sale, lease, or other  
15                    disposition to or exchange with a domestic ~~corporation~~ organization all or  
16                    substantially all of the assets of another domestic or foreign ~~corporation~~  
17                    organization including its name, may have the same name as that used in this  
18                    state by any of the other ~~corporations~~ organizations, if the other ~~corporation was~~  
19                    organization:
- 20                a.    ~~Was incorporated, organized, formed, or registered~~ under the laws of, ~~or is~~  
21                    this state;
- 22                b.    Is authorized to transact business or conduct activities in, this state;
- 23                c.    Holds a reserved name in the manner provided in section 10-19.1-14,  
24                    10-32-11, 10-33-11, 45-10.1-03, or 45-22-05;
- 25                d.    Holds a fictitious name registered in the manner provided in chapter 45-11; or  
26                e.    Holds a trade name registered in the manner provided in chapter 47-25.
- 27           5.    The use of a name by a corporation in violation of this section does not affect or  
28                    vitate its corporate existence, ~~but~~. However, a court in this state may, upon  
29                    application of the state or of an interested or affected person, enjoin the  
30                    corporation from doing business under a name assumed in violation of this section,

1           although its articles may have been filed with the secretary of state and a certificate  
2           of incorporation issued.

3           6. A corporation whose period of existence has expired or that is involuntarily  
4           dissolved by the secretary of state pursuant to section ~~40-23-02.2~~ 10-19.1-146  
5           may reacquire the right to use that name by refiling articles of incorporation  
6           pursuant to section 10-19.1-11, unless the name has been adopted for use or  
7           reserved by another person, in which case the filing will be rejected unless the  
8           filing is accompanied by a written consent or judgment ~~pursuant to subdivision d of~~  
9           ~~subsection 4.~~ A corporation that cannot reacquire the use of its corporate name  
10          shall adopt a new corporate name that complies with the provisions of this section:  
11          a. By refiling articles of incorporation pursuant to section 10-19.1-11;  
12          b. By amending pursuant to section 10-19.1-127; or  
13          c. By reinstating pursuant to section 10-19.1-146,  
14          unless the name has been adopted for use or reserved by another person, in  
15          which case the filing will be rejected unless the filing is accompanied by a written  
16          consent or judgment pursuant to subsection 2. A corporation that cannot reacquire  
17          the use of its corporate name shall adopt a new corporate name which complies  
18          with the provisions of this section.

19          7. If the secretary of state determines that a corporate name is "deceptively similar" to  
20          another name for purposes of this chapter, then the corporate name may not be  
21          used unless there is filed with the articles:  
22          a. The written consent of the holder of the rights to the name to which the  
23             proposed name has been determined to be deceptively similar; or  
24          b. A certified copy of a judgment of a court in this state establishing the prior  
25             right of the applicant to the use of the name in this state.

26          This subsection does not affect the right of a domestic corporation existing on the  
27          effective date of this Act, or a foreign corporation authorized to do business in this  
28          state on that date to continue the use of its name.

29           **SECTION 5. AMENDMENT.** Section 10-19.1-14 of the North Dakota Century Code is  
30    amended and reenacted as follows:

31           **10-19.1-14. Reserved name.**

- 1           1. The exclusive right to the use of a corporate name otherwise permitted by section  
2           10-19.1-13 may be reserved by any person.
- 3           2. The reservation must be made by filing with the secretary of state a request that  
4           the name be reserved, together with the fees provided in ~~chapter 10-23~~ section  
5           10-19.1-147:
  - 6           a. If the name is available for use by the applicant, the secretary of state shall  
7           reserve the name for the exclusive use of the applicant for a period of twelve  
8           months.
  - 9           b. The reservation may be renewed for successive twelve-month periods.
- 10          3. The right to the exclusive use of a corporate name reserved pursuant to this  
11          section may be transferred to another person by or on behalf of the applicant for  
12          whom the name was reserved by filing with the secretary of state a notice of the  
13          transfer and specifying the name and address of the transferee, together with the  
14          fees provided in ~~chapter 10-23~~ section 10-19.1-147.
- 15          4. The right to the exclusive use of a corporate name reserved pursuant to this  
16          section may be canceled by or on behalf of the applicant for whom the name was  
17          reserved by filing with the secretary of state a notice of the cancellation, together  
18          with the fees provided in ~~chapter 10-23~~ section 10-19.1-147.
- 19          5. The secretary of state may accept for filing a legible facsimile copy of the signed  
20          original of any request for reserved name.
- 21          6. The secretary of state may destroy all reserved name requests and index thereof  
22          one year after expiration.

23           **SECTION 6. AMENDMENT.** Section 10-19.1-15 of the North Dakota Century Code is  
24 amended and reenacted as follows:

25           **10-19.1-15. Registered office - Registered agent.**

- 26           1. A corporation shall continuously maintain a registered office in this state. A  
27           registered office need not be the same as the principal place of business or the  
28           principal executive office of the corporation.
- 29           2. A corporation shall ~~designate in its articles~~ appoint and continuously maintain a  
30           registered agent. ~~The registered agent~~ who may be an:
  - 31           a. An individual residing in this state, ~~a;~~

- 1           b. A domestic corporation whether incorporated under this chapter or under  
2           another provision of this code or domestic limited liability company; or a  
3           c. A foreign corporation whether authorized to do business or conduct activities  
4           under this chapter or another provision of this code or a foreign limited liability  
5           company authorized to transact business in this state.
- 6           3. The registered agent shall maintain a business office that is identical with the  
7           registered office. Proof of the registered agent's consent to serve in that capacity  
8           must be filed with the secretary of state, together with the fees provided in ~~chapter~~  
9           ~~40-23~~ section 10-19.1-147.

10           **SECTION 7. AMENDMENT.** Section 10-19.1-16 of the North Dakota Century Code is  
11 amended and reenacted as follows:

12           **10-19.1-16. Change of registered office or registered agent - Change of name of**  
13 **registered agent.**

- 14           1. A corporation may change its registered office, change its registered agent, or  
15           state a change in the name of its registered agent by filing with the secretary of  
16           state, along with the fees provided in ~~chapter 10-23~~ section 10-19.1-147, a  
17           statement containing:
- 18           a. The name of the corporation.
  - 19           b. If the address of its registered office is to be changed, the new address of its  
20           registered office.
  - 21           c. If its registered agent is to be changed, the name of its new registered agent.
  - 22           d. If the name of its registered agent is to be changed, the name of its registered  
23           agent as changed.
  - 24           e. A statement that the address of its registered office and the address of the  
25           business office of its registered agent, as changed, will be identical.
  - 26           f. A statement that the change of registered office or registered agent was  
27           authorized by resolution approved by the board.
- 28           2. A registered agent of a corporation may resign by filing with the secretary of state a  
29           signed written notice of resignation, including a statement that a signed copy of the  
30           notice has been given to the corporation at its principal executive office or to a

- 1 legal representative of the corporation. The appointment of the agent terminates  
2 thirty days after the notice is filed with the secretary of state.
- 3 3. If the business address or the name of a registered agent changes, the agent shall  
4 change the address of the registered office or the name of the registered agent, as  
5 the case may be, of each corporation represented by that agent by filing with the  
6 secretary of state a statement for each corporation as required in subsection 1,  
7 except that it need be signed only by the registered agent, need not be responsive  
8 to subdivision f, and must state that a copy of the statement has been mailed to  
9 each of those corporations or to the legal representative of each of those  
10 corporations.
- 11 4. The fee prescribed in ~~chapter 10-23~~ section 10-19.1-147 for change of registered  
12 office must be refunded when in the secretary of state's opinion a change of  
13 address of registered office results from rezoning or postal reassignment.

14 **SECTION 8. AMENDMENT.** Section 10-19.1-25 of the North Dakota Century Code is  
15 amended and reenacted as follows:

16 **10-19.1-25. Amendment of articles in court-supervised reorganization.**

- 17 1. Whenever a plan of reorganization of a corporation has been confirmed by decree  
18 or order of a court of competent jurisdiction in proceedings for the reorganization of  
19 the corporation, pursuant to the provisions of any applicable statute of the United  
20 States relating to reorganization of corporations, the articles may be amended, in  
21 the manner provided in this section, in as many respects as may be necessary to  
22 carry out the plan and to put it into effect, so long as the articles as amended  
23 contain only provisions which might be lawfully contained in original articles at the  
24 time of making the amendment. In particular, and without limitation upon any  
25 general power of amendment, the articles may be amended ~~for such purpose so~~  
26 as to:
- 27 a. Change the corporate name, period of duration, or corporate purposes of the  
28 corporation.
- 29 b. Repeal, alter, or amend the bylaws of the corporation.
- 30 c. Change the aggregate number of shares, or shares of any class, which the  
31 corporation has the authority to issue.

- 1           d. Change the preferences, limitations, relative rights in respect of all or any part  
2           of the shares of the corporation, and classify, reclassify, or cancel all or any  
3           part thereof, whether issued or unissued.
- 4           e. Authorize the issuance of bonds, debentures, or other obligations of the  
5           corporation, whether convertible into shares of any class or bearing warrants  
6           or other evidences of optional rights to purchase or subscribe for shares of  
7           any class, and fix the terms and conditions thereof.
- 8           f. Constitute or reconstitute and classify or reclassify board and appoint  
9           directors and officers in place of or in addition to all or any of the directors or  
10          officers then in office.
- 11          2. Amendments to the articles pursuant to subsection 1 must be made in the following  
12          manner:
- 13          a. Articles of amendment approved by decree or order of the court must be  
14          executed and verified by the person or persons designated or appointed by  
15          the court for that purpose and must set forth the name of the corporation, the  
16          amendments of the articles approved by the court, the date of the decree or  
17          order approving the articles of amendment, and the title of the proceedings in  
18          which the decree or order was entered by a court having jurisdiction of the  
19          proceedings for the reorganization of the corporation under the provisions of  
20          an applicable statute of the United States.
- 21          b. An original of the articles of amendment must be filed with the secretary of  
22          state. If the secretary of state finds that the articles of amendment conform to  
23          law and that all fees have been paid as provided in ~~chapter 10-23~~ section  
24          10-19.1-147, the original must be recorded in the office of the secretary of  
25          state.
- 26          3. The articles of amendment become effective upon their acceptance by the  
27          secretary of state or at another time within thirty days after acceptance if the  
28          articles of amendment so provide.
- 29          4. The articles are amended accordingly with the same effect as if the amendment  
30          had been adopted by unanimous action of the directors and shareholders.

1           **SECTION 9. AMENDMENT.** Section 10-19.1-26 of the North Dakota Century Code is  
2 amended and reenacted as follows:

3           **10-19.1-26. Powers General powers.**

- 4           1. A corporation has the powers set forth in this section, subject to any limitations  
5 provided in any other statute of this state or in its articles.
- 6           2. A corporation has perpetual duration.
- 7           3. A corporation may sue and be sued, complain and defend and participate as a  
8 party or otherwise in any legal, administrative, or arbitration proceeding, in its  
9 corporate name.
- 10          4. A corporation may purchase, lease, or otherwise acquire, own, hold, improve, use  
11 and otherwise deal in and with, real or personal property, or any interest ~~therein~~ in  
12 property, wherever situated.
- 13          5. A corporation may sell, convey, mortgage, create a security interest in, lease,  
14 exchange, transfer, or otherwise dispose of all or any part of its real or personal  
15 property, or any interest ~~therein~~ in property, wherever situated.
- 16          6. A corporation may purchase, subscribe for, or otherwise acquire, own, hold, vote,  
17 use, employ, sell, exchange, mortgage, lend, create a security interest in, or  
18 otherwise dispose of ~~and otherwise~~, use and deal in and with, securities or other  
19 interests in, or obligations of, a person or direct or indirect obligations of any  
20 domestic or foreign government or instrumentality ~~thereof~~.
- 21          7. A corporation may make contracts and incur liabilities, borrow money, issue its  
22 securities, and secure any of its obligations by mortgage of or creation of a security  
23 interest in all or any of its property, franchises, and income.
- 24          8. A corporation may invest and reinvest its funds.
- 25          9. A corporation may take and hold real and personal property, whether or not of a  
26 kind sold or otherwise dealt in by the corporation, as security for the payment of  
27 money loaned, advanced, or invested.
- 28          10. A corporation may conduct its business, carry on its operations, have offices, and  
29 exercise the powers granted by this chapter anywhere in the universe.
- 30          11. Except as otherwise prohibited by law, a corporation may make donations,  
31 irrespective of corporate benefit, for the public welfare; for social, community,



- 1 charitable, religious, educational, scientific, civic, literary, ~~and testing for, and~~  
2 public safety purposes, ~~and for similar or related purposes~~; for the purpose of  
3 fostering national or international amateur sports competition; ~~and for the~~  
4 prevention of cruelty to children and animals; and for similar or related purposes.
- 5 12. A corporation may pay pensions, retirement allowances, and compensation for  
6 past services ~~to and for the benefit of~~, and establish, ~~maintain, continue, and carry~~  
7 ~~out, wholly or partially at the expense of the corporation~~, employee or incentive  
8 benefit plans, trusts, and provisions ~~to or for the benefit of, any or all of its and its~~  
9 related organizations' officers, managers, directors, governors, employees, and  
10 agents and, in the case of a related organization that is a limited liability company,  
11 members who provide services to the limited liability company, and the families,  
12 dependents, and beneficiaries of any of them. It may indemnify and purchase and  
13 maintain insurance for ~~and on behalf of~~ a fiduciary of any of these employee  
14 benefit and incentive plans, trusts, and provisions.
- 15 13. A corporation may participate in any capacity in the promotion, organization,  
16 ownership, management, and operation of any organization or in any transaction,  
17 undertaking, or arrangement that the participating corporation would have power to  
18 conduct by itself, whether or not the participation involves sharing or delegation of  
19 control ~~with or to others~~.
- 20 14. A corporation may provide for its benefit life insurance and other insurance with  
21 respect to the services of ~~any or all of its~~ officers, directors, employees, and  
22 agents, or on the life of a shareholder for the purpose of acquiring at the death of  
23 the shareholder any or all shares in the corporation owned by the shareholder.
- 24 15. A corporation may have, alter at pleasure, and use a corporate seal as provided in  
25 section 10-19.1-27.
- 26 16. A corporation may adopt, amend, and repeal bylaws relating to the management of  
27 the business or the regulation of the affairs of the corporation as provided in  
28 section 10-19.1-31.
- 29 17. A corporation may establish committees of the board of directors, elect or appoint  
30 persons to the committees, and define their duties as provided in section  
31 10-19.1-48 and fix their compensation.

- 1           18. A corporation may elect or appoint officers, employees, and agents of the  
2                   corporation, and define their duties and fix their compensation.
- 3           19. A corporation may issue securities and rights to purchase securities as provided in  
4                   sections 10-19.1-61 through 10-19.1-69.
- 5           20. A corporation may lend money to, guarantee an obligation of, become a surety for,  
6                   or otherwise financially assist persons as provided in section 10-19.1-89.
- 7           21. A corporation may make advances to its directors, officers, and employees and  
8                   those of its subsidiaries as provided in section 10-19.1-90.
- 9           22. A corporation shall indemnify those persons identified in section 10-19.1-91 against  
10                   certain expenses and liabilities only as provided in section 10-19.1-91 and may  
11                   indemnify other persons.
- 12           23. A corporation may conduct all or part of its business under one or more trade  
13                   names as provided in chapter 47-25.
- 14           24. A corporation may acquire an ownership interest in another organization.
- 15           25. A corporation may have and exercise all other powers necessary or convenient to  
16                   effect any or all of the business purposes for which the corporation is incorporated.

17           **SECTION 10. AMENDMENT.** Section 10-19.1-30 of the North Dakota Century Code is  
18 amended and reenacted as follows:

19           **10-19.1-30. Organization.**

- 20           1. If the first board is not named in the articles, the incorporators may elect the first  
21                   board or may act as directors with all of the powers, rights, duties, and liabilities of  
22                   directors, until directors are elected or until shares are issued, whichever occurs  
23                   first.
- 24           2. After the issuance of the certificate of incorporation, the incorporators or the  
25                   directors named in the articles shall, within a reasonable time, either hold an  
26                   organizational meeting at the call of a majority of the incorporators or of the  
27                   directors named in the articles, or take written action, for the purposes of  
28                   transacting business and taking actions necessary or appropriate to complete the  
29                   organization of the corporation, including amending the articles, electing directors,  
30                   adopting bylaws, electing officers, adopting banking resolutions, authorizing or  
31                   ratifying the purchase, lease, or other acquisition of suitable space, furniture,

1           furnishings, supplies, and materials, approving a corporate seal, approving forms  
2           of certificates or transaction statements for shares of the corporation, adopting a  
3           fiscal year for the corporation, accepting subscriptions for and issuing shares of the  
4           corporation, and making any appropriate tax elections. If a meeting is held, the  
5           person or persons calling the meeting shall give at least three days' notice of the  
6           meeting to each incorporator or director named, stating the date, time, and place of  
7           the meeting. Incorporators and directors may waive notice of an organizational  
8           meeting in the same manner that a director may waive notice of meetings of the  
9           board pursuant to subsection 5 of section 10-19.1-43.

10           **SECTION 11. AMENDMENT.** Section 10-19.1-31 of the North Dakota Century Code is  
11 amended and reenacted as follows:

12           **10-19.1-31. Bylaws.**

- 13           1. A corporation may, but need not, have bylaws. Bylaws may contain any provision  
14           relating to the management ~~of the business~~ or the regulation of the affairs of the  
15           corporation not inconsistent with law or the articles.
- 16           2. Initial bylaws may be adopted by the first board or by the incorporators, pursuant to  
17           section 10-19.1-30. Unless reserved by the articles to the shareholders, the power  
18           to adopt, amend, or repeal the bylaws is vested in the board. The power of the  
19           board is subject to the power of the shareholders, exercisable in the manner  
20           provided in subsection 3, to adopt, amend, or repeal bylaws adopted, amended, or  
21           repealed by the board. After the adoption of the initial bylaws, the board may not  
22           adopt, amend, or repeal a bylaw fixing a quorum for meetings of shareholders,  
23           prescribing procedures for removing directors or filling vacancies in the board, or  
24           fixing the number of directors or their classifications, qualifications, or terms of  
25           office, but may adopt or amend a bylaw to increase the number of directors.
- 26           3. ~~If~~ Unless the articles or bylaws provided otherwise, a shareholder or shareholders  
27           holding five percent or more of the voting power of the shares entitled to vote may  
28           propose a resolution for action by the shareholders to adopt, amend, or repeal  
29           bylaws adopted, amended, or repealed by the board ~~and the~~  
30           a. The resolution sets forth the provision or provisions proposed for  
31           adoption, amendment, or repeal,~~the~~



- 1           2.   The articles or bylaws may provide for staggering the terms of directors by dividing  
2                   the total number of directors into groups. The terms of office of the groups need  
3                   not be uniform.

4           **SECTION 13. AMENDMENT.** Section 10-19.1-40 of the North Dakota Century Code is  
5 amended and reenacted as follows:

6           **10-19.1-40. Resignation.**

- 7           1.   A director may resign at any time by giving written notice to the corporation. The  
8                   resignation is effective without acceptance when the notice is given to the  
9                   corporation, unless a later effective time is specified in the notice.
- 10          2.   If a resignation is made effective at a later date, the board may fill the pending  
11                   vacancy before the effective date if the board provides that the successor does not  
12                   take office until the effective date.

13          **SECTION 14. AMENDMENT.** Section 10-19.1-41 of the North Dakota Century Code is  
14 amended and reenacted as follows:

15          **10-19.1-41. ~~Removal~~ Nonjudicial removal of directors.**

- 16          1.   The provisions of this section apply unless modified by the articles, the bylaws, or  
17                   an agreement described in section 10-19.1-83.
- 18          2.   A director may be removed at any time, with or without cause, if:
- 19              a.   The director was named by the board to fill a vacancy;
- 20              b.   The shareholders have not elected directors in the interval between the time  
21                   of the appointment to fill a vacancy and the time of the removal; and
- 22              c.   A majority of the remaining directors present affirmatively vote to remove the  
23                   director.
- 24          3.   Any one or all of the directors may be removed at any time, with or without cause,  
25                   by the affirmative vote of the holders of the proportion or number of the voting  
26                   power of the shares of the classes or series the director represents sufficient to  
27                   elect them. If less than the entire board is to be removed, no one of the directors  
28                   may be removed if the votes of a sufficient number of shares are cast against the  
29                   director's removal which, if then cumulatively voted at an election of the entire  
30                   board of directors, or, if there be classes of directors, at an election of the class of  
31                   directors of which the director is a part, would be sufficient to elect the director.

1           Whenever the holders of the shares of any class are entitled to elect one or more  
2           directors by the provisions of the articles of incorporation, the provisions of this  
3           section shall apply, in respect to the removal of a director or directors so elected, to  
4           the vote of the holders of the outstanding shares of that class and not to the vote of  
5           the outstanding shares as a whole.

6           4.   New directors may be elected at a meeting at which directors are removed.

7           **SECTION 15.** Section 10-19.1-41.1 of the North Dakota Century Code is created and  
8   enacted as follows:

9           **10-19.1-41.1. Removal of directors by judicial proceeding.**

10          1.   The district court of the county where the principal executive office of a corporation  
11          is located may remove any director of the corporation from office in a proceeding  
12          commenced either by the corporation or its shareholders holding at least ten  
13          percent of the voting power of any class of shares, if the court finds:

14          a.   The director engaged in fraudulent or dishonest conduct or gross abuse of  
15          authority or discretion, with respect to the corporation;

16          b.   A final judgment has been entered finding that the director has violated  
17          section 10-19.1-50; and

18          c.   Removal is in the best interest of the corporation.

19          2.   The court that removes a director may bar the director from serving on the board  
20          for a period prescribed by the court.

21          3.   If the shareholders commence a proceeding under subdivision a, then the  
22          corporation shall be made a party defendant.

23          **SECTION 16. AMENDMENT.** Section 10-19.1-42 of the North Dakota Century Code is  
24   amended and reenacted as follows:

25          **10-19.1-42. Vacancies.**

26          1.   Unless different rules for filling vacancies are provided for in the articles or bylaws:

27          a.   Vacancies on the board resulting from the death, resignation, removal, or  
28          disqualification of a director may be filled by the affirmative vote of a majority  
29          of the remaining directors, even though the remaining directors constitute less  
30          than a quorum; and

1           b. Vacancies on the board resulting from newly created directorships may be  
2           filled by the affirmative vote of a majority of the directors serving at the time of  
3           the increase.

4           2. Each director elected under this section to fill a vacancy holds office until a  
5           qualified successor is elected by the shareholders at the next regular or special  
6           meeting of the shareholders.

7           3. A vacancy that will occur at a specific later date may be filled before the vacancy  
8           occurs but the new director may not take office until the vacancy occurs.

9           **SECTION 17. AMENDMENT.** Section 10-19.1-43 of the North Dakota Century Code is  
10          amended and reenacted as follows:

11           **10-19.1-43. Board meetings.**

12           1. Meetings of the board may be held from time to time as provided in the articles or  
13           bylaws at any place within or without the state that the board may select or by any  
14           means described in subsection 2. If the articles, bylaws, or board fails fail to select  
15           a place for a meeting, the meeting must be held at the principal executive office,  
16           unless the articles or bylaws provide otherwise.

17           2. A board meeting may be conducted by:

18           a. A conference among directors using any means of communication through  
19           which the directors may simultaneously hear each other during the  
20           conference ~~constitutes a board meeting~~, if the same notice is given of the  
21           conference as would be required by subsection 3 for a meeting, and if the  
22           number of directors participating in the conference ~~would be sufficient to~~  
23           ~~constitute~~ is a quorum ~~at a meeting~~. Participation in a meeting by ~~that~~ this  
24           means ~~constitutes~~ is personal presence ~~in person~~ at the meeting; or

25           b. Any means of communication through which the director, other directors so  
26           participating, and all directors physically present at the meeting may  
27           simultaneously hear each other during the meeting. Participation in a meeting  
28           by ~~that~~ this means ~~constitutes~~ is personal presence ~~in person~~ at the meeting.

29           3. Unless the articles or bylaws provide for a different time period, a director may call  
30           a board meeting by giving at least ten days' notice or, in the case of organizational  
31           meetings pursuant to subsection 2 of section 10-19.1-30, at least three days'

1 notice, to all directors of the date, time, and place of the meeting. The notice need  
2 not state the purpose of the meeting unless the articles or bylaws require it.

3 4. If the ~~day or~~ date, time, and place of a board meeting have been provided in the  
4 articles or bylaws, or announced at a previous meeting of the board, no notice is  
5 required. Notice of an adjourned meeting need not be given other than by  
6 announcement at the meeting at which adjournment is taken.

7 5. A director may waive notice of a meeting of the board. A waiver of notice by a  
8 director entitled to notice is effective whether given before, at, or after the meeting,  
9 and whether given in writing or by attendance. Attendance by a director at a  
10 meeting is a waiver of notice of that meeting, except where the director objects at  
11 the beginning of the meeting to the transaction of business because the meeting is  
12 not lawfully called or convened and does not participate ~~thereafter~~  
13 after the objection.

14 **SECTION 18. AMENDMENT.** Section 10-19.1-47 of the North Dakota Century Code is  
15 amended and reenacted as follows:

16 **10-19.1-47. Action without meeting.**

17 1. An action required or permitted to be taken at a board meeting may be taken by  
18 written action signed by all of the directors. If the articles so provide, any action,  
19 other than an action requiring shareholder approval, may be taken by written action  
20 signed by the number of directors that would be required to take the same action at  
21 a meeting of the board at which all directors were present.

22 2. The written action is effective when signed by the required number of directors,  
23 unless a different effective time is provided in the written action.

24 3. When written action is permitted to be taken by less than all directors, all directors  
25 must be notified immediately of its text and effective date. Failure to provide the  
26 notice does not invalidate the written action. A director who does not sign or  
27 consent to the written action has no liability for the action or actions ~~taken thereby~~.

28 **SECTION 19. AMENDMENT.** Section 10-19.1-48 of the North Dakota Century Code is  
29 amended and reenacted as follows:

30 **10-19.1-48. Committees.**



- 1           1. A resolution approved by the affirmative vote of a majority of the board may  
2           establish committees having the authority of the board in the management of the  
3           business of the corporation only to the extent provided in the resolution.  
4           Committees may include a special litigation committee consisting of one or more  
5           independent directors or other independent persons to consider legal rights or  
6           remedies of the corporation and whether those rights or remedies should be  
7           pursued. Committees other than special litigation committees are subject at all  
8           times to the direction and control of the board.
- 9           2. Committee members must be individuals. Unless the articles or bylaws provide for  
10          a different membership or manner of appointment, a committee must consist of  
11          one or more persons, who need not be directors, appointed by ~~affirmative vote of a~~  
12          ~~majority of the directors present~~ the board.
- 13          3. Sections 10-19.1-43, 10-19.1-44, and 10-19.1-45 apply to committees and  
14          members of committees to the same extent as those sections apply to the board  
15          and directors.
- 16          4. Minutes, if any, of committee meetings must be made available upon request to  
17          members of the committee and to any director.
- 18          5. The establishment of, delegation of authority to, and action by a committee does  
19          not alone constitute compliance by a director with the standard of conduct set forth  
20          in section 10-19.1-50.
- 21          6. Committee members are deemed to be directors for purposes of sections  
22          10-19.1-50, 10-19.1-51, and 10-19.1-91.

23           **SECTION 20. AMENDMENT.** Section 10-19.1-50 of the North Dakota Century Code is  
24 amended and reenacted as follows:

25           **10-19.1-50. Standard of conduct for directors.**

- 26          1. A director shall discharge the duties of the position of director in good faith, in a  
27          manner the director reasonably believes to be in the best interests of the  
28          corporation, and with the care an ordinarily prudent person in a like position would  
29          exercise under similar circumstances. A person who so performs those duties is  
30          not liable by reason of being or having been a director of the corporation.

- 1           2. A director is entitled to rely on information, opinions, reports, or statements,  
2           including financial statements and other financial data, in each case prepared or  
3           presented by:
- 4           a. One or more officers or employees of the corporation whom the director  
5           reasonably believes to be reliable and competent in the matters presented;  
6           b. Counsel, public accountants, or other persons as to matters that the director  
7           reasonably believes are within the person's professional or expert  
8           competence; or  
9           c. A committee of the board upon which the director does not serve, duly  
10          established in accordance with section 10-19.1-48 as to matters within its  
11          designated authority, if the director reasonably believes the committee to  
12          merit confidence.
- 13          3. Subsection 2 does not apply to a director who has knowledge concerning the  
14          matter in question that makes the reliance otherwise permitted by ~~subdivision a~~  
15          subsection 2 unwarranted.
- 16          4. A director who is present at a meeting of the board when an action is approved by  
17          the affirmative vote of a majority of the directors present is presumed to have  
18          assented to the action approved, unless the director:
- 19          a. Objects at the beginning of the meeting to the transaction of business  
20          because the meeting is not lawfully called or convened and does not  
21          participate thereafter in the meeting, in which case the director shall not be  
22          considered to be present at the meeting for any purpose of this chapter;  
23          b. Votes against the action at the meeting; or  
24          c. Is prohibited by ~~section 10-19.1-54~~ from voting on the action:  
25               (1) By the articles;  
26               (2) By the bylaws;  
27               (3) As the result of a decision to approve, ratify, or authorize a transaction  
28               pursuant to section 10-19.1-51; or  
29               (4) By a conflict of interest policy adopted by the board.

- 1           5. A director's personal liability to the corporation or its shareholders for monetary  
2           damages for breach of fiduciary duty as a director may be eliminated or limited in  
3           the articles. The articles may not eliminate or limit the liability of a director:  
4           a. For any breach of the director's duty of loyalty to the corporation or its  
5           shareholders;  
6           b. For acts or omissions not in good faith or that involve intentional misconduct  
7           or a knowing violation of law;  
8           c. Under section 10-19.1-95 or 10-04-17;  
9           d. For any transaction from which the director derived an improper personal  
10          benefit; or  
11          e. For any act or omission occurring prior to the date when the provision in the  
12          articles eliminating or limiting liability becomes effective.
- 13          6. In discharging the duties of the position of director, a director may, in considering  
14          the best interests of the corporation, consider the interests of the corporation's  
15          employees, customers, suppliers, and creditors, the economy of the state and  
16          nation, community and societal considerations, and the long-term as well as the  
17          short-term interests of the corporation and its shareholders including the possibility  
18          that these interests may be best served by the continued independence of the  
19          corporation.

20           **SECTION 21. AMENDMENT.** Section 10-19.1-51 of the North Dakota Century Code is  
21 amended and reenacted as follows:

22           **10-19.1-51. Director conflicts of interest.**

- 23          1. A contract or other transaction between a corporation and ~~one~~:  
24          a. One or more of its directors, or between a corporation and an or a member of  
25          the family of a director;  
26          b. A director or governor of a related organization, or a member of the family of a  
27          director or governor of a related organization; or  
28          c. An organization in or of which ~~one or more~~ the corporation's director, or a  
29          member of the family of its ~~directors are directors, officers, or legal~~  
30          representatives ~~director, is a director, officer, governor, manager, or~~  
31          representative or ~~have~~ has a material financial interest,

1 is not void or voidable because the director ~~or directors~~ or the other ~~organizations~~  
2 ~~are parties~~ individual or organization is a party or because the director ~~or directors~~  
3 ~~are~~ is present at the meeting of the shareholders or the board or a committee at  
4 which the contract or transaction is authorized, approved, or ratified, if at least one  
5 of the requirements of subsection 2 is satisfied.

6 2. The contract or transaction described in subsection 1 is not void or voidable if:

- 7 a. The contract or transaction was, and the person asserting the validity of the  
8 contract or transaction was, fair and reasonable as to the corporation at the  
9 time it was authorized, approved, or ratified;
- 10 b. The material facts as to the contract or transaction and as to the director's or  
11 directors' interest are fully disclosed or known to the shareholders and the  
12 contract or transaction is approved in good faith by:
- 13 (1) The holders of two-thirds of the voting power of the shares entitled to  
14 vote which are owned by persons other than the interested director or  
15 directors; or
- 16 (2) The unanimous affirmative vote of the holder of all outstanding shares,  
17 whether or not entitled to vote;
- 18 c. The material facts as to the contract or transaction and as to the director's or  
19 directors' interest are fully disclosed or known to the board or a committee,  
20 and the board or committee authorizes, approves, or ratifies the contract or  
21 transaction in good faith by a majority of the board or committee, but the  
22 interested director or directors shall not be counted in determining the  
23 presence of a quorum and shall not vote; or
- 24 d. The contract or transaction is a distribution described in subsection 1 of  
25 section 10-19.1-92 or a merger or exchange described in subsection 1 or 2 of  
26 section 10-19.1-96.

27 ~~2.~~ 3. For purposes of this section:

- 28 a. A director does not have a material financial interest in a resolution fixing the  
29 compensation of a director or fixing the compensation of another director as a  
30 director, officer, employee, or agent of the corporation, is not void or voidable  
31 or considered to be a contract or other transaction between a corporation ~~and~~

- 1 ~~one or more of its directors for purposes of this section~~ even though the  
2 director receiving the compensation fixed by the resolution is present and  
3 voting at the meeting of the board or a committee at which the resolution is  
4 authorized, approved, or ratified, or even though other directors voting upon  
5 the resolution are also receiving compensation from the corporation; ~~and~~  
6 b. A director has a material financial interest in each organization in which the  
7 director, ~~or the spouse, parents, children and spouses of children, brothers~~  
8 ~~and sisters and spouses of brothers and sisters, and brothers and sisters of~~  
9 ~~the spouse of a director, or any combination of them have a material financial~~  
10 ~~interest. A contract or other transaction between a corporation and the~~  
11 ~~spouse, parents, children and spouses of children, brothers and sisters,~~  
12 ~~spouses of brothers and sisters, and brothers and sisters of the spouse of a~~  
13 ~~director, or any combination of them, is considered to be a transaction~~  
14 ~~between the corporation and the director~~ or a member of the family of the  
15 director, has a material financial interest; and  
16 c. A "member of the family" of a director is a spouse, parent, child, child of a  
17 spouse, brother, sister, or the spouse of any of these.  
18 4. The procedures described under subdivisions a, b, and c of subsection 2 are not  
19 required if the contract or other transaction is between related organizations.

20 **SECTION 22. AMENDMENT.** Section 10-19.1-52 of the North Dakota Century Code is  
21 amended and reenacted as follows:

22 **10-19.1-52. Officers.** The officers of a corporation must be individuals who are  
23 eighteen years of age or more and shall consist of a president, ~~one or more vice presidents as~~  
24 ~~may be prescribed by the bylaws,~~ a secretary, and a treasurer, ~~each~~ and may also include one  
25 or more vice presidents and any other officers or agents as may be prescribed by the bylaws.  
26 Each of whom the officers must be elected by the board at such a time and in such a manner  
27 as may be provided in the bylaws unless the articles or bylaws provide that the shareholders  
28 may elect the officers.

29 **SECTION 23. AMENDMENT.** Section 10-19.1-53 of the North Dakota Century Code is  
30 amended and reenacted as follows:

1           **10-19.1-53. Duties of officers and agents.** Unless the articles, bylaws, or a resolution  
2 adopted by the board and not inconsistent with the articles or bylaws, provides otherwise, the  
3 officers shall have the following duties.

- 4           1. The president shall:
- 5           a. Have general active management for the business of the corporation;
- 6           b. When present, preside at all meetings of the board and of shareholders;
- 7           c. See that all orders and resolutions of the board are carried into effect;
- 8           d. Sign and deliver in the name of the corporation, any deeds, mortgages,
- 9           bonds, contracts, or other instruments pertaining to the business of the
- 10           corporation, except in cases in which the authority to sign and deliver is
- 11           required by law to be exercised by another person or is expressly delegated
- 12           by the articles or bylaws or by the board to some officer or agent of the
- 13           corporation;
- 14           e. Maintain records of and, whenever necessary, certify all proceedings of the
- 15           board and the shareholders; and
- 16           f. Perform other duties prescribed by the board.
- 17           2. The vice president, if any, or, if there is more than one, the vice presidents in the  
18 order determined by the board, shall:
- 19           a. In the absence or disability of the president, perform the duties and exercise  
20 the powers of the president; and
- 21           b. Shall perform other duties and shall have other powers as the board may from  
22 time to time prescribe.
- 23           3. The treasurer shall:
- 24           a. Keep accurate financial records for the corporation;
- 25           b. Deposit all money, drafts, and checks in the name of and to the credit of the
- 26           corporation in the banks and depositories designated by the board;
- 27           c. Endorse for deposit all notes, checks, and drafts received by the corporation
- 28           as ordered by the board, making proper vouchers;
- 29           d. Disburse corporate funds and issue checks and drafts in the name of the
- 30           corporation, as ordered by the board;

- 1 e. Give to the president and the board, whenever requested, an account of all  
2 transactions by the treasurer and of the financial condition of the corporation;  
3 and  
4 f. Perform other duties prescribed by the board or by the president.
- 5 4. The secretary shall:
- 6 a. Attend all meetings of the board, all meetings of the shareholders, and when  
7 required, all meetings of standing committees;
- 8 b. Record all proceedings of the meetings;
- 9 c. Give, or cause to be given, notice of all meetings of the shareholders and  
10 meetings of the board; and
- 11 d. Perform other duties prescribed by the board.
- 12 ~~3.~~ 5. All other officers and agents of the corporation, as between themselves and the  
13 corporation, have the authority and shall perform the duties in the management of  
14 the corporation as may be provided in the articles or bylaws, or as may be  
15 determined by resolution of the board not inconsistent with the articles and bylaws.

16 **SECTION 24. AMENDMENT.** Section 10-19.1-55 of the North Dakota Century Code is  
17 amended and reenacted as follows:

18 **10-19.1-55. Multiple offices.** Any number of offices or functions of those offices may  
19 be held or exercised by the same ~~person~~ individual. If a document must be signed by ~~persons~~  
20 individuals holding different offices or functions and ~~a person~~ an individual holds or exercises  
21 more than one of those offices or functions, that ~~person~~ individual may sign the document in  
22 more than one capacity, but only if the document indicates each capacity in which the ~~person~~  
23 individual signs.

24 **SECTION 25. AMENDMENT.** Section 10-19.1-56 of the North Dakota Century Code is  
25 amended and reenacted as follows:

26 **10-19.1-56. Officers deemed elected.** In the absence of an election or appointment of  
27 officers by the board, the ~~person~~ individual or ~~persons~~ individuals exercising the functions of  
28 the principal officers of the corporation are deemed to have been elected to those offices.

29 **SECTION 26. AMENDMENT.** Section 10-19.1-57 of the North Dakota Century Code is  
30 amended and reenacted as follows:

1           **10-19.1-57. Contract rights.** The election or appointment of ~~a person~~ an individual as  
2 an officer or agent does not, of itself, create contract rights. However, a corporation may enter  
3 into a contract with an officer or agent. The resignation or removal of an officer or agent is  
4 without prejudice to any contractual rights or obligations. The fact that the contract may be for  
5 a term that is longer than the terms of the directors who authorized or approved the contract  
6 does not make the contract void or voidable.

7           **SECTION 27. AMENDMENT.** Section 10-19.1-58 of the North Dakota Century Code is  
8 amended and reenacted as follows:

9           **10-19.1-58. Resignation - Removal - Vacancies.**

- 10           1. An officer may resign at any time by giving written notice to the corporation. The  
11 resignation is effective without acceptance when the notice is given to the  
12 corporation, unless a later effective date is specified in the notice.
- 13           2. ~~As~~ Except as otherwise provided in the articles and bylaws, an officer may be  
14 removed at any time, with or without cause, by a resolution approved by the  
15 affirmative vote of a majority of the directors present, subject to the provisions of a  
16 shareholder control agreement. The removal is without prejudice to any  
17 contractual rights of the officer.
- 18           3. A vacancy in an office because of death, resignation, removal, disqualification, or  
19 other cause may, or in the case of the president or treasurer must, be filled for the  
20 unexpired portion of the term in the manner provided in the articles or bylaws, or  
21 determined by the board, or pursuant to section 10-19.1-56.

22           **SECTION 28. AMENDMENT.** Section 10-19.1-59 of the North Dakota Century Code is  
23 amended and reenacted as follows:

24           **10-19.1-59. Delegation.** Unless prohibited by the articles or bylaws or by a resolution  
25 ~~approved by the affirmative vote of a majority of the directors present~~ adopted by the board, an  
26 officer elected or appointed by the board may, without the approval of the board, delegate some  
27 or all of the duties and powers of an office to other ~~persons~~ individuals. An officer who  
28 delegates the duties or powers of an office remains subject to the standard of conduct for an  
29 officer with respect to the discharge of all duties and powers so delegated.

30           **SECTION 29. AMENDMENT.** Section 10-19.1-60 of the North Dakota Century Code is  
31 amended and reenacted as follows:



1           **10-19.1-60. Standard of conduct for officers.** An officer shall discharge the duties of  
2 an office in good faith, in a manner the officer reasonably believes to be in the best interests of  
3 the corporation, and with the care an ordinarily prudent person in a like position would exercise  
4 under similar circumstances. ~~A person~~ An individual exercising the principal functions of an  
5 office or to whom some or all of the duties and powers of an office are delegated pursuant to  
6 section 10-19.1-59 is deemed an officer for purposes of this section and sections 10-19.1-86  
7 and 10-19.1-91.

8           **SECTION 30. AMENDMENT.** Section 10-19.1-66 of the North Dakota Century Code is  
9 amended and reenacted as follows:

10           **10-19.1-66. Share certificates - Issuance and contents - Uncertificated shares.**

- 11           1. The shares of a corporation must be represented by certificates signed by the  
12 president, or by a vice president, and by the secretary, or by an assistant secretary  
13 of the corporation.
- 14           2. If a person signs or has a facsimile signature placed upon a certificate while an  
15 officer, transfer agent, or registrar of a corporation, the certificate may be issued by  
16 the corporation, even if the person has ceased to have that capacity before the  
17 certificate is issued, with the same effect as if the person had that capacity at the  
18 date of its issue.
- 19           3. Every certificate representing shares issued by a corporation which is authorized to  
20 issue shares of more than one class must set forth upon the face or back of the  
21 certificate, or must state that the corporation will furnish to any shareholders upon  
22 request and without charge, a full or summary statement of the designations,  
23 preferences, limitations, and relative rights of the shares of each class authorized  
24 to be issued and, if the corporation is authorized to issue any preferred or special  
25 class or series, the variations in the relative rights and preferences between the  
26 shares of each such series so far as the same have been fixed and determined  
27 and the authority of the board to fix and determine the relative rights and  
28 preferences of subsequent series. Each certificate representing shares must state  
29 upon its face:
- 30           a. The name of the corporation.
- 31           b. That the corporation is organized under the laws of this state.

- 1 c. The name of the person to whom issued.
- 2 d. The number and class of shares, and the designation of the series, if any,  
3 which such certificate represents.
- 4 e. The par value of such share represented by such certificate, or a statement  
5 that the shares are without par value.
- 6 4. A certificate signed as provided in subsection 1 is prima facie evidence of the  
7 ownership of the shares referred to in the certificate.
- 8 5. Unless uncertificated shares are prohibited by the articles or bylaws, a resolution  
9 approved by the affirmative vote of a majority of the directors present may provide  
10 that some or all of any, or all classes and series of its shares will be uncertificated  
11 shares.
- 12 a. The resolution does not apply to shares represented by a certificate until the  
13 certificate is surrendered to the corporation.
- 14 b. Within a reasonable time after the issuance or transfer of uncertificated  
15 shares, the corporation shall send to the new shareholder the information  
16 required by this section to be stated on certificates.
- 17 c. Except as otherwise expressly provided by statute, the rights and obligations  
18 of the holders of certificated and uncertificated shares of the same class and  
19 series are identical.

20 **SECTION 31. AMENDMENT.** Section 10-19.1-71 of the North Dakota Century Code is  
21 amended and reenacted as follows:

22 **10-19.1-71. Regular meetings of shareholders.**

- 23 1. Regular meetings of shareholders may be held on an annual or other less frequent  
24 periodic basis, but need not be held unless required by the articles or bylaws or by  
25 subsection 2.
- 26 2. If a regular meeting of shareholders has not been held during the ~~immediately~~  
27 preceeding earlier of six months after the fiscal year end of the corporation or fifteen  
28 months, a after its last meeting:
- 29 a. A shareholder or shareholders holding five percent or more of the voting  
30 power of all shares entitled to vote may demand a regular meeting of

- 1                   shareholders by written notice of demand given to the president or secretary  
2                   of the corporation.
- 3                   **b.** Within thirty days after receipt of the demand by one of those officers, the  
4                   board shall cause a regular meeting of shareholders to be called and held at  
5                   the expense of the corporation on notice no later than ninety days after receipt  
6                   of the demand.
- 7                   **c.** If the board fails to cause a regular meeting to be called as required by this  
8                   subsection, the ~~shareholder~~ or shareholders making the demand may call the  
9                   ~~regular~~ meeting by giving notice as required by section 10-19.1-73.
- 10                  **d.** All necessary expenses of the notice and the meeting must be paid by the  
11                  corporation.
- 12                  3. A regular meeting, if any, must be held on the ~~day~~ or date and at the time and  
13                  place fixed by, or in a manner authorized by, the articles or bylaws, except that a  
14                  meeting called by or at the demand of a shareholder pursuant to subsection 2 must  
15                  be held in the county where the principal executive office of the corporation is  
16                  located.
- 17                  4. At each regular meeting of shareholders ~~there~~:
- 18                  **a.** There must be an election of qualified successors for directors who serve for  
19                  an indefinite term or whose terms have expired or are due to expire within six  
20                  months after the date of the meeting.
- 21                  **b.** No other particular business is required to be transacted ~~at a regular meeting.~~
- 22                  **c.** Any business appropriate for action by the shareholders may be transacted ~~at~~  
23                  ~~a regular meeting.~~
- 24                  5. Failure to hold a meeting in accordance with the articles or bylaws does not affect  
25                  the validity of a corporate action.

26                  **SECTION 32. AMENDMENT.** Section 10-19.1-72 of the North Dakota Century Code is  
27 amended and reenacted as follows:

28                  **10-19.1-72. Special meetings of shareholders.**

- 29                  1. Special meetings of the shareholders may be called for any purpose or purposes at  
30                  any time, by:
- 31                  a. The president;

- 1           b. Two or more directors;
- 2           c. A person authorized in the articles or bylaws to call special meetings; or
- 3           d. A shareholder or shareholders holding ten percent or more of the voting
- 4           power of all shares entitled to vote, except that a special meeting for the
- 5           purpose of considering any action to directly or indirectly facilitate or effect a
- 6           business combination, including any action to change or otherwise affect the
- 7           composition of the board of directors for that purpose, must be called by
- 8           twenty-five percent or more of the voting power of all shares entitled to vote.
- 9           2. A shareholder or shareholders holding the voting power specified in subdivision d
- 10           of subsection 1 may demand a special meeting of shareholders by written notice of
- 11           demand given to the president or secretary of the corporation and containing the
- 12           purposes of the meeting.
- 13           a. Within thirty days after receipt by one of those officers of the demand, the
- 14           board shall cause a special meeting of shareholders to be called and held on
- 15           notice no later than ninety days after receipt of the demand.
- 16           b. If the board fails to cause a special meeting to be called as required by this
- 17           subsection, the shareholder or shareholders making the demand may call the
- 18           special meeting by giving notice as required by section 10-19.1-73.
- 19           c. All necessary expenses of the notice and the meeting shall be paid by the
- 20           corporation.
- 21           3. Special meetings must be held on the date and at the time and place fixed by the
- 22           president, the board, or a person authorized by the articles or bylaws to call a
- 23           meeting, except that a special meeting called by or at the demand of a shareholder
- 24           or shareholders pursuant to subsection 2 must be held in the county where the
- 25           principal executive office is located.
- 26           4. The business transacted at a special meeting is limited to the purposes stated in
- 27           the notice of the meeting. Any business transacted at a special meeting that is not
- 28           included in those stated purposes is voidable by or on behalf of the corporation,
- 29           unless all of the shareholders have waived notice of the meeting in accordance
- 30           with subsection 4 of section 10-19.1-73.

1           **SECTION 33.** Section 10-19.1-72.1 of the North Dakota Century Code is created and  
2 enacted as follows:

3           **10-19.1-72.1. Court-ordered meeting of shareholders.**

4           1. The district court of the county where the principal executive office of a corporation  
5 is located may order a meeting to be held:

6           a. On application of a shareholder or shareholders holding five percent or more  
7 of the voting power of all shares entitled to vote, if a meeting was not held  
8 within the earlier of:

9           (1) Six months after the fiscal yearend of the corporation; or

10           (2) Fifteen months after its last meeting; or

11           b. On application of a voting shareholder who signed a demand for a special  
12 meeting valid under section 10-19.1-72 or a person entitled to call a special  
13 meeting if:

14           (1) Notice of the special meeting was not given within thirty days after the  
15 date the demand was delivered to a corporate officer; or

16           (2) The special meeting was not held in accordance with the notice.

17           2. The court may:

18           a. Fix the time and place of the meeting;

19           b. Specify a record date for determining shareholders entitled to notice of and to  
20 vote at the meeting;

21           c. Prescribe the form and content of the meeting notice;

22           d. Fix the quorum required for specific matters to be considered at the meeting,  
23 or direct that the votes represented at the meeting constitute a quorum for  
24 action on those matters; and

25           e. Enter other orders necessary to accomplish the purposes of the meeting.

26           3. If the court orders a meeting it may also order the corporation to pay the costs of  
27 the shareholder, including reasonable attorneys' fees, incurred to obtain the order.

28           **SECTION 34. AMENDMENT.** Section 10-19.1-73 of the North Dakota Century Code is  
29 amended and reenacted as follows:

30           **10-19.1-73. Notice.**

- 1           1. Except as otherwise provided in this chapter, notice of all meetings of shareholders  
2           must be given to every holder of shares entitled to vote unless:
- 3           a. The meeting is an adjourned meeting to be held not more than one hundred  
4           twenty days after the date fixed for the original meeting and the date, time,  
5           and place of the meeting were announced at the time of the original meeting  
6           or any adjournment of the original meeting; or
- 7           b. The following have been mailed by first-class mail to a shareholder at the  
8           address in the corporate records and returned nondeliverable:
- 9           (1) Two consecutive annual meeting notices and notices of any special  
10           meetings held during the period between the two annual meetings; or
- 11           (2) All payments of ~~dividends~~ distributions, provided there were at least two  
12           sent during a twelve-month period.
- 13           An action or meeting that is taken or held without notice under subdivision b  
14           has the same force and effect as if notice was given. If the shareholder  
15           delivers a written notice of the shareholder's current address to the  
16           corporation, the notice requirement is reinstated.
- 17           2. If notice of an adjourned meeting is required under subdivision a of subsection 1,  
18           then the date for determination of shares entitled to notice of and entitled to vote at  
19           the adjourned meeting must comply with subsection 1 of section ~~40-19.1-77~~  
20           10-19.1-73.2, except that if the date of the meeting is set by court order, the court  
21           may provide that the original date of determination will continue in effect or may fix  
22           a new date.
- 23           3. ~~#~~ The notice:
- 24           a. ~~In all instances where~~ a specific minimum notice period has not otherwise  
25           been fixed by law, ~~the notice~~ must be given at least ten days before the date  
26           of the meeting, or a shorter time provided in the articles or bylaws, and not  
27           more than fifty days before the date of the meeting;:
- 28           4. ~~b. The notice must~~ Must contain the date, time, and place of the meeting;:
- 29           c. Must contain the information with respect to dissenters' rights required by  
30           subsection 2 of section 10-19.1-88, if applicable, ~~and any other information~~  
31           ~~required by this chapter. In the case of a special meeting, the notice must~~

1                   ~~contain a statement of the purposes of the meeting. The notice may also~~  
2                   ~~contain any other information required by the articles or bylaws or deemed~~  
3                   ~~necessary or desirable by the board or by any other person or persons calling~~  
4                   ~~the meeting.;~~

5                   d. Must inform shareholders if proxies are permitted at the meeting and, if so,  
6                   state the procedure for appointing proxies;

7                   e. Must contain a statement of the purpose of the meeting, in the case of a  
8                   special meeting;

9                   f. Must contain any other information:

10                   (1) Required by the articles or bylaws, or this chapter;

11                   (2) Considered necessary or desirable by the board of directors; and

12                   g. May contain any other information considered necessary or desirable by the  
13                   person or persons calling the meeting.

14       5. 4. A shareholder may waive notice of a meeting of shareholders.

15                   a. A waiver of notice by a shareholder entitled to notice is effective whether  
16                   given before, at, or after the meeting, and whether given in writing, or by  
17                   attendance.

18                   b. Attendance by a shareholder at a meeting is a waiver of notice of that  
19                   meeting, except where the shareholder objects ~~at:~~

20                   (1) At the beginning of the meeting to the transaction of business because  
21                   the meeting is not lawfully called or convened; ~~or objects before~~

22                   (2) Before a vote on an item of business because the item may not lawfully  
23                   be considered at that meeting and does not participate in the  
24                   consideration of the item at that meeting.

25                   **SECTION 35.** Section 10-19.1-73.2 of the North Dakota Century Code is created and  
26                   enacted as follows:

27                   **10-19.1-73.2. Voting rights.**

28                   1. The board may fix a date not more than fifty days, or a shorter time period provided  
29                   in the articles or bylaws, before the date of a meeting of shareholders as the date  
30                   for the determination of the holders of shares entitled to notice of and entitled to

- 1           vote at the meeting. When a date is fixed, only shareholders on that date are  
2           entitled to notice of and permitted to vote at that meeting of shareholders.
- 3           2. A determination of the holders of shares entitled to notice and to vote at a meeting  
4           of shareholders is effective for an adjournment of the meeting unless the board  
5           fixes a new date for determining the right to notice and to vote, which it must do if  
6           the meeting is adjourned to a date more than fifty days after the record date for  
7           determining shareholders entitled to notice of the original meeting.
- 8           3. If a court orders a meeting adjourned to a date more than one hundred twenty days  
9           after the date fixed for the original meeting, it may:
- 10           a. Maintain the original record date for notice and voting; or  
11           b. Fix a new record date for notice and voting.
- 12           4. A resolution approved by the affirmative vote of a majority of the directors present  
13           may establish a procedure whereby a shareholder may certify in writing to the  
14           corporation that all or a portion of the shares registered in the name of the  
15           shareholder are held for the account of one or more beneficial owners. Upon  
16           receipt by the corporation of the writing, the persons specified as beneficial  
17           owners, rather than the actual shareholder, are deemed the shareholders for the  
18           purposes specified in the writing.
- 19           5. Unless otherwise provided in the articles or bylaws, or in the terms of the shares, a  
20           shareholder has one vote for each share held.
- 21           6. The articles may give or prescribe the manner of giving a creditor, securityholder,  
22           or other person a right to vote under this section.
- 23           7. Shares owned by two or more shareholders may be voted by any one of them  
24           unless the corporation receives written notice from any one of them denying the  
25           authority of that person to vote those shares.
- 26           8. Except as provided in subsection 7, a holder of shares entitled to vote may vote  
27           any portion of the shares in any way the shareholder chooses. If a shareholder  
28           votes without designating the proportion or number of shares voted in a particular  
29           way, the shareholder is deemed to have voted all of the shares in that way.

30           **SECTION 36.** Section 10-19.1-73.3 of the North Dakota Century Code is created and  
31 enacted as follows:



1           **10-19.1-73.3. Voting list.**

2           1. After fixing a record date for notice of and voting at a meeting, a corporation shall  
3           prepare an alphabetical list of the names of its shareholders entitled to notice and  
4           to vote. The list must show the address and number of shares each shareholder is  
5           entitled to vote at the meeting.

6           2. The list of shareholders must be available for inspection by a shareholder with  
7           voting rights for the purpose of communication with other shareholders concerning  
8           the meeting, beginning two business days after the meeting notice is given and  
9           continuing through the meeting, at the principal executive office of the corporation  
10           or at a reasonable place identified in the meeting notice in the city where the  
11           meeting will be held.

12           a. The list must also be available at the meeting.

13           b. A shareholder, a shareholder's agent, or attorney is entitled on written  
14           demand to inspect and to copy the list, at a reasonable time and at the  
15           shareholder's expense, during the period it is available for inspection and at  
16           any time during the meeting or an adjournment.

17           3. If the corporation refuses to allow a shareholder with voting rights, the  
18           shareholder's agent, or attorney to inspect the list of shareholders before or at the  
19           meeting, the district court of the county where the principal executive office of the  
20           corporation is located, on application of the shareholder, may:

21           a. Order the inspection or copying at the corporation's expense;

22           b. Postpone the meeting until the inspection or copying is complete; or

23           c. Order the corporation to pay the shareholder's costs, including reasonable  
24           attorneys' fees, incurred to obtain the order.

25           4. Unless a written demand to inspect and copy a shareholder list has been made  
26           under subsection 2 before the shareholder meeting and a corporation improperly  
27           refuses to comply with the demand, refusal or failure to comply with this section  
28           does not affect the validity of action taken at the meeting.

29           5. A shareholder, agent, or attorney who gains access to a shareholder list under this  
30           section may not use or give it to another for use of the shareholder list for any  
31           purpose other than a proper purpose. Upon application of the corporation, the

1           district court may issue a protective order or order other relief necessary to enforce  
2           this subsection.

3           **SECTION 37. AMENDMENT.** Section 10-19.1-74 of the North Dakota Century Code is  
4 amended and reenacted as follows:

5           **10-19.1-74. Act of the shareholders.**

6           1. ~~The~~ Unless this chapter or the articles require a greater vote or voting by class, the  
7 shareholders shall take action by the affirmative vote of the holders of the greater  
8 of:

9           a. A majority of the voting power of the shares present and entitled to vote on  
10 that item of business; or

11           b. A majority of the voting power of the minimum number of shares entitled to  
12 vote that would constitute a quorum for the transaction of business at the  
13 meeting, ~~except where this chapter or the articles require a larger proportion~~  
14 ~~or number.~~

15           If the articles require a larger proportion or number than is required by this chapter  
16 for a particular action, the articles control.

17           2. ~~In any case where a class or series of shares is entitled by this chapter, the~~  
18 ~~articles, the bylaws, or the terms of the shares to vote as a class or series, the~~  
19 ~~matter being voted upon must also receive the affirmative vote of the holders of the~~  
20 ~~same proportion of the shares present of that class or series as is required~~  
21 ~~pursuant to subsection 1, unless the articles require a larger proportion. Unless~~  
22 ~~otherwise stated in the articles or bylaws in the case of voting as a class or series,~~  
23 ~~the minimum percentage of the number of shares of the class or series which must~~  
24 ~~be present shall be equal to the minimum percentage of all outstanding shares~~  
25 ~~entitled to vote required to be present under section 10-19.1-76. Unless otherwise~~  
26 ~~provided in the articles or bylaws, shareholders may take action at a meeting by:~~

27           a. Voice or ballot;

28           b. Action without a meeting pursuant to section 10-19.1-75;

29           c. Written ballot pursuant to section 10-19.1-75.1; or

30           d. Electronic communication pursuant to section 10-19.1-75.2.

1           **SECTION 38. AMENDMENT.** Section 10-19.1-75 of the North Dakota Century Code is  
2 amended and reenacted as follows:

3           **10-19.1-75. Action without a meeting.** An action required or permitted to be taken at  
4 a meeting of the shareholders may be taken without a meeting by written action signed by all of  
5 the shareholders entitled to vote on that action.

- 6           1. If the articles so provide, any action may be taken by written action signed by the  
7           shareholders who own voting power equal to the voting power that would be  
8           required to take the same action at a meeting of the shareholders at which all  
9           shareholders were present.
- 10          2. The written action is effective when it has been signed by ~~all of these~~ the required  
11          shareholders, unless a different effective time is provided in the written action.
- 12          3. When written action is permitted to be taken by less than all shareholders, all  
13          shareholders must be notified immediately of its text and effective date. Failure to  
14          provide the notice does not invalidate the written action. A shareholder who does  
15          not sign or consent to the written action has no liability for the action or actions  
16          taken by the written actions.
- 17          4. When this chapter requires or permits a certificate concerning an action to be filed  
18          with the secretary of state, the officers signing the certificate must indicate the  
19          action was taken under this section.

20           **SECTION 39.** Section 10-19.1-75.1 of the North Dakota Century Code is created and  
21 enacted as follows:

22           **10-19.1-75.1. Action by written ballot.**

- 23          1. Except as provided in subsection 5 and unless prohibited or limited by the articles  
24          or bylaws, an action that may be taken at a regular or special meeting of  
25          shareholders may be taken without a meeting if the corporation mails or delivers a  
26          written ballot to every shareholder entitled to vote on the matter.
- 27          2. A written ballot must set forth each proposed action and provide an opportunity to  
28          vote for or against each proposed action.
- 29          3. Approval by written ballot under this section is valid only if:
  - 30           a. The number of votes cast by ballot equals or exceeds the quorum required to  
31           be present at a meeting authorizing the action; and

1            b. The number of approvals equals or exceeds the number of votes that would  
2            be required to approve the matter at a meeting at which the total number of  
3            votes cast was the same as the number of votes cast by ballot.

4            4. Solicitations for votes by written ballot must:

5            a. Indicate the number of responses needed to meet the quorum requirements;

6            b. State the percentage of approvals necessary to approve each matter other  
7            than election of directors; and

8            c. Specify the time by which a ballot must be received by the corporation in  
9            order to be counted.

10          5. Except as otherwise provided in the articles or bylaws, a written ballot may not be  
11          revoked.

12          **SECTION 40.** Section 10-19.1-75.2 of the North Dakota Century Code is created and  
13 enacted as follows:

14          **10-19.1-75.2. Electronic communications.**

15          1. A conference among the shareholders by any means of communication through  
16          which the participants may simultaneously hear each other during the conference  
17          constitutes a regular or special meeting of shareholders:

18          a. If the same notice is given of the conference as would be required for a  
19          meeting; and

20          b. If the number of shares held by the shareholders participating in the  
21          conference would be sufficient to constitute a quorum at a meeting.

22          2. Participation in a conference meeting the requirements of subsection 1 constitutes  
23          presence at the meeting in person or by proxy if all the other requirements of  
24          section 10-19.1-80 are met.

25          3. A shareholder may participate in a regular or special meeting of shareholders not  
26          described in subsection 1 by any means of communication through which the  
27          shareholder, other participants, and all persons physically present at the meeting  
28          may simultaneously hear each other during the meeting. Participation in a meeting  
29          by that means constitutes presence at the meeting in person or by proxy if all the  
30          other requirements of section 10-19.1-80 are met.

- 1           4. Waiver of notice of a meeting by means of communication described in  
2           subsection 1 or 3 may be given in the manner provided in subsection 4 of section  
3           10-19.1-73. Participation in a meeting by means of communications described in  
4           subsection 1 or 3 is a waiver of notice of that meeting, except where the  
5           shareholder objects:  
6           a. At the beginning of the meeting to the transaction of business because the  
7           meeting is not lawfully called or convened; or  
8           b. Before a vote on an item of business because the item may not lawfully be  
9           considered at the meeting and does not participate in the consideration of the  
10          item at that meeting.

11           **SECTION 41. AMENDMENT.** Section 10-19.1-76 of the North Dakota Century Code is  
12 amended and reenacted as follows:

13           **10-19.1-76. Quorum.** ~~The~~

- 14           1. Unless otherwise provided in the articles or bylaws, a quorum for a meeting of  
15           shareholders is the holders of a majority of the voting power of the shares entitled  
16           to vote at a the meeting are a quorum for the transaction of business, unless a  
17           larger or smaller proportion or number is provided in the articles or bylaws. In no  
18           event may a quorum consist of less than one third of the shares entitled to vote at  
19           the meeting. If a quorum is present when a duly called or held meeting is  
20           convened, the shareholders present may continue to transact business until  
21           adjournment, even though the withdrawal of a number of shareholders originally  
22           present leaves less than the proportion or number otherwise required for a quorum.  
23           2. Except as provided in subdivision b, a quorum is necessary for the transaction of  
24           business at a meeting of shareholders.  
25           a. If a quorum is not present, a meeting may be adjourned from time to time for  
26           that reason.  
27           b. If a quorum has been present at a meeting and shareholders have withdrawn  
28           from the meeting so that less than a quorum remains, the shareholders still  
29           present may continue to transact business until adjournment.

30           **SECTION 42.** Section 10-19.1-76.1 of the North Dakota Century Code is created and  
31 enacted as follows:

- 1           **10-19.1-76.1. Voting of shares by organizations and legal representatives.**
- 2           1. Shares of a corporation registered in the name of another domestic or foreign
- 3           corporation may be voted by the president of other legal representative of the
- 4           corporation.
- 5           2. Except as provided in subsection 3, shares of a corporation registered in the name
- 6           of a subsidiary are not entitled to be voted on any matter.
- 7           3. Shares of a corporation in the name of or under the control of the corporation or a
- 8           subsidiary in a fiduciary capacity are not entitled to be voted on any matter, except
- 9           to the extent that the settlor or beneficial owner possesses and exercises a right to
- 10           vote or gives the corporation or, with respect to shares in the name of or under
- 11           control of a subsidiary, the subsidiary, binding instructions on how to vote the
- 12           shares.
- 13           4. Shares under the control of a person in a capacity as a personal representative, an
- 14           administrator, executor, guardian, conservator, or attorney in fact may be voted by
- 15           the person, either in person or by proxy, without registration of those shares in the
- 16           name of the person. Shares registered in the name of a trustee of a trust or in the
- 17           name of a custodian may be voted by the person, either in person or by proxy, but
- 18           a trustee of a trust or a custodian may not vote shares held by the person unless
- 19           they are registered in the name of the person.
- 20           5. Shares registered in the name of a trustee in bankruptcy or a receiver may be
- 21           voted by the trustee or either in person or by proxy. Shares under the control of a
- 22           trustee in bankruptcy or a receiver may be voted by the trustee or receiver without
- 23           registering the shares in the name of the trustee or receiver, if authority to do so is
- 24           contained in an appropriate order of the court by which the trustee or receiver was
- 25           appointed.
- 26           6. Shares registered in the name of an organization not described in subsections 1
- 27           through 5 may be voted either in person or by proxy by the legal representative of
- 28           that organization.
- 29           7. A shareholder whose shares are pledged may vote those shares until the shares
- 30           are registered in the name of the pledgee. If the corporation pledges its own

1           shares under subsection 1 of section 10-19.1-93, the corporation may not vote the  
2           shares at a meeting or otherwise.

3           **SECTION 43.** Section 10-19.1-76.2 of the North Dakota Century Code is created and  
4 enacted as follows:

5           **10-19.1-76.2. Proxies.**

- 6           1. At or before the meeting the appointment is to be effective a shareholder may cast  
7           or authorize the casting of a vote by filing a written appointment of a proxy with an  
8           officer authorized to tabulate votes.
- 9           a. A written appointment of a proxy may be signed by the shareholder or  
10           authorized by the shareholder by transmission of a telegraph, cablegram, or  
11           other means of electronic transmission, provided the corporation has no  
12           reason to believe the telegram, cablegram, or other electronic transmission  
13           was not authorized by the shareholder.
- 14           b. Any reproduction of the writing or transmission may be substituted or used in  
15           lieu of the original writing or transmission for any purpose for which the  
16           original transmission could be used, if the copy, facsimile, telecommunication,  
17           or other reproduction is a complete and legible reproduction of the entire  
18           original writing or transmission.
- 19           c. An appointment of a proxy for shares held jointly by two or more shareholders  
20           is valid if signed by any one of them, unless the corporation receives from any  
21           one of those shareholders written notice either denying the authority of that  
22           person to appoint a proxy or appointing a different proxy.
- 23           2. The appointment of a proxy is valid for eleven months, unless a longer period is  
24           expressly provided in the appointment. No appointment is irrevocable unless the  
25           appointment is coupled with an interest, including a security interest, in the shares  
26           or in the corporation. A shareholder who revokes a proxy is not liable in any way  
27           for damages, restitution, or other claim.
- 28           3. An appointment may be revoked at will, unless the appointment is coupled with an  
29           interest, in which case it may not be revoked except in accordance with the terms  
30           of an agreement, if any, between the parties to the appointment. Appointment of a  
31           proxy is revoked by the person appointing the proxy by:

- 1           a. Attending a meeting and voting in person; or  
2           b. Signing and delivering to the officer or agent authorized to tabulate proxy  
3           votes either:  
4           (1) A writing stating the appointment of the proxy is revoked; or  
5           (2) A later appointment.  
6       4. Revocation in either manner provided in subsection 3 revokes all earlier proxy  
7       appointments and is effective when filed with an officer of the corporation.  
8       5. The death or incapacity of a person appointing a proxy does not affect the right of  
9       the corporation to accept the authority of the proxy, unless written notice of the  
10       death or incapacity is received by an officer authorized to tabulate votes before the  
11       proxy exercises authority under that appointment.  
12       6. Unless the appointment specifically provides otherwise, if two or more persons are  
13       appointed as proxies for a shareholder:  
14       a. Any one of them may vote the shares on each item of business in accordance  
15       with specific instructions contained in the appointment; and  
16       b. If no specific instructions are contained in the appointment with respect to  
17       voting the shares on a particular item of business, the shares must be voted  
18       as a majority of the proxies determine. If the proxies are equally divided, the  
19       shares may not be voted.  
20       7. Subject to section 10-19.1-76.3 and an express restriction, limitation, or specific  
21       reservation of authority of the proxy appearing on the appointment, the corporation  
22       may accept a vote or action by the proxy as the action of the shareholder. The  
23       vote of a proxy is final, binding, and not subject to challenge, but the proxy is liable  
24       to the shareholder or beneficial owner for damages resulting from a failure to  
25       exercise the proxy or from an exercise of the proxy in violation of the authority  
26       granted in the appointment.  
27       8. If a proxy is given authority by a shareholder to vote on less than all items of  
28       business considered at a meeting of shareholders, the shareholder is considered  
29       to be present and entitled to vote by the proxy for purposes of subsection 1 of  
30       section 10-19.1-74, only with respect to those items of business for which the proxy  
31       has authority to vote. A proxy who is given authority by a shareholder who



1           abstains with respect to an item of business is considered to have authority to vote  
2           on the item of business for purposes of this subsection.

3           **SECTION 44.** Section 10-19.1-76.3 of the North Dakota Century Code is created and  
4 enacted as follows:

5           **10-19.1-76.3. Acceptance of shareholder act by the corporation.**

- 6           1. If the name signed on a vote, consent, waiver, or proxy appointment corresponds  
7           to the record name of a shareholder, the corporation if acting in good faith may  
8           accept the vote, consent, waiver, or proxy appointment and give it effect as the act  
9           of the shareholder.
- 10          2. Unless the articles or bylaws provide otherwise, if the name signed on a vote,  
11          consent, waiver, or proxy appointment does not correspond to the record name of  
12          a shareholder, the corporation if acting in good faith may accept the vote, consent  
13          waiver, or proxy appointment and give it effect as the act of the shareholder if:
- 14           a. The shareholder is an organization and the name signed purports to be that of  
15           an officer, manager, or agent of the organization;
- 16           b. The name signed purports to be that of an administrator, guardian, or  
17           conservator representing the shareholder and, if the corporation requests,  
18           evidence of fiduciary status acceptable to the corporation has been presented  
19           with respect to the vote, consent, waiver, or proxy appointment;
- 20           c. The name signed purports to be that of a receiver or trustee in bankruptcy of  
21           the shareholder, and, if the corporation requests, evidence of this status  
22           acceptable to the corporation has been presented with respect to the vote,  
23           consent, waiver, or proxy appointment;
- 24           d. The name signed purports to be that of a pledgee, beneficial owner, or  
25           attorney in fact of the shareholder, and if the corporation requests, evidence  
26           acceptable to the corporation of the signatory's authority to sign for the  
27           shareholder has been presented with respect to the vote, consent, waiver, or  
28           proxy appointment; or
- 29           e. Two or more persons hold the shares as cotenants or fiduciaries and the  
30           name signed purports to be the name of at least one of the coholders and the  
31           person signing appears to be acting on behalf of all the coholders.

- 1           3.   The corporation may reject a vote, consent, waiver, or proxy appointment if the  
2                   officer or agent authorized to tabulate votes, acting in good faith, has reasonable  
3                   basis for doubt about the validity of the signature on it or about the signatory's  
4                   authority to sign for the shareholder.
- 5           4.   The corporation or its officer or agent who accepts or rejects a vote, consent,  
6                   waiver, or proxy appointment in good faith and in accordance with the standards of  
7                   this section is not liable in damages to the shareholder for the consequences of the  
8                   acceptance or rejection.
- 9           5.   Corporate action based on the acceptance or rejection of a vote, consent, waiver,  
10                   or proxy appointment under this section is valid unless a court of competent  
11                   jurisdiction determines otherwise.

12           **SECTION 45. AMENDMENT.** Section 10-19.1-81 of the North Dakota Century Code is  
13 amended and reenacted as follows:

14           **10-19.1-81. Voting trusts.**

- 15           1.   Shares in a corporation may be transferred to a trustee pursuant to written  
16                   agreement, for the purpose of conferring on the trustee the right to vote and  
17                   otherwise represent the beneficial owner of those shares for a period not  
18                   exceeding ten years, except that if the agreement is made in connection with an  
19                   indebtedness of the corporation, the voting trust may extend until the indebtedness  
20                   is discharged. Unless otherwise specified in the agreement, the voting trust may  
21                   be terminated at any time by the beneficial owners of a majority of the voting power  
22                   of the shares held by the trustee. A signed original of the agreement must be filed  
23                   with the corporation.
- 24           2.   Unless otherwise provided in the trust agreement, if there are two or more trustees,  
25                   the manner of voting is determined as provided in subsection 5 of section  
26                   ~~40-19.1-77~~ 10-19.1-73.2.

27           **SECTION 46. AMENDMENT.** Section 10-19.1-82 of the North Dakota Century Code is  
28 amended and reenacted as follows:

- 29           **10-19.1-82. Shareholder voting agreements.** A written agreement solely among  
30 persons who are then shareholders or subscribers for shares to be issued, relating to the voting  
31 of their shares, is valid and specifically enforceable by and against the parties to the agreement.

1 The agreement may override the provisions of section ~~10-19.1-80~~ 10-19.1-76.2 regarding  
2 proxies and is not subject to the provisions of section ~~10-19.1-84~~ 10-19.1-73.2 regarding voting  
3 trusts.

4 **SECTION 47. AMENDMENT.** Section 10-19.1-83 of the North Dakota Century Code is  
5 amended and reenacted as follows:

6 **10-19.1-83. Shareholder control agreements.**

- 7 1. A written agreement solely among the shareholders of a corporation and the  
8 subscribers for shares to be issued, relating to the control of any phase of the  
9 business and affairs of the corporation, its liquidation and dissolution, or the  
10 relations among shareholders of or subscribers to shares of the corporation is valid  
11 and specifically enforceable as provided in subsections 2 and 3.
- 12 2. A written agreement ~~solely~~ among persons described in subsection 1 which relates  
13 to the control of or the liquidation and dissolution of the corporation, the relations  
14 among them, or any phase of the business and affairs of the corporation, including  
15 the management of its business, the declaration and payment of distributions, the  
16 election of directors or officers, the employment of shareholders by the corporation,  
17 or the arbitration of disputes, is valid and specifically enforceable, if the agreement  
18 is signed by all persons who are then the shareholders of the corporation, whether  
19 or not the shareholders all have voting shares, and the subscribers for shares,  
20 whether or not voting shares, to be issued.
- 21 3. The agreement is enforceable by the persons described in subsection 1 who are  
22 parties to it and is binding upon and enforceable against only those persons and  
23 other persons having knowledge of the existence of the agreement. A signed  
24 original of the agreement must be filed with the corporation. The existence and  
25 location of a copy of the agreement must be noted conspicuously on the face or  
26 back of each certificate for shares issued by the corporation and on each  
27 transaction statement. A shareholder, a beneficial owner of shares, or another  
28 person having a security interest in shares has the right upon written demand to  
29 obtain a copy of the agreement from the corporation at the expense of the  
30 corporation.

- 1           4. ~~The effect of an agreement authorized by this section is to relieve the board and~~  
2           ~~the director or directors in their capacities as directors of, and to impose upon the~~  
3           ~~parties to the agreement, the liability for acts or omissions imposed by law upon~~  
4           ~~directors to the extent that and so long as the discretion or powers of the directors~~  
5           ~~in the management of the business and affairs of the corporation are exercised by~~  
6           ~~the shareholders under a provision in the agreement. If an agreement authorized~~  
7           ~~by this section takes away from any person any of the authority and responsibility~~  
8           ~~which that person would otherwise possess under this chapter, the effect of the~~  
9           ~~agreement is also:~~  
10          a. To relieve that person of liability imposed by law for acts and omissions in the  
11           possession or exercise of that authority and responsibility; and  
12          b. To impose that liability on the person or persons possessing the authority and  
13           responsibility under the agreement.  
14          5. A shareholder is not liable pursuant to ~~this~~ subsection 4 by virtue of a shareholder  
15           vote, if the shareholder had no right to vote on the action.  
16          5- 6. This section does not apply to, limit, or restrict agreements otherwise valid, nor is  
17           the procedure set forth in this section the exclusive method of agreement among  
18           shareholders or between the shareholders and the corporation with respect to any  
19           of the matters described in this section.

20           **SECTION 48. AMENDMENT.** Section 10-19.1-85 of the North Dakota Century Code is  
21           amended and reenacted as follows:

22           **10-19.1-85. Financial statements.**

- 23           1. A corporation shall, upon the written request of a shareholder, prepare annual  
24           financial statements within one hundred eighty days after the close of the  
25           corporation's fiscal year. ~~The financial statements shall include~~ including at least a  
26           balance sheet as of the end of ~~each~~ the fiscal year and a statement of income for  
27           the fiscal year, ~~which must be~~ prepared on the basis of accounting methods  
28           reasonable in the circumstances ~~and~~. The financial statements may be  
29           consolidated statements of the corporation and one or more of its subsidiaries.

- 1           a. ~~In the case of~~ If the statements are audited by a public accountant, each copy  
2           must be accompanied by a report setting forth the opinion of the accountant  
3           on the statements; ~~in other cases,~~  
4           b. If these statements are not audited by a public accountant, each copy must be  
5           accompanied by a statement of the treasurer or other person in charge of the  
6           corporation's financial records ~~stating:~~  
7           (1) Stating the reasonable belief of the person that the financial statements  
8           were prepared in accordance with accounting methods reasonable in  
9           the circumstances, ~~describing;~~  
10          (2) Describing the basis of presentation; ~~and describing~~  
11          (3) Describing any respects in which the financial statements were not  
12          prepared on a basis consistent with those prepared for the previous  
13          year.
- 14          2. Upon written request by a shareholder, a corporation shall furnish its most recent  
15          annual financial statements as required under subsection 1 no later than ten  
16          business days after receipt of a shareholder's written request. "Furnish" for  
17          purposes of this subsection means that the corporation shall deliver or mail,  
18          postage prepaid, the financial statements to the address specified by the  
19          requesting shareholder.

20           **SECTION 49.** Section 10-19.1-85.1 of the North Dakota Century Code is created and  
21          enacted as follows:

22           **10-19.1-85.1. Equitable remedies.** If a corporation or an officer or director of the  
23          corporation violates this chapter, a court in this state, in an action brought by a shareholder of  
24          the corporation may grant equitable relief it considers just and reasonable in the circumstances  
25          and award expenses, including attorneys' fees and disbursements, to the shareholders.

26           **SECTION 50. AMENDMENT.** Section 10-19.1-86 of the North Dakota Century Code is  
27          amended and reenacted as follows:

28           **10-19.1-86. Actions by shareholders.** No action may be brought in this state by a  
29          shareholder in the right of a domestic or foreign corporation unless plaintiff is a holder of record  
30          of shares or voting trust certificates at the time of the transaction of which plaintiff complains, or

1 the plaintiff's shares or voting trust certificates thereafter devolved upon the plaintiff by  
2 operation of law from a person who was a holder of record at such time:.

3 1. In any action thereafter instituted in the right of any domestic or foreign corporation  
4 by the holder or holders of record of shares of the corporation or voting trust  
5 certificates, the court having jurisdiction, upon final judgment and finding that the  
6 action was brought without reasonable cause, may require the plaintiff or plaintiffs  
7 to pay the parties named as defendant the reasonable expenses, including fees of  
8 attorneys, incurred by them in defense of such action.

9 2. In any action now pending or hereafter instituted or maintained in the right of any  
10 domestic or foreign corporation by the holder or holders of record of less than five  
11 percent of the outstanding shares of any class of the corporation or voting trust  
12 certificates, unless the shares or voting trust certificates so held have a market  
13 value in excess of twenty-five thousand dollars, the corporation in whose right such  
14 action is brought is entitled at any time before final judgment to require the plaintiff  
15 or plaintiffs to give security for the reasonable expenses, including fees of  
16 attorneys, that may be incurred by it in connection with such action or may be  
17 incurred by other parties named as defendant for which it may become legally  
18 liable.

19 a. Market value must be determined on the date the plaintiff institutes the action  
20 or, in the case of an intervenor, on the date the intervenor becomes a party to  
21 the action.

22 b. The amount of the security may from time to time be increased or decreased,  
23 in the discretion of the court, upon showing that the security provided has or  
24 may become inadequate or is excessive.

25 c. The corporation has recourse to such security in such amount as the court  
26 having jurisdiction determines upon the termination of the action, whether or  
27 not the court finds the action was brought without reasonable cause.

28 **SECTION 51. AMENDMENT.** Section 10-19.1-87 of the North Dakota Century Code is  
29 amended and reenacted as follows:

30 **10-19.1-87. Rights of dissenting shareholders.**

- 1           1. A shareholder of a corporation may dissent from, and obtain payment for the fair  
2           value of the shareholder's shares in the event of, any of the following corporate  
3           actions:
- 4           a. An amendment of the articles that materially and adversely affects the rights  
5           or preferences of the shares of a dissenting shareholder in that it:
- 6               (1) Alters or abolishes a preferential right of the shares;
- 7               (2) Creates, alters, or abolishes a right in respect of the redemption of the  
8               shares, including a provision respecting a sinking fund for the  
9               redemption or repurchase of shares;
- 10              (3) Alters or abolishes a preemptive right of the holder of the shares to  
11              acquire shares, securities other than shares, or rights to purchase  
12              shares or securities other than shares; or
- 13              (4) Excludes or limits the right of a shareholder to vote on a matter, or to  
14              accumulate votes, except as the right may be excluded or limited  
15              through the authorization or issuance of securities of an existing or new  
16              class or series with similar or different voting rights;
- 17           b. A sale, lease, transfer, or other disposition of all or substantially all of the  
18           property and assets of the corporation ~~not made in the usual or regular course~~  
19           ~~of its business~~, but not including a transaction permitted without shareholder  
20           approval in subsection 1 of section 10-19.1-104, or a disposition in dissolution  
21           described in subsection 2 of section 10-19.1-109 or a disposition pursuant to  
22           an order of a court, or a disposition for cash on terms requiring that all or  
23           substantially all of the net proceeds of disposition be distributed to the  
24           shareholders in accordance with their respective interests within one year  
25           after the date of disposition;
- 26           c. A plan of merger to which the corporation is a party, except as provided in  
27           subsection 3;
- 28           d. A plan of exchange, whether under this chapter or under chapter 10-32, to  
29           which the corporation is a party as the corporation whose shares will be  
30           acquired by the acquiring corporation, if the shares of the shareholder are  
31           entitled to vote on the plan; or

- 1 e. Any other corporate action taken pursuant to a shareholder vote with respect  
2 to which the articles, the bylaws, or a resolution approved by the board directs  
3 that dissenting shareholders may obtain payment for their shares.
- 4 2. A shareholder may not assert dissenters' rights as to less than all of the shares  
5 registered in the name of the shareholder, unless the shareholder dissents with  
6 respect to all the shares that are beneficially owned by another person but  
7 registered in the name of the shareholder and discloses the name and address of  
8 each beneficial owner on whose behalf the shareholder dissents. In that event, the  
9 rights of the dissenter must be determined as if the shares as to which the  
10 shareholder has dissented and the other shares were registered in the names of  
11 different shareholders. The beneficial owner of shares who is not the shareholder  
12 may assert dissenters' rights with respect to shares held on behalf of the beneficial  
13 owner, and must be treated as a dissenting shareholder under the terms of this  
14 section and section 10-19.1-88, if the beneficial owner submits to the corporation at  
15 the time of or before the assertion of the rights a written consent of the  
16 shareholder.
- 17 3. Unless the articles, the bylaws, or a resolution approved by the board otherwise  
18 provide, the right to obtain payment under this section does not apply to the  
19 shareholders of the surviving corporation in a merger if the shares of the  
20 shareholder are not entitled to be voted on the merger.
- 21 4. The shareholders of a corporation who have a right under this section to obtain  
22 payment for their shares do not have a right at law or in equity to have a corporate  
23 action described in subsection 1 set aside or rescinded, except when the corporate  
24 action is fraudulent with regard to the complaining shareholder or the corporation.

25 **SECTION 52. AMENDMENT.** Section 10-19.1-89 of the North Dakota Century Code is  
26 amended and reenacted as follows:

27 **10-19.1-89. Loans - Guarantees - Suretyship.**

- 28 1. A corporation may lend money to, guarantee or pledge its assets as security for an  
29 obligation of, become a surety for, or otherwise financially assist any person, if the  
30 transaction, or a class of transactions to which the transaction belongs, is approved  
31 by the ~~affirmative vote of a majority of the directors present~~ board and:



- 1 a. Is in the usual and regular course of business of the corporation;
- 2 b. Is with, or for the benefit of, a related organization, an organization in which
- 3 the corporation has a financial interest, ~~all organizations~~ a person or
- 4 organization with which the corporation has a business relationship in the
- 5 usual and regular course of business, or an organization to which the
- 6 corporation has the power to make donations, ~~any of which relationships~~
- 7 ~~constitute consideration sufficient to make the loan, guarantee, suretyship, or~~
- 8 ~~other financial assistance so approved enforceable against the corporation;~~
- 9 c. Is with, or for the benefit of, an officer or director or other employee of the
- 10 corporation or a ~~subsidiary, including an officer or employee who is a director~~
- 11 ~~of the corporation or a subsidiary~~ related organization, and may reasonably
- 12 be expected, in the judgment of the board, to benefit the corporation; or
- 13 d. Whether or not any separate consideration has been paid or promised to the
- 14 corporation has been approved by:
- 15 (1) The holders of two-thirds of the voting power of the shares entitled to
- 16 vote which are owned by persons other than the interested person or
- 17 persons; or
- 18 (2) The unanimous affirmative vote of the holders of all outstanding shares,
- 19 whether or not entitled to vote.
- 20 2. A loan, guaranty, surety contract, or other financial assistance under subsection 1
- 21 may be with or without interest and may be unsecured or may be secured in any
- 22 manner, including a grant of a security interest in shares of the corporation.
- 23 3. This section does not grant any authority to act as a bank or to carry on the
- 24 business of banking.

25 **SECTION 53. AMENDMENT.** Section 10-19.1-90 of the North Dakota Century Code is

26 amended and reenacted as follows:

27 **10-19.1-90. Advances.** A corporation may, without a vote of the directors or its

28 shareholders, advance money to its shareholders who provide services, directors, officers, or

29 employees to cover expenses that can reasonably be anticipated to be incurred by them in the

30 performance of their duties and for which they would be entitled to reimbursement in the

31 absence of an advance.

1           **SECTION 54. AMENDMENT.** Section 10-19.1-91 of the North Dakota Century Code is  
2 amended and reenacted as follows:

3           **10-19.1-91. Indemnification.**

4           1. For purposes of this section, ~~the terms defined in this subsection have the~~  
5 ~~meanings given them:~~

6           a. "Corporation" includes a domestic or foreign corporation that was the  
7 predecessor of the corporation referred to in this section in a merger or other  
8 transaction in which the predecessor's existence ceased upon consummation  
9 of the transaction.

10          b. "Official capacity" means:

11           (1) With respect to a director, the position of director in a corporation;

12           (2) With respect to a person other than a director, the elective or appointive  
13 office or position held by an officer, member of a committee of the  
14 board, or the employment relationship undertaken by an employee of  
15 the corporation; and

16           (3) With respect to a director, officer, or employee of the corporation who,  
17 while a director, officer, or employee of the corporation, is or was  
18 serving at the request of the corporation or whose duties in that position  
19 involve or involved service as a director, ~~governor~~, officer, manager,  
20 partner, trustee, ~~or~~ employee, or agent of another organization or  
21 employee benefit plan, the position of that person as a director,  
22 ~~governor~~, officer, manager, partner, trustee, ~~or~~ employee, or agent, as  
23 the case may be, of the other organization or employee benefit plan.

24          c. "Proceeding" means a threatened, pending, or completed civil, criminal,  
25 administrative, arbitration, or investigative proceeding, including a proceeding  
26 by or in the right of the corporation.

27          d. "Special legal counsel" means counsel who has not represented the  
28 corporation or a related organization, or a director, officer, member of a  
29 committee of the board, or employee whose indemnification is in issue.

30          2. Subject to subsection 5, a corporation shall indemnify a person made or threatened  
31 to be made a party to a proceeding by reason of the former or present official

- 1 capacity of the person against judgments, penalties, fines including excise taxes  
2 assessed against the person with respect to an employee benefit plan,  
3 settlements, and reasonable expenses, including attorneys' fees and  
4 disbursements, incurred by the person in connection with the proceeding, if, with  
5 respect to the acts or omissions of the person complained of in the proceeding, the  
6 person:
- 7 a. Has not been indemnified by another organization or employee benefit plan  
8 for the same judgments, penalties, fines including excise taxes assessed  
9 against the person with respect to an employee benefit plan, settlements, and  
10 reasonable expenses, including attorneys' fees and disbursements, incurred  
11 by the person in connection with the proceeding with respect to the same acts  
12 or omission;
  - 13 b. Acted in good faith;
  - 14 c. Received no improper personal benefit and section 10-19.1-51, if applicable,  
15 has been satisfied;
  - 16 d. In the case of a criminal proceeding, had no reasonable cause to believe the  
17 conduct was unlawful; and
  - 18 e. In the case of acts or omissions occurring in the official capacity described in  
19 paragraph 1 or 2 of subdivision b of subsection 1, reasonably believed that  
20 the conduct was in the best interests of the corporation, or in the case of acts  
21 or omissions occurring in the official capacity described in paragraph 3 of  
22 subdivision b of subsection 1, reasonably believed that the conduct was not  
23 opposed to the best interests of the corporation. If the person's acts or  
24 omissions complained of in the proceeding relate to conduct as a director,  
25 officer, trustee, employee, or agent of an employee benefit plan, the conduct  
26 is not considered to be opposed to the best interests of the corporation if the  
27 person reasonably believed that the conduct was in the best interests of the  
28 participants or beneficiaries of the employee benefit plan.
- 29 3. The termination of a proceeding by judgment, order, settlement, conviction, or  
30 upon a plea of nolo contendere or its equivalent does not, of itself, establish that the  
31 person did not meet the criteria set forth in subsection 2.

1           4. Subject to subsection 5, if a person is made or threatened to be made a party to a  
2           proceeding, the person is entitled, upon written request to the corporation, to  
3           payment or reimbursement by the corporation of reasonable expenses, including  
4           attorneys' fees and disbursements, incurred by the person in advance of the final  
5           disposition of the proceeding:

6           a. Upon receipt by the corporation of a written affirmation by the person of a  
7           good faith belief that the criteria for indemnification set forth in subsection 2  
8           have been satisfied and a written undertaking by the person to repay all  
9           amounts so paid or reimbursed by the corporation, if it is ultimately  
10          determined that the criteria for indemnification have not been satisfied; and

11          b. After a determination that the facts then known to those making the  
12          determination would not preclude indemnification under this section.

13          The written undertaking required by subdivision a is an unlimited general obligation  
14          of the person making it, but need not be secured and shall be accepted without  
15          reference to financial ability to make the repayment.

16          5. The articles or bylaws either may prohibit indemnification or advances of expenses  
17          otherwise required by this section or may impose conditions on indemnification or  
18          advances of expenses in addition to the conditions contained in subsections 2, 3,  
19          and 4 including monetary limits on indemnification or advances for expenses, if the  
20          conditions apply equally to all persons or to all persons within a given class. A  
21          prohibition or limit on indemnification or advances may not apply to or affect the  
22          right of a person to indemnification or advances of expenses with respect to any  
23          acts or omissions of the person occurring prior to the effective date of a provision in  
24          the articles or the date of adoption of a provision in the bylaws establishing the  
25          prohibition or limit on indemnification or advances.

26          6. This section does not require, or limit the ability of, a corporation to reimburse  
27          expenses, including attorneys' fees and disbursements, incurred by a person in  
28          connection with an appearance as a witness in a proceeding at a time when the  
29          person has not been made or threatened to be made a party to a proceeding.

30          7. All determinations whether indemnification of a person is required because the  
31          criteria provided in subsection 2 have been satisfied and whether a person is

- 1 entitled to payment or reimbursement of expenses in advance of the final  
2 disposition of a proceeding as provided in subsection 4 must be made:
- 3 a. By the board by a majority of a quorum, if the directors who are at the time  
4 parties to the proceeding are not counted for determining either a majority or  
5 the presence of a quorum;
- 6 b. If a quorum under subdivision a cannot be obtained, by a majority of a  
7 committee of the board, consisting solely of two or more directors not at the  
8 time parties to the proceeding, duly designated to act in the matter by a  
9 majority of the full board including directors who are parties;
- 10 c. If a determination is not made under subdivision a or b, by special legal  
11 counsel, selected either by a majority of the board or a committee by vote  
12 pursuant to subdivision a or b or, if the requisite quorum of the full board  
13 cannot be obtained and the committee cannot be established, by a majority of  
14 the full board including directors who are parties;
- 15 d. If a determination is not made under subdivisions a, b, and c, by the  
16 shareholders, ~~but the shares held by parties to the proceeding may not be~~  
17 ~~counted in determining the presence of a quorum and are not considered to~~  
18 ~~be present and entitled to vote on the determination~~ other than the  
19 shareholders who are a party to the proceeding; or
- 20 e. If an adverse determination is made under subdivisions a through d, or under  
21 subsection 8, or if no determination is made under subdivisions a through d,  
22 or under subsection 8, within sixty days after:
- 23 (1) The later to occur of the termination of a proceeding or a written request  
24 for indemnification to the corporation; or
- 25 (2) A request for an advance of expenses, as the case may be, by a court  
26 in this state, which may be the same court in which the proceeding  
27 involving the person's liability took place, upon application of the person  
28 and any notice the court requires.
- 29 The person seeking indemnification or payment or reimbursement of  
30 expenses pursuant to this subdivision has the burden of establishing that the

1 person is entitled to indemnification or payment or reimbursement of  
2 expenses.

3 8. With respect to a person who is not, and who was not at the time of the acts or  
4 omissions complained of in the proceedings, a director, officer, or person  
5 possessing, directly or indirectly, the power to direct or cause the direction of the  
6 management or policies of the corporation, the determination whether  
7 indemnification of this person is required because the criteria set forth in  
8 subsection 2 have been satisfied and whether this person is entitled to payment or  
9 reimbursement of expenses in advance of the final disposition of a proceeding as  
10 provided in subsection 4 may be made by an annually appointed committee of the  
11 board, having at least one member who is a director. The committee shall report at  
12 least annually to the board concerning its actions.

13 9. A corporation may purchase and maintain insurance on behalf of a person in that  
14 person's official capacity against any liability asserted against and incurred by the  
15 person in or arising from that capacity, whether or not the corporation would have  
16 been required to indemnify the person against the liability under the provisions of  
17 this section.

18 10. A corporation that indemnifies or advances expenses to a person in accordance  
19 with this section in connection with a proceeding by or on behalf of the corporation  
20 shall report to the shareholders in writing the amount of the indemnification or  
21 advance and to whom and on whose behalf it was paid not later than the next  
22 meeting of shareholders.

23 11. Nothing in this section may be construed to limit the power of the corporation to  
24 indemnify other persons by contract or otherwise.

25 **SECTION 55. AMENDMENT.** Section 10-19.1-92 of the North Dakota Century Code is  
26 amended and reenacted as follows:

27 **10-19.1-92. Distributions.**

28 1. The board may authorize and cause the corporation to make a distribution only if  
29 the board determines, in accordance with subsection 2, that the corporation will be  
30 able to pay its debts in the ordinary course of business after making the distribution

- 1 and the board does not know before the distribution is made that the determination  
2 was or has become erroneous.
- 3 a. The corporation may make the distribution if it is able to pay its debts in the  
4 ordinary course of business after making the distribution.
- 5 b. The effect of a distribution on the ability of the corporation to pay its debts in  
6 the ordinary course of business after making the distribution must be  
7 measured in accordance with subsection 3.
- 8 c. The right of the board to authorize, and the corporation to make, distributions  
9 may be prohibited, limited, or restricted by, or the rights and priorities of  
10 persons to receive distributions may be established by, the articles or bylaws  
11 or an agreement.
- 12 2. A determination that the corporation will be able to pay its debts in the ordinary  
13 course of business after the distribution is presumed to be proper if the  
14 determination is made in compliance with the standard of conduct provided in  
15 section 10-19.1-50 on the basis of financial information prepared in accordance  
16 with accounting methods, or a fair valuation or other method, reasonable in the  
17 circumstances. No liability under section 10-19.1-50 or 10-19.1-95 will accrue if  
18 the requirements of this subsection have been met.
- 19 3. With respect to the effect of a distribution:
- 20 a. In the case of a distribution made by a corporation in connection with a  
21 purchase, redemption, or other acquisition of its shares, the effect of the  
22 distribution must be measured as of the date on which money or other  
23 property is transferred, or indebtedness payable in installments or otherwise is  
24 incurred, by the corporation, or as of the date on which the shareholder  
25 ceases to be a shareholder of the corporation with respect to the shares,  
26 whichever is the earliest.
- 27 b. The effect of any other distribution must be measured as of the date of its  
28 authorization if payment occurs one hundred twenty days or less following the  
29 date of authorization, or as of the date of payment if payment occurs more  
30 than one hundred twenty days following the date of authorization.

- 1           c. The provisions of chapter 13-02.1 do not apply to distributions made by a  
2           corporation governed by this chapter.
- 3           4. Indebtedness of a corporation incurred or issued in a distribution in accordance  
4           with this section to a shareholder who as a result of the transaction is no longer a  
5           shareholder is on a parity with the indebtedness of the corporation to its general  
6           unsecured creditors, except to the extent subordinated, agreed to, or secured by a  
7           pledge of any assets of the corporation or a related organization, or subject to any  
8           other agreement between the corporation and the shareholder.
- 9           5. A distribution may be made to the holders of a class or series of shares only if:
- 10           a. All amounts payable to the holders of shares having a preference for the  
11           payment of that kind of distribution are paid; and
- 12           b. The payment of the distribution does not reduce the remaining net assets of  
13           the corporation below the aggregate preferential amount payable in the event  
14           of liquidation to the holders of shares having preferential rights, unless ~~the~~ :
- 15           (1) The distribution is made to those shareholders in the order and to the  
16           extent of their respective priorities; or
- 17           (2) The holders of shares who do not receive distributions in that order give  
18           notice to the corporation of their agreement to waive their right to that  
19           distribution.
- 20           6. A determination that the payment of the distribution described in subsection 5 does  
21           not reduce the remaining net assets of the corporation below the aggregate  
22           preferential amount payable in the event of liquidation to the holders of shares  
23           having preferential rights is presumed to be proper if the determination is made in  
24           compliance with the standard of conduct provided in section 10-19.1-50 on the  
25           basis of financial information prepared in accordance with accounting methods, a  
26           fair valuation, or other methods reasonable in the circumstances. Liability under  
27           section 10-19.1-50 or 10-19.1-94 will not arise if the requirements of this  
28           subsection are met.
- 29           ~~6.~~ 7. If the money or property available for distribution is insufficient to satisfy all  
30           preferences, the distributions shall be made pro rata according to the order of  
31           priority of preferences by classes and by series within those classes.



1           **SECTION 56. AMENDMENT.** Section 10-19.1-95 of the North Dakota Century Code is  
2 amended and reenacted as follows:

3           **10-19.1-95. Liability of directors for illegal distributions.**

- 4           1. In addition to any other liabilities, a director who is present and votes for or fails to  
5 vote against, except a director who is prohibited by section 10-19.1-51 from voting  
6 on the distribution, or ~~who~~ consents in writing to, a distribution made in violation of  
7 subsection 1 or 5 of section 10-19.1-92 or a restriction contained in the articles or  
8 bylaws or an agreement, and who fails to comply with the standard of conduct  
9 provided in section 10-19.1-50, is liable to the corporation, its receiver or any other  
10 person winding up its affairs, jointly and severally with all other directors so liable  
11 and to other directors under subsection 3, but only to the extent that the distribution  
12 exceeded the amount that properly could have been paid under section  
13 10-19.1-92.
- 14           2. A director against whom an action is brought under this section with respect to a  
15 distribution may implead in that action all shareholders who received the  
16 distribution and may compel pro rata contribution from them in that action to the  
17 extent provided in subsection 1 of section 10-19.1-94.
- 18           3. A director against whom an action is brought under this section with respect to a  
19 distribution may implead in that action all other directors who voted for or  
20 consented in writing to the distribution and who failed to comply with the standard  
21 of conduct provided in section 10-19.1-50, and may compel pro rata contribution  
22 from them in that action.
- 23           4. An action may not be commenced under this section more than two years from the  
24 date of the distribution.

25           **SECTION 57. AMENDMENT.** Section 10-19.1-110 of the North Dakota Century Code  
26 is amended and reenacted as follows:

27           **10-19.1-110. Dissolution procedure for corporations that give notice to creditors**  
28 **and claimants.**

- 29           4. When a notice of intent to dissolve has been filed with the secretary of state, the  
30 corporation may give notice of the filing to each creditor of and claimant against the  
31 corporation known or unknown, present or future, and contingent or noncontingent.

- 1           1. If notice to creditors and claimants is given, it must be given by ~~publishing~~;
- 2           a. Publishing the notice once each week for four successive weeks in an official
- 3           newspaper, as defined in chapter 46-06, in the county or counties where the
- 4           registered office and the principal executive office of the corporation are
- 5           located; and ~~by giving~~
- 6           b. Giving written notice to known creditors and claimants pursuant to
- 7           subsection 21 of section 10-19.1-01.
- 8           2. The notice to creditors and claimants must contain:
- 9           a. A statement that the corporation is in the process of dissolving;
- 10           b. A statement that the corporation has filed with the secretary of state a notice
- 11           of intent to dissolve;
- 12           c. The date of filing the notice of intent to dissolve;
- 13           d. The address of the office to which written claims against the corporation must
- 14           be presented; and
- 15           e. The date by which all the claims must be received, which must be the later of
- 16           ninety days after published notice or, with respect to a particular known
- 17           creditor or claimant, ninety days after the date on which written notice was
- 18           given to that creditor or claimant. Published notice is deemed given on the
- 19           date of first publication for the purpose of determining this date.
- 20           3. With respect to claims against ~~corporations~~ a corporation that ~~give~~ gave notice to
- 21           creditors and claimants:
- 22           a. ~~A The corporation that gives notice to creditors and claimants~~ has thirty days
- 23           from the receipt of each claim filed according to the procedures set forth by
- 24           the corporation on or before the date set forth in the notice to accept or reject
- 25           the claim by giving written notice to the person submitting it. A claim not
- 26           expressly rejected in this manner is deemed accepted.
- 27           b. A creditor or claimant to whom notice is given and whose claim is rejected by
- 28           the corporation has:
- 29           (1) Sixty days from the date of rejection;
- 30           (2) One hundred eighty days from the date the corporation filed with the
- 31           secretary of state the notice of intent to dissolve; or

- 1                   (3)   Ninety days after the date on which notice was given to the creditor or  
2                   claimant,  
3                   whichever is longer, to pursue any other remedies with respect to the claim.
- 4                   c.   A creditor or claimant to whom notice is given who fails to file a claim  
5                   according to the procedures set forth by the corporation on or before the date  
6                   set forth in the notice is barred from suing on that claim or otherwise realizing  
7                   upon it or enforcing it, except as provided in section 10-19.1-124.
- 8                   d.   A creditor or claimant whose claim is rejected by the corporation under  
9                   subdivision b is barred from suing on that claim or otherwise realizing upon or  
10                  enforcing it, if the creditor or claimant does not initiate legal, administrative, or  
11                  arbitration proceedings with respect to the claim within the time provided in  
12                  subdivision b.
- 13                 4.   Articles of dissolution for a corporation dissolving under this section that has given  
14                  notice to creditors and claimants under this section must be filed with the secretary  
15                  of state after:
- 16                   a.   The ninety-day period in subdivision e of subsection 2 has expired and the  
17                  payment of claims of all creditors and claimants filing a claim within that  
18                  period has been made or provided for; or
- 19                   b.   The longest of the periods described in subdivision b of subsection 3 has  
20                  expired and there are no pending legal, administrative, or arbitration  
21                  proceedings by or against the corporation commenced within the time  
22                  provided in subdivision b of subsection 3.
- 23                 5.   The articles of dissolution for a corporation that has given notice to creditors and  
24                  claimants under this section must state:
- 25                   a.   The last date on which the notice was given and:
- 26                         (1)   That the payment of all creditors and claimants filing a claim within the  
27                                ninety-day period in subdivision e of subsection 2 has been made or  
28                                provided for; or
- 29                         (2)   The date on which the longest of the periods described in subdivision b  
30                                of subsection 3 expired;

- 1           b. That the remaining property, assets, and claims of the corporation have been  
2           distributed among its shareholders in accordance with subsection 5 of section  
3           10-19.1-92, or that adequate provision has been made for that distribution;  
4           and  
5           c. That there are no pending legal, administrative, or arbitration proceedings by  
6           or against the corporation commenced within the time provided in  
7           subdivision b of subsection 3, or that adequate provision has been made for  
8           the satisfaction of any judgment, order, or decree that may be entered against  
9           it in a pending proceeding.

10           **SECTION 58. AMENDMENT.** Section 10-19.1-110.1 of the North Dakota Century  
11 Code is amended and reenacted as follows:

12           **10-19.1-110.1. Dissolution procedure for corporations that do not give notice to**  
13 **creditors and claimants.** When a notice of intent to dissolve has been filed with the secretary  
14 of state and the corporation has elected not to give notice to creditors and claimants in the  
15 manner provided in section 10-19.1-100:

- 16           1. Articles of dissolution for a corporation that has not given notice to creditors and  
17           claimants in the manner provided in section 10-19.1-110 ~~must~~:
- 18           a. Must be filed with the secretary of state after:
- 19           a- (1) The payment of claims of all known creditors and claimants has been  
20           made or provided for; or
- 21           b- (2) At least two years have elapsed from the date of filing the notice of  
22           intent to dissolve-; and
- 23           ~~2. The articles of dissolution must~~
- 24           b. Must state:
- 25           a- (1) If the articles of dissolution are being filed pursuant to paragraph 1 of  
26           subdivision a of subsection 1, that all known debts, obligations, and  
27           liabilities of the corporation have been paid and discharged or that  
28           adequate provision has been made for payment or discharge;
- 29           b- (2) That the remaining property, assets, and claims of the corporation have  
30           been distributed among its shareholders in accordance with

1 subsection 5 of section 10-19.1-92, or that adequate provision has  
2 been made for that distribution; and  
3 e. (3) That there are no pending legal, administrative, or arbitration  
4 proceedings by or against the corporation, or that adequate provision  
5 has been made for the satisfaction of any judgment, order, or decree  
6 that may be entered against it in a pending proceeding.

7 ~~3.~~ 2. With respect to claims against ~~corporations~~ a corporation that ~~do~~ does not give  
8 notice:

9 a. If a corporation has paid or provided for all known creditors or claimants at the  
10 time articles of dissolution are filed, a creditor or claimant who does not file a  
11 claim or pursue a remedy, in a legal, administrative, or arbitration proceeding  
12 within two years after the date of filing the notice of intent to dissolve is barred  
13 from suing on that claim or otherwise realizing upon or enforcing it.

14 b. If the corporation has not paid or provided for all known creditors and  
15 claimants at the time articles of dissolution are filed, a person who does not  
16 file a claim or pursue a remedy in a legal, administrative, or arbitration  
17 proceeding within two years after the date of filing the notice of intent to  
18 dissolve is barred from suing on that claim or otherwise realizing upon or  
19 enforcing it, except as provided in section 10-19.1-124.

20 **SECTION 59. AMENDMENT.** Section 10-19.1-115 of the North Dakota Century Code  
21 is amended and reenacted as follows:

22 **10-19.1-115. Involuntary dissolution.**

23 1. A court may grant any equitable relief it deems just and reasonable in the  
24 circumstances or may dissolve a corporation and liquidate its assets and business:

25 a. In a supervised voluntary dissolution pursuant to section 10-19.1-114;

26 b. In an action by a shareholder when it is established that:

27 (1) The directors or the persons having the authority otherwise vested in  
28 the board are deadlocked in the management of the corporate affairs  
29 ~~and~~, the shareholders are unable to break the deadlock, and the  
30 corporation or the parties have not provided for a procedure to resolve  
31 the dispute;

- 1                   (2)   The directors or those in control of the corporation have acted
- 2                                fraudulently or illegally toward one or more shareholders in their
- 3                                capacities as shareholders or directors of any corporation or as officers
- 4                                or employees of a closely held corporation;
- 5                   (3)   The directors or those in control of the corporation have acted in a
- 6                                manner unfairly prejudicial toward one or more shareholders in their
- 7                                capacities as shareholders or directors of a corporation that is not a
- 8                                publicly held corporation or as officers or employees of a closely held
- 9                                corporation;
- 10                  (4)   The shareholders of the corporation are so divided in voting power that,
- 11                                for a period that includes the time when two consecutive regular
- 12                                meetings were held, they have failed to elect successors to directors
- 13                                whose terms have expired or would have expired upon the election and
- 14                                qualification of their successors;
- 15                  (5)   The corporate assets are being misapplied or wasted; or
- 16                  (6)   The period of duration as provided in the articles has expired and has
- 17                                not been extended as provided in section 10-19.1-124;
- 18                  c.   In an action by a creditor when:
- 19                                (1)   The claim of the creditor has been reduced to judgment and an
- 20                                execution thereon has been returned unsatisfied; or
- 21                                (2)   The corporation has admitted in writing that the claim of the creditor is
- 22                                due and owing and it is established that the corporation is unable to pay
- 23                                its debts in the ordinary course of business; or
- 24                  d.   In an action by the attorney general to dissolve the corporation in accordance
- 25                                with section 10-19.1-118 when it is established that a decree of dissolution is
- 26                                appropriate.
- 27                  2.   In determining whether to order equitable relief or dissolution, the court shall take
- 28                                into consideration the financial condition of the corporation but may not refuse to
- 29                                order equitable relief or dissolution solely on the ground that the corporation has
- 30                                accumulated or current operating profits.

- 1           3. In an action under subdivision b of subsection 1 involving a corporation that is not  
2           a publicly held corporation at the time the action is commenced and in which one  
3           or more of the circumstances described in that subdivision is established, the court,  
4           upon motion of a corporation or a shareholder or beneficial owner of shares of the  
5           corporation, may order the sale by a plaintiff or a defendant of all shares of the  
6           corporation held by the plaintiff or defendant to either the corporation or the moving  
7           shareholders, whichever is specified in the motion, if the court determines in its  
8           discretion that an order would be fair and equitable to all parties under the  
9           circumstances of the case.
- 10          a. The purchase price of any shares so sold must be the fair value of the shares  
11           as of the date of the commencement of the action or as of another date found  
12           equitable by the court. However, if the shares in question are then subject to  
13           sale and purchase pursuant to the bylaws of the corporation, a shareholder  
14           control agreement, the terms of the shares, or otherwise, the court shall order  
15           the sale for the price and on the terms as set forth, unless the court  
16           determines that the price or terms are unreasonable under all the  
17           circumstances of the case.
- 18          b. Within five days after the entry of the order, the corporation shall provide each  
19           selling shareholder or beneficial owner with the information it is required to  
20           provide under subsection 6 of section 10-19.1-88.
- 21          c. If the parties are unable to agree on fair value within forty days of entry of the  
22           order, the court shall determine the fair value of the shares under the  
23           provisions of subsection 10 of section 10-19.1-88 and may allow interest or  
24           costs as provided in subsections 1 and 11 of section 10-19.1-88.
- 25          d. The purchase price must be paid in one or more installments as agreed on by  
26           the parties, or, if no agreement can be reached within forty days of entry of  
27           the order, as ordered by the court. Upon entry of an order for the sale of  
28           shares under this subsection and provided that the corporation or the moving  
29           shareholders post a bond in adequate amount with sufficient sureties or  
30           otherwise satisfy the court that the full purchase price of the shares, plus any  
31           additional costs, expenses, and fees as may be awarded, will be paid when

1                   due and payable, the selling shareholders shall no longer have any rights or  
2                   status as shareholders, officers, or directors, except the right to receive the  
3                   fair value of their shares plus such other amounts as may be awarded.

4           4.   In determining whether to order equitable relief or dissolution, the court shall take  
5           into consideration the duty which all shareholders in a closely held corporation owe  
6           one another to act in an honest, fair, and reasonable manner in the operation of the  
7           corporation and the reasonable expectations of the shareholders as they exist at  
8           the inception and develop during the course of the shareholders' relationship with  
9           the corporation and with each other. For purposes of this section, any written  
10          agreement, including an employment agreement and a buy-sell agreement,  
11          between or among shareholders or between or among one or more shareholders  
12          and the corporation is presumed to reflect the parties' reasonable expectation  
13          concerning the matters dealt with in the agreement.

14         5.   In deciding whether to order dissolution, the court shall consider whether lesser  
15          relief suggested by one or more parties, such as any form of equitable relief, a  
16          buyout, or a partial liquidation, would be adequate to permanently relieve the  
17          circumstances established under subdivision b or c of subsection 1. Lesser relief  
18          may be ordered in any case where it would be appropriate under all the facts and  
19          circumstances of the case.

20         6.   If the court finds that a party to a proceeding brought under this section has acted  
21          arbitrarily, vexatiously, or otherwise not in good faith, it may in its discretion award  
22          reasonable expenses, including attorneys' fees and disbursements, to any of the  
23          other parties.

24         7.   Proceedings under this section must be brought in a court within the county in  
25          which the ~~registered~~ principal executive office of the corporation is located. It is  
26          not necessary to make shareholders parties to the action or proceeding unless  
27          relief is sought against them personally.

28           **SECTION 60. AMENDMENT.** Section 10-19.1-117 of the North Dakota Century Code  
29 is amended and reenacted as follows:

30           **10-19.1-117. Qualifications of receivers - Powers.**



1           1.    A receiver must be ~~a natural person or a domestic corporation or a foreign~~  
2                   ~~corporation~~ an individual, a domestic organization, or a foreign organization  
3                   authorized to transact business or conduct activities in this state. A receiver shall  
4                   give bond as directed by the court with the sureties required by the court.

5           2.    A receiver may sue and defend in all courts as receiver of the corporation. The  
6                   court appointing the receiver has exclusive jurisdiction of the corporation and its  
7                   property.

8           **SECTION 61. AMENDMENT.** Section 10-19.1-123 of the North Dakota Century Code  
9 is amended and reenacted as follows:

10           **10-19.1-123. Deposit with ~~state treasurer~~ administrator of abandoned property of**  
11 **amount due certain shareholders - Appropriation.** Upon dissolution of a corporation, the  
12 portion of the assets distributable to a ~~shareholder~~ person who is unknown or cannot be found,  
13 ~~or who is under disability, if there is no person legally competent to receive the distributive~~  
14 ~~portion,~~ must be reduced to money and deposited with the ~~state treasurer~~ administrator of  
15 abandoned property for disposition pursuant to chapter 47-30.1. The amount deposited is  
16 appropriated to the ~~state treasurer~~ administrator of abandoned property and must be paid over  
17 to the ~~shareholder~~ person or a legal representative, upon proof satisfactory to the ~~state~~  
18 ~~treasurer~~ administrator of abandoned property of a right to payment.

19           **SECTION 62. AMENDMENT.** Section 10-19.1-124 of the North Dakota Century Code  
20 is amended and reenacted as follows:

21           **10-19.1-124. Claims barred - Exceptions.**

22           1.    ~~Except as provided in this section, a creditor or claimant whose claims are barred~~  
23                   ~~under section 10-19.1-110, 10-19.1-110.1, or 10-19.1-119 includes a person who is~~  
24                   ~~or becomes a creditor or claimant at any time before, during, or following the~~  
25                   ~~conclusion of dissolution proceedings, and all those claiming through or under the~~  
26                   ~~creditor or claimant.~~ A person who is or becomes a creditor or claimant at any time  
27                   before, during, or following the conclusion of dissolution proceedings, who does not  
28                   file a claim or pursue a remedy in a legal, administrative, or arbitration proceeding  
29                   within the time provided in section 10-19.1-110, 10-19.1-110.1, 10-19.1-114,  
30                   10-19.1-115, or 10-19.1-119, or has not begun a legal, administrative, or arbitration  
31                   proceeding before the beginning of the dissolution proceedings, and a person

- 1           claiming through or under the creditor or claimant, is barred from bringing that  
2           claim or otherwise realizing upon or enforcing it, except as provided in this section.
- 3           2. At any time within one year after articles of dissolution have been filed with the  
4           secretary of state, or a decree of dissolution has been entered, a creditor or  
5           claimant who shows good cause for not having previously filed the claim may apply  
6           to a court in this state to allow a claim:
- 7           a. Against the corporation to the extent of undistributed assets; or  
8           b. If the undistributed assets are not sufficient to satisfy the claim, against a  
9           shareholder, whose liability is limited to a portion of the claim that is equal to  
10          the portion of the distributions to shareholders in liquidation or dissolution  
11          received by the shareholder, but in no event may a shareholder's liability  
12          exceed the amount which that shareholder actually received in the dissolution.
- 13          3. All known contractual debts, obligations, and liabilities incurred in the course of  
14          winding up the corporation's affairs shall be paid by the corporation before the  
15          distribution of assets to a shareholder. A person to whom this kind of debt,  
16          obligation, or liability is owed but not paid may pursue any remedy against the  
17          officers and directors of the corporation who are responsible for, but who fail to  
18          cause the corporation to pay or make provision for, payment of the debts,  
19          obligations, and liabilities, or against shareholders to the extent permitted under  
20          section 10-19.1-94. This subsection does not apply to dissolution under the  
21          supervision or order of a court.

22           **SECTION 63. AMENDMENT.** Section 10-19.1-127 of the North Dakota Century Code  
23 is amended and reenacted as follows:

24           **10-19.1-127. Extension after duration expired.**

- 25          1. A corporation whose period of duration as provided in the articles has expired and  
26          which has continued to do business despite that expiration may reinstate its  
27          articles and extend the period of ~~corporate~~ duration, including making the duration  
28          perpetual, within one year after the date of expiration by filing an amendment to the  
29          articles as set forth in this section.
- 30          2. An amendment to the articles is must be approved by the ~~affirmative vote of a~~  
31          ~~majority of the directors present~~ board must include:

- 1 a. The date on which the period of duration expired under the articles;
- 2 b. A statement that the period of duration will be perpetual or, if some shorter
- 3 period is to be provided, the date to which the period of duration is extended;
- 4 and
- 5 c. A statement that the corporation has been in continuous operation since
- 6 before the date of expiration of its original period of duration.
- 7 3. The amendment to the articles must be presented, after notice, to a meeting of the
- 8 shareholders. The amendment is adopted when approved by the shareholders
- 9 pursuant to section 10-19.1-19.
- 10 4. Articles of amendment, together with any fees and delinquent filings and reports,
- 11 conforming to section 10-19.1-21 must be filed with the secretary of state.

12 **SECTION 64.** Section 10-19.1-132 of the North Dakota Century Code is created and  
13 enacted as follows:

14 **10-19.1-132. Foreign corporation - Governing law.**

- 15 1. Subject to the constitution of this state, the laws of the jurisdiction under which a
- 16 foreign corporation is incorporated govern its incorporation and internal activities.
- 17 a. Nothing in this chapter authorizes this state to regulate the incorporation or
- 18 internal activities of a foreign corporation.
- 19 b. A foreign corporation may not be denied a certificate of authority to conduct
- 20 activities in this state by reason of any difference between the laws of the
- 21 jurisdiction under which the foreign corporation was incorporated and the laws
- 22 of this state.
- 23 2. A foreign corporation holding a valid certificate of authority in this state has no
- 24 greater rights and privileges than a domestic corporation. The certificate of
- 25 authority does not authorize the foreign corporation to exercise any of its powers or
- 26 purposes that a domestic corporation is forbidden by law to exercise in this state.
- 27 3. A foreign corporation may not be denied a certificate of authority to conduct
- 28 activities in this state by reason of any difference between the laws of the
- 29 jurisdiction under which the foreign corporation is incorporated and the laws of this
- 30 state.

1           **SECTION 65.** Section 10-19.1-133 of the North Dakota Century Code is created and  
2 enacted as follows:

3           **Foreign corporation - Name.** A foreign corporation may apply for a certificate of  
4 authority under any name that would be available to a domestic corporation, whether or not the  
5 name is the name under which it is authorized in its jurisdiction of incorporation. A trade name  
6 must be registered as provided in chapter 47-25 when applying for a certificate of authority  
7 under a name different from the name authorized in the jurisdiction of incorporation.

8           **SECTION 66.** Section 10-19.1-134 of the North Dakota Century Code is created and  
9 enacted as follows:

10           **10-19.1-134. Foreign corporation - Admission of foreign corporation -**  
11 **Transacting business - Obtaining licenses and permits.** A foreign corporation may not:  
12           1. Transact business in this state or obtain any license or permit required by this state  
13           until it has procured a certificate of authority from the secretary of state.  
14           2. Transact any business in this state prohibited to a domestic corporation  
15           incorporated under this chapter.  
16           3. Be denied a certificate of authority because the laws of the state or country where  
17           the corporation is incorporated differ from the laws of this state.

18           **SECTION 67.** Section 10-19.1-135 of the North Dakota Century Code is created and  
19 enacted as follows:

20           **10-19.1-135. Foreign corporation application for certificate of authority.**  
21           1. An applicant for a certificate shall file with the secretary of state an application  
22           executed by an authorized person and setting forth:  
23           a. The name of the foreign corporation and, if different, the name under which it  
24           proposed to transact business in this state;  
25           b. The jurisdiction of its incorporation;  
26           c. The date of incorporation in the jurisdiction of its incorporation and the period  
27           of duration of the foreign corporation;  
28           d. The address of the principal executive office of the foreign corporation;  
29           e. The address of the proposed registered office of the foreign corporation in this  
30           state;

- 1           f. The name of the proposed registered agent in this state, as defined under
- 2                   section 10-19.1-15;
- 3           g. The purpose of the corporation which it proposes to pursue in transacting
- 4                   business in this state;
- 5           h. The names and addresses of the directors and officers of the foreign
- 6                   corporation; and
- 7           i. Any additional information deemed necessary or appropriate by the secretary
- 8                   of state to enable the secretary of state to determine whether the foreign
- 9                   corporation is entitled to a certificate of authority to transact business in this
- 10                  state.
- 11         2. The application must be accompanied by payment of the fees provided in section
- 12                  10-19.1-147 together with a certificate of good standing or a certificate of existence
- 13                  duly authenticated by the incorporating officer of the state or country where the
- 14                  corporation is incorporated and the consent of the designated registered agent for
- 15                  service of process to serve in that capacity.

16           **SECTION 68.** Section 10-19.1-136 of the North Dakota Century Code is created and  
17 enacted as follows:

18           **10-19.1-136. Foreign corporation - Issuance of certificate of authority.** If the  
19 secretary of state finds an application for a certificate of authority conforms to law and all fees  
20 have been paid, the secretary shall:

- 21           1. Endorse on the application the word "filed" and the date of the filing;
- 22           2. File the application, the certificate of good standing or certificate of existence, and
- 23                   the consent of the registered agent; and
- 24           3. Issue to the corporation or its representative a certificate of authority to transact
- 25                   business in this state.

26           **SECTION 69.** Section 10-19.1-137 of the North Dakota Century Code is created and  
27 enacted as follows:

28           **10-19.1-137. Foreign corporation - Amendments to the certificate of authority.** If  
29 any statement in the application for a certificate of authority by a foreign corporation was false  
30 when made or any arrangements or other facts described have changed, making the  
31 application inaccurate in any respect, the foreign corporation shall promptly file with the

1 secretary of state an application for an amended certificate of authority executed by an  
2 authorized person correcting the statement and, in the case of a change in its name, a  
3 certificate to that effect authenticated by the proper officer of the jurisdiction under the laws of  
4 which the foreign corporation is incorporated. In the case of a dissolution, a foreign corporation  
5 need not file an application for an amended certificate of authority but shall promptly file with the  
6 secretary of state a certificate to that effect authenticated by the proper officer of the jurisdiction  
7 under the laws of which the foreign corporation is incorporated.

8         **SECTION 70.** Section 10-19.1-138 of the North Dakota Century Code is created and  
9 enacted as follows:

10         **10-19.1-138. Foreign corporation - Registered agent - Registered office - Certain**  
11 **reports.** A foreign corporation authorized to transact business in this state shall:

- 12         1. Establish and continuously maintain a registered office in the same manner as  
13             provided in section 10-19.1-15;
- 14         2. Appoint and continuously maintain a registered agent in the same manner as  
15             provided in section 10-19.1-15; and
- 16         3. File a report upon any change in the address of its registered office or in the name  
17             or address of its registered agent in the same manner as provided in section  
18             10-19.1-16.

19         **SECTION 71.** Section 10-19.1-139 of the North Dakota Century Code is created and  
20 enacted as follows:

21         **10-19.1-139. Foreign corporation - Merger of foreign corporation authorized to**  
22 **transact business in this state.** Whenever a foreign corporation authorized to transact  
23 business in this state is a party to a statutory merger permitted by the laws of the jurisdiction  
24 under which it is incorporated, and the corporation is not the surviving organization, the  
25 surviving organization shall, within thirty days after the merger becomes effective, file with the  
26 secretary of state a certified statement of merger duly authenticated by the proper officer of the  
27 state or country where the statutory merger was effected. Any foreign organization which is the  
28 surviving organization in a merger and which will continue to transact business in this state,  
29 shall procure a new certificate of authority.

30         **SECTION 72.** Section 10-19.1-140 of the North Dakota Century Code is created and  
31 enacted as follows:

1           **10-19.1-140. Foreign corporation - Certificate of withdrawal.**

2           1. A foreign corporation authorized to transact business in this state may withdraw  
3           from this state upon procuring from the secretary of state a certificate of  
4           withdrawal. In order to procure the certificate, the foreign corporation shall file with  
5           the secretary of state an application for withdrawal, together with the fees provided  
6           in section 10-19.1-147, which must set forth:

- 7           a. The name of the corporation and the state or country under the laws of which  
8           it is incorporated;  
9           b. That the corporation is not transacting business in this state;  
10          c. That the corporation surrenders its authority to transact business in this state;  
11          d. That the corporation revokes the authority of its registered agent in this state  
12          to accept service of process and consents to that service of process on the  
13          corporation by service upon the secretary of state in any action, suit, or  
14          proceeding based upon any cause of action arising in this state during the  
15          time the corporation was authorized to transact business in this state;  
16          e. A post-office address to which a person may mail a copy of any process  
17          against the corporation; and  
18          f. Any additional information necessary or appropriate to enable the secretary of  
19          state to determine and assess any unpaid fees payable by the foreign  
20          corporation.

21          2. The filing with the secretary of state of a certificate of dissolution, or a certificate of  
22          merger if the corporation is not the surviving organization, from the proper officer of  
23          the state or country under the laws of which the corporation is incorporated  
24          constitutes a valid application of withdrawal and the authority of the corporation to  
25          transact business in this state shall cease upon filing of the certificate.

26           **SECTION 73.** Section 10-19.1-141 of the North Dakota Century Code is created and  
27 enacted as follows:

28           **10-10.1-141. Foreign corporation - Revocation of certificate of authority.**

29           1. The certificate of authority of a foreign corporation to transact business in this state  
30           may be revoked by the secretary of state upon the occurrence of either of these  
31           events:

- 1           a. The foreign corporation has failed to:
- 2               (1) Maintain a registered office as required by this chapter;
- 3               (2) Appoint and maintain a registered agent as required by this chapter;
- 4               (3) File a report upon any change in the address of its registered office;
- 5               (4) File a report upon any change in the name or business address of the
- 6                       registered agent; or
- 7               (5) File in the office of the secretary of state any amendment to its
- 8                       application for a certificate of authority as specified in section
- 9                       10-19.1-137; or
- 10           b. A misrepresentation has been made of any material matter in any application,
- 11               report, affidavit, or other document submitted by the foreign corporation
- 12               pursuant to this chapter.
- 13           2. Except for the annual report for which the certificate of authority may be revoked as
- 14               provided in section 10-19.1-146, no certificate of authority of a foreign corporation
- 15               may be revoked by the secretary of state unless:
- 16               a. The secretary has given the foreign corporation at least sixty days' notice by
- 17                       mail addressed to its registered office in this state or, if the foreign corporation
- 18                       fails to appoint and maintain a registered agent in this state, addressed to its
- 19                       principal executive office; and
- 20               b. During the sixty-day period, the foreign corporation has failed to file the report
- 21                       of change regarding the registered office or the registered agent, to file any
- 22                       amendment, or to correct the misrepresentation.
- 23           3. Upon the expiration of sixty days after the mailing of the notice, the authority of the
- 24               foreign corporation to transact business in this state ceases; and the secretary of
- 25               state shall issue a certificate of revocation and shall mail the certificate to the
- 26               principal executive office of the foreign corporation.

27           **SECTION 74.** Section 10-19.1-142 of the North Dakota Century Code is created and  
28 enacted as follows:

29           **10-19.1-142. Foreign corporation - Transaction of business without certificate of**  
30 **authority.**



- 1           1. A foreign corporation transacting business in this state may not maintain any claim,  
2                   action, suit, or proceeding in any court of this state until it possesses a certificate of  
3                   authority.
- 4           2. The failure of a foreign corporation to obtain a certificate of authority does not  
5                   impair the validity of any contract or act of the foreign corporation or prevent the  
6                   foreign corporation from defending any claim, action, suit, or proceeding in any  
7                   court of this state.
- 8           3. A foreign corporation, by transacting business in this state without a certificate of  
9                   authority, appoints the secretary of state as its agent upon whom any notice,  
10                  process, or demand may be served.
- 11          4. A foreign corporation that transacts business in this state without a valid certificate  
12                  of authority is liable to the state for the years or parts of years during which it  
13                  transacted business in this state without the certificate in an amount equal to all  
14                  fees that would have been imposed by this chapter upon that corporation had it  
15                  duly obtained the certificate, filed all reports required by this chapter, and paid all  
16                  penalties imposed by this chapter. The attorney general shall bring proceedings to  
17                  recover all amounts due this state under the provisions of this section.
- 18          5. A foreign corporation that transacts business in this state without a valid certificate  
19                  of authority is subject to a civil penalty, payable to the state, and not to exceed five  
20                  thousand dollars. Each director and each officer or agent who authorizes, directs,  
21                  or participates in the transaction of business in this state on behalf of a foreign  
22                  corporation that does not have a certificate is subject to a civil penalty, payable to  
23                  the state, and not to exceed one thousand dollars.
- 24          6. The civil penalties set forth in subsection 5 may be recovered in an action brought  
25                  within the district court of Burleigh County by the attorney general. Upon a finding  
26                  by the court that a foreign corporation or any of its members, directors, officers, or  
27                  agents have transacted business in this state in violation of this chapter, the court  
28                  shall issue, in addition to the imposition of a civil penalty, an injunction restraining  
29                  the further transaction of the business of the foreign corporation and the further  
30                  exercise of any rights and privileges by the corporation in this state. The foreign  
31                  corporation must be enjoined from transacting business in this state until all civil

1           penalties plus any interest and court costs that the court may assess have been  
2           paid and until the foreign corporation has otherwise complied with the provisions of  
3           this chapter.

4           7. A member of a foreign corporation is not liable for the debts and obligations of the  
5           corporation solely by reason of the corporation having transacted business in this  
6           state without a valid certificate of authority.

7           **SECTION 75.** Section 10-19.1-143 of the North Dakota Century Code is created and  
8 enacted as follows:

9           **10-19.1-143. Foreign corporation - Transactions not constituting transacting**  
10 **business.**

11          1. The following activities of a foreign corporation, among others, do not constitute  
12 transacting business within the meaning of this chapter:

13           a. Maintaining, defending, or settling any proceeding;

14           b. Holding meetings of its shareholders or carrying on any other activities  
15 concerning its internal activities;

16           c. Maintaining bank accounts;

17           d. Maintaining offices or agencies for the transfer, exchange, and registration of  
18 the foreign corporation's own securities or maintaining trustees or depositories  
19 with respect to those securities;

20           e. Selling through independent contractors;

21           f. Soliciting or obtaining orders, whether by mail or through employees, agents,  
22 or otherwise, if the orders require acceptance outside this state before they  
23 become contracts;

24           g. Creating or acquiring indebtedness, mortgages, and security interest in real or  
25 personal property;

26           h. Securing or collecting debts or enforcing mortgages and security interests in  
27 property securing the debts; or

28           i. Conducting an isolated transaction that is completed within thirty days and  
29 that is not one in the course of repeated transactions of a like manner.

30          2. The term "transacting business" as used in this section has no effect on personal  
31 jurisdiction under the North Dakota Rules of Civil Procedure.

1           3.   For purposes of this section, any foreign corporation that owns income-producing  
2                   real or tangible personal property in this state, other than property exempted under  
3                   subsection 1, will be considered transacting business in this state.

4           4.   The list of activities in subsection 1 is not exhaustive. This section does not apply  
5                   in determining the contracts or activities that may subject a foreign corporation to  
6                   service of process or taxation in this state or to regulation under any other law of  
7                   this state.

8           **SECTION 76.** Section 10-19.1-144 of the North Dakota Century Code is created and  
9 enacted as follows:

10           **10-19.1-144. Foreign corporation - Action by attorney general.** The attorney  
11 general may bring an action to restrain a foreign corporation from transacting business in this  
12 state in violation of this chapter.

13           **SECTION 77.** Section 10-19.1-145 of the North Dakota Century Code is created and  
14 enacted as follows:

15           **10-19.1-145. Foreign corporation - Service of process.** Service of process on a  
16 foreign corporation must be as provided in section 10-19.1-129. When a foreign corporation  
17 transacts business without a certificate of authority or when the certificate of authority of a  
18 foreign corporation is suspended or revoked, the secretary of state is an agent of the foreign  
19 corporation for service of process, notices, or demand.

20           **SECTION 78.** Section 10-19.1-146 of the North Dakota Century Code is created and  
21 enacted as follows:

22           **10-19.1-146. Secretary of state - Annual report of corporations and foreign**  
23 **corporations - Involuntary dissolution - Revocation of certificate of authority.**

24           1.   Each corporation and each foreign corporation authorized to transact business in  
25                   this state, shall file, within the time prescribed by subsection 3, an annual report  
26                   setting forth:

27                   a.   The name of the corporation or foreign corporation and the state or country  
28                       under the laws of which it is incorporated.

29                   b.   The address of the registered office of the corporation or foreign corporation  
30                       in this state, the name of its registered agent in this state at that address, and  
31                       the address of its principal executive office.

- 1           c. A brief statement of the character of the business in which the corporation or  
2           foreign corporation is actually engaged in this state.
- 3           d. The names and respective addresses of the officers and directors of the  
4           corporation or foreign corporation.
- 5           e. A statement of the aggregate number of shares the corporation or foreign  
6           corporation has authority to issue, itemized by classes, par value of shares,  
7           shares without par value, and series, if any, within a class.
- 8           f. 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          g. A statement, expressed in dollars, of the amount of shareholders' equity in the  
12           corporation or foreign corporation. Shareholders' equity is the net difference  
13           between total assets and total liabilities and may include the sum of the  
14           following:
- 15           (1) Consideration received for issued shares;  
16           (2) Additional paid-in capital;  
17           (3) Capital surplus;  
18           (4) Undivided profits;  
19           (5) Retained earnings or retained deficit;  
20           (6) Unrealized holding gains or losses;  
21           (7) Consideration paid for treasury shares; and  
22           (8) Any other amounts the corporation has transferred to shareholders'  
23           equity.
- 24          h. Irrespective of the manner of its designation by the laws under which a foreign  
25           corporation is incorporated, the shareholders' equity of a foreign corporation  
26           must be determined on the same basis and in the same manner as the  
27           shareholders' equity of a domestic corporation, for the purpose of computing  
28           fees and other charges imposed by this chapter.
- 29          i. A statement, expressed in dollars, of the value of all the property owned by  
30           the corporation, wherever located, and the value of the property of the  
31           corporation located within this state, and a statement, expressed in dollars, of

1           the total gross income of the corporation for the twelve months ending on  
2           December thirty-first preceding the date herein provided for the filing of the  
3           annual report and the gross amount thereof accumulated by the corporation at  
4           or from places of business in this state. If, on December thirty-first preceding  
5           the time herein provided for the filing of the report, the corporation had not  
6           been in existence for a period of twelve months, or, in the case of a foreign  
7           corporation, had not been authorized to transact business in this state for a  
8           period of twelve months, then the statement with respect to total gross income  
9           must be furnished for the period between the date of incorporation or the date  
10          of its authorization to transact business in this state and December thirty-first.  
11          j.   Any additional information as may be necessary or appropriate in order to  
12          enable the secretary of state to determine and assess the proper amount of  
13          fees payable by the corporation.  
14          2.   The annual report must be submitted on forms prescribed by the secretary of state.  
15          The information provided must be given as of the date of the execution of the  
16          report except as to the information required by subdivisions g, i, and j of  
17          subsection 1 which must be given as of the close of business on December  
18          thirty-first next preceding the date herein provided for the filing of the report, or, in  
19          the alternative, data of the fiscal year ending next preceding this report may be  
20          used. The annual report must be signed as prescribed in subsection 37 of section  
21          10-19.1-01, or the articles or the bylaws or a resolution approved by the affirmative  
22          vote of the required proportion or number of the directors or holders of shares  
23          entitled to vote. If the corporation or foreign corporation is in the hands of a  
24          receiver or trustee, it must be signed on behalf of the corporation or foreign  
25          corporation by the receiver or trustee. The secretary of state may destroy all  
26          annual reports provided for in this section after they have been on file for six years.  
27          The secretary of state, or any employee or legal representative of the secretary of  
28          state, may not disclose the information reported under subdivisions g, i, and j of  
29          subsection 1 to any person, except a person who is verified to be a shareholder of  
30          the corporation or foreign corporation, a legal representative of the shareholder for  
31          which information is requested, or to the tax commissioner or any employee or

1           legal representative of the tax commissioner, who may not disclose the information  
2           and may use the information only for the administration of the tax laws.

3           3. Except for the first annual report, the annual report must be delivered to the  
4           secretary of state:

5           a. By a corporation, before August second of each year, and

6           b. By a foreign corporation, before May sixteenth of each year.

7           The first annual report of either a corporation or foreign corporation must be  
8           delivered before the date provided in the year following the calendar year in which  
9           the certificate of incorporation or certificate of authority was issued by the secretary  
10           of state, or in the case of a corporation, in the year following the calendar year of  
11           the effective date stated in the articles of incorporation. An annual report in a  
12           sealed envelope postmarked by the United States postal service before the date  
13           provided in this subsection, or an annual report in a sealed packet with a verified  
14           shipment date by any other carrier service before the date provided in this  
15           subsection, is compliance with this requirement. When the filing date falls on  
16           Saturday, Sunday, or other holiday as defined in section 1-03-01, a postmark or  
17           verified shipment date on the next business day is compliance with this  
18           requirement.

19           4. The secretary of state must file the annual report if the annual report conforms to  
20           the requirements of this section and all fees have been paid as provided in section  
21           10-19.1-147.

22           a. If the annual report does not conform, it must be returned to the corporation or  
23           foreign corporation for any necessary correction or payment.

24           b. If the annual report is corrected and filed before the date provided in  
25           subsection 3, or within thirty days after the annual report was returned by the  
26           secretary of the state for correction, then the penalties prescribed in section  
27           10-19.1-147 for the failure to file an annual report within the time provided do  
28           not apply.

29           5. The secretary of state may extend the annual report filing date provided in  
30           subsection 3 if a written application for an extension is delivered before the date  
31           provided in subsection 3. A corporation or foreign corporation with a fiscal year

- 1           ending within three months before the date provided in subsection 3 may make a  
2           written request for an extension, to apply to reports for subsequent years until the  
3           fiscal year is changed.
- 4           6. Within three months after the date provided in subsection 3, the secretary of state  
5           shall notify any corporation or foreign corporation failing to file its annual report that  
6           its certificate of incorporation or certificate of authority is not in good standing and  
7           that it may be dissolved or revoked as provided in subsection 7 or 8.
- 8           a. The secretary of state must mail the notice of impending dissolution or  
9           revocation to the last registered agent at the last registered office of record.
- 10           b. If the corporation or foreign corporation files its annual report after the notice  
11           is mailed, together with the filing fee and the late filing penalty fee provided in  
12           section 10-19.1-147, then the secretary of state shall restore its certificate of  
13           incorporation or certificate of authority to good standing.
- 14           7. A corporation that fails to file its annual report, together with the filing and penalty  
15           fees for late filing provided in section 10-19.1-147, within one year after the date  
16           provided in subsection 3 ceases to exist as a corporation and is considered  
17           involuntarily dissolved by operation of law.
- 18           a. The secretary of state shall note the dissolution of the corporation's certificate  
19           of incorporation on the records of the secretary of state and shall give notice  
20           of the action to the dissolved corporation.
- 21           b. Notice by the secretary of state must be mailed to the last registered agent at  
22           the last registered office of record.
- 23           8. A foreign corporation that fails to file its annual report, together with the filing and  
24           penalty fees for late filing provided in section 10-19.1-147, within one year after the  
25           date provided in subsection 3 forfeits its authority to transact business in this state.
- 26           a. The secretary of state shall note the revocation of the foreign corporation's  
27           certificate of authority on the records of the secretary of state and shall give  
28           notice of the action to the foreign corporation.
- 29           b. Notice by the secretary of state must be mailed to the foreign corporation's  
30           last registered agent at the last registered office of record.

- 1           c. The decision by the secretary of state that a certificate of authority must be  
2                 revoked under this subsection is final.
- 3           9. A corporation dissolved for failure to file an annual report, or a foreign corporation  
4                 whose authority was forfeited by failure to file an annual report, may be reinstated  
5                 by filing a past-due report, together with the filing and penalty fees for an annual  
6                 report and a reinstatement fee as provided in section 10-19.1-147. The fees must  
7                 be paid and an annual report filed within one year following the involuntary  
8                 dissolution or revocation. Reinstatement under this subsection does not affect the  
9                 rights or liability for the time from the dissolution or revocation to the reinstatement.

10           **SECTION 79.** Section 10-19.1-147 of the North Dakota Century Code is created and  
11 enacted as follows:

12           **10-19.1-147. Fees for filing documents - Issuing certificates - License fees.** The  
13 secretary of state shall charge and collect for:

- 14           1. Filing articles of incorporation and issuing a certificate of incorporation, thirty  
15                 dollars.
- 16           2. Filing articles of amendment, twenty dollars.
- 17           3. Filing restated articles of incorporation, thirty dollars.
- 18           4. Filing articles of merger or consolidation and issuing a certificate of merger or  
19                 consolidation, fifty dollars.
- 20           5. Filing articles of abandonment of merger, fifty dollars.
- 21           6. Filing an application to reserve a corporate name, ten dollars.
- 22           7. Filing a notice of transfer of a reserved corporate name, ten dollars.
- 23           8. Filing a cancellation of reserved corporate name, ten dollars.
- 24           9. Filing a consent to use of name, ten dollars.
- 25           10. Filing a statement of change of address of registered office or change of registered  
26                 agent, or both, ten dollars.
- 27           11. Filing a statement of change of address of registered office by registered agent, ten  
28                 dollars for each corporation affected by such change.
- 29           12. Filing a registered agent's consent to serve in such capacity, ten dollars.
- 30           13. Filing a resignation as registered agent, ten dollars.
- 31           14. Filing a statement of the establishment of a series of shares, twenty dollars.



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- 1        15. Filing a statement of cancellation of shares, twenty dollars.
- 2        16. Filing a statement reduction of stated capital, twenty dollars.
- 3        17. Filing a statement of intent to dissolve, ten dollars.
- 4        18. Filing a statement of revocation of voluntary dissolution proceedings, ten dollars.
- 5        19. Filing articles of dissolution, twenty dollars.
- 6        20. Filing an application of a foreign corporation for a certificate of authority to transact  
7        business in this state and issuing a certificate of authority, forty dollars.
- 8        21. Filing an application of a foreign corporation for an amended certificate of authority  
9        to transact business in this state and issuing an amended certificate of authority,  
10       forty dollars.
- 11       22. Filing a certificate of fact stating a merger or consolidation of a foreign corporation  
12       holding a certificate of authority to transact business in this state, fifty dollars.
- 13       23. Filing an application for withdrawal of a foreign corporation and issuing a certificate  
14       of withdrawal, twenty dollars.
- 15       24. Filing an annual report of a corporation or foreign corporation, twenty-five dollars.  
16       The secretary of state shall charge and collect additional fees for late filing of the  
17       annual report as follows:
- 18           a. Within ninety days after the date provided in subsection 3 of section  
19           10-19.1-146, twenty dollars;
- 20           b. Thereafter, sixty dollars; and
- 21           c. After the involuntary dissolution of a corporation, or the revocation of the  
22           certificate of authority of a foreign corporation, the reinstatement fee of one  
23           hundred thirty-five dollars.
- 24        25. Filing any process, notice, or demand for service, twenty-five dollars.
- 25        26. Furnishing a certified copy of any document, instrument, or paper relating to a  
26        corporation, one dollar for every four pages or fraction thereof and fifteen dollars  
27        for the certificate and affixing the seal thereto.
- 28        27. License fee of fifty dollars for the first fifty thousand dollars of a corporation's  
29        authorized shares, or fraction thereof, and the further sum of ten dollars if paid at  
30        the time of authorization, or twelve dollars if paid after authorized shares are

- 1           issued, for every additional ten thousand dollars of its authorized shares, or fraction  
2           thereof, in excess of fifty thousand dollars.
- 3           a. A license fee is payable by a corporation at the time of:
- 4                   (1) Filing articles of incorporation;  
5                   (2) Filing articles of amendment increasing the number or value of  
6                               authorized shares; or  
7                   (3) Filing articles of merger or consolidation increasing the number or value  
8                               of authorized shares a surviving or new corporation will have authority  
9                               to issue above the aggregate number or value of shares the constituent  
10                              corporations had authority to issue.
- 11           b. A license fee payable on an increase in authorized shares must be imposed  
12                   only on the additional shares, but the amount of previously authorized shares  
13                   must be taken into account in determining the rate applicable to the additional  
14                   authorized shares.
- 15           c. For the purposes of this subsection, shares without par value are considered  
16                   worth one dollar per share.
- 17           d. The minimum sum of fifty dollars must be paid for authorized shares at the  
18                   time of filing articles of incorporation.
- 19           e. A corporation increasing authorized shares by articles of amendment or  
20                   articles of merger must have previously paid for a minimum of fifty thousand  
21                   dollars of authorized shares. Thereafter, a corporation may postpone the  
22                   payment for any additional amount until the filing of an annual report after the  
23                   unpaid shares are issued. Any additional amount must be paid in increments  
24                   of ten thousand dollars of its authorized shares.
- 25           f. The provisions of this subsection do not apply to a building and loan or  
26                   savings and loan association.
- 27           28. License fee of eighty-five dollars from each foreign corporation at the time of filing  
28                   an application for a certificate of authority to transact business in this state.  
29                   Thereafter, the secretary of state shall fix the license fee for each foreign  
30                   corporation as follows:

- 1           a. The secretary of state shall first ascertain the license fee which a newly  
2           organized corporation would be required to pay if it had authorized shares of  
3           the same kind and amount as the issued or allotted shares of the reporting  
4           foreign corporation shown by its filed annual report.
- 5           b. Said amount must be multiplied by a fraction, the numerator of which must be  
6           the sum of the value of the property of the foreign corporation located in this  
7           state and the gross receipts of the foreign corporation derived from its  
8           business transacted within this state, and the denominator of which must be  
9           the sum of the value of all of its property wherever located and the gross  
10           receipts of the foreign corporation derived from its business wherever  
11           transacted. The amounts used in determining the numerator and  
12           denominator must be determined from the foreign corporation's filed annual  
13           report.
- 14           c. From the product of such multiplication, there must be deducted the  
15           aggregate amount of license fee previously paid by the foreign corporation,  
16           and the remainder, if any, must be the amount of additional fee to be paid by  
17           the foreign corporation.

18           The secretary of state shall enter the amount of any additional license fee in the  
19           records of the foreign corporation in the secretary of state's office and shall mail a  
20           notice of the amount of additional license fee due to the foreign corporation at its  
21           principal office. The additional license fee must be paid by the foreign corporation  
22           before the annual report may be filed by the secretary of state. Amounts less than  
23           five dollars are not collected.

24           29. Filing any other statement of a corporation or foreign corporation, ten dollars.

25           **SECTION 80.** Section 10-19.1-148 of the North Dakota Century Code is created and  
26 enacted as follows:

27           **10-19.1-148. Secretary of state - Powers - Enforcement - Penalty - Appeal.**

- 28           1. The secretary of state has the power and authority reasonably necessary to  
29           efficiently administer this chapter and to perform the duties imposed thereby.
- 30           2. The secretary of state may propound to any corporation or foreign corporation that  
31           is subject to this chapter and to any officer, director, or employee thereof, any

- 1           interrogatory reasonably necessary and proper to ascertain whether the  
2           corporation has complied with all provisions of this chapter applicable to the  
3           corporation.
- 4           a.   The interrogatory must be answered within thirty days after mailing, or within  
5           any additional time as must be fixed by the secretary of state. The answer to  
6           the interrogatory must be full and complete and must be made in writing and  
7           under oath.
- 8           b.   If the interrogatory is directed:
- 9               (1)   To an individual, it must be answered by that individual; or  
10              (2)   To a corporation, it must be answered by the president, vice president,  
11              secretary, or assistant secretary of the corporation.
- 12           c.   The secretary of state is not required to file any document to which the  
13           interrogatory relates until the interrogatory has been answered, and not then if  
14           the answers disclose the document is not in conformity with this chapter.
- 15           d.   The secretary of state shall certify to the attorney general, for action the  
16           attorney general may deem appropriate, an interrogatory and answers  
17           thereto, which discloses a violation of this chapter.
- 18           e.   Each officer, director, or employee of a corporation or foreign corporation who  
19           fails or refuses within the time provided by subdivision a of subsection 2 to  
20           answer truthfully and fully an interrogatory propounded to that person by the  
21           secretary of state is guilty of an infraction.
- 22           f.   An interrogatory propounded by the secretary of state and the answers are  
23           not open to public inspection. The secretary of state may not disclose any  
24           facts or information obtained from the interrogatory or answers except insofar  
25           as permitted by law or insofar as required for evidence in any criminal  
26           proceedings or other action by this state.
- 27           3.   If the secretary of state rejects any document required by this chapter to be  
28           approved by the secretary of state before the document may be filed, then the  
29           secretary of state shall give written notice of the rejection to the person who  
30           delivered the document, specifying the reasons for rejection.

- 1           a. From such rejection the person may appeal to the district court of the county  
2           in which the registered office of such corporation is, or is proposed to be,  
3           situated by filing with the clerk of the court a petition setting forth a copy of the  
4           document sought to be filed and a copy of the written rejection of the  
5           document by the secretary of state.
- 6           b. The matter must be tried de novo by the court. The court shall either sustain  
7           the action of the secretary of state or direct the secretary of state to take the  
8           action the court determines proper.
- 9           4. If the secretary of state revokes the certificate of authority to transact business in  
10           this state of any foreign corporation, pursuant to section 10-19.1-141, then the  
11           foreign corporation may appeal to the district court of the county where the  
12           registered office of the foreign corporation in this state is situated by filing with the  
13           clerk of the court a petition setting forth a copy of the corporation's certificate of  
14           authority to transact business in this state and a copy of the notice of revocation  
15           given by the secretary of state. The matter must be tried de novo by the court.  
16           The court shall sustain the action of the secretary of state or direct the secretary of  
17           state to take the action the court determines proper.
- 18           5. Appeals from all final orders and judgments entered by the district court under this  
19           section in review of any ruling or decision of the secretary of state are treated as  
20           other civil actions.

21           **SECTION 81.** Section 10-10.1-149 of the North Dakota Century Code is created and  
22 enacted as follows:

23           **10-19.1-149. Secretary of state - Certificates and certified copies to be received in**  
24 **evidence.**

- 25           1. All certificates issued by the secretary of state and all copies of documents filed in  
26           accordance with this chapter, when certified by the secretary of state, must be  
27           taken and received in all courts, public offices, and official bodies as prima facie  
28           evidence of the facts stated.
- 29           2. A certificate by the secretary of state under the great seal of this state, as to the  
30           existence or nonexistence of the facts relating to corporations which would not  
31           appear from a certified copy of any of the foregoing documents or certificates, must

1           be taken and received in all courts, public offices, and official bodies as prima facie  
2           evidence of the existence or nonexistence of the facts stated.

3           **SECTION 82.** Section 10-19.1-150 of the North Dakota Century Code is created and  
4 enacted as follows:

5           **10-19.1-150. Secretary of state - Forms to be furnished by the secretary of state.**

6           All reports required by this chapter to be filed in the office of the secretary of state must be  
7           made on forms prescribed by the secretary of state. Forms for all other documents to be filed in  
8           the office of the secretary of state may be furnished by the secretary of state upon request.  
9           However, the use of such documents, unless otherwise specifically required by law, is not  
10          mandatory.

11          **SECTION 83.** Section 10-19.1-151 of the North Dakota Century Code is created and  
12 enacted as follows:

13          **10-19.1-151. Miscellaneous - Foreign trade zones.**

14          1. As used in this section, unless the context otherwise requires:

15           a. "Act of Congress" means the Act of Congress approved June 18, 1934,  
16           entitled an act to provide for the establishment, operation, and maintenance of  
17           foreign trade zones and ports of entry of the United States, to expedite and  
18           encourage foreign commerce and for other purposes, as amended, and  
19           commonly known as the Foreign Trade Zone Act of 1934 [48 Stat. 998; 19  
20           U.S.C. 81a et seq.].

21           b. "Private corporation" means a corporation authorized under this chapter, one  
22           of the purposes of which is to establish, operate, and maintain a foreign trade  
23           zone by itself or in conjunction with a public corporation.

24           c. "Public corporation" means this state; a political subdivision of this state, any  
25           municipality of this state, any public agency of this state, or any other  
26           corporate instrumentality of this state.

27          2. Any private corporation or public corporation has the power to apply to the proper  
28          authorities of the United States for a grant of the privilege of establishing,  
29          operating, and maintaining foreign trade zones and foreign trade subzones and to  
30          do all things necessary and proper to carry into effect the establishment, operation,

1           and maintenance of such zones, all in accordance with the Act of Congress and  
2           other applicable laws and rules.

3           **SECTION 84.** Section 10-19.1-152 of the North Dakota Century Code is created and  
4 enacted as follows:

5           **10-19.1-152. Audit reports and audit of limited liability companies receiving state**  
6 **subsidies for production of alcohol or methanol for combination with gasoline.** Any  
7 corporation that produces agricultural ethyl alcohol or methanol within this state and which  
8 receives a production subsidy from the state, whether in the form of reduced taxes or otherwise,  
9 shall submit an annual audit report, prepared by a certified public accountant based on an audit  
10 of all records and accounts of the corporation, to the legislative audit and fiscal review  
11 committee. The audit must be submitted within ninety days of the close of the corporation's  
12 taxable year. Upon request of the legislative audit and fiscal review committee, the state  
13 auditor shall conduct an audit of the records and accounts of any corporation required to submit  
14 an annual report under this section.

15           **SECTION 85. AMENDMENT.** Section 10-31-01 of the North Dakota Century Code is  
16 amended and reenacted as follows:

17           **10-31-01. Definitions.** As used in this chapter, unless the context otherwise requires:

- 18           1. "Create" means to form an organization by:
- 19           a. Incorporating a professional corporation;
- 20           b. Organizing a professional limited liability company; or
- 21           c. Registering a professional limited liability partnership.
- 22           2. "Executive" means an officer or a director of a professional corporation, a manager
- 23           or a governor of a professional limited liability company, or a partner of a
- 24           professional limited liability partnership.
- 25           3. "Foreign limited liability partnership" has the meaning set forth in section
- 26           45-22-01.4.
- 27           4. "Foreign professional organization" means a professional organization that is
- 28           created under laws other than the laws of this state for purposes for which a
- 29           professional organization may be created under this chapter.
- 30           4. 5. "Owner" means a shareholder of a professional corporation, a member of a
- 31           professional limited liability company, or a partner of a limited liability partnership.

1       ~~5-~~ 6. "Professional corporation" or "corporation" means a corporation that is  
2                   incorporated under this chapter for the ~~sole and specific~~ purpose of rendering  
3                   professional service and which has as its shareholders only individuals who  
4                   themselves are licensed or otherwise legally authorized within this state to render  
5                   the same professional service as the corporation or nonlicensed employees as  
6                   provided in section 10-31-07.1.

7       ~~6-~~ 7. "Professional limited liability company" or "limited liability company" means a  
8                   limited liability company that is organized under this chapter for the ~~sole and~~  
9                   ~~specific~~ purpose of rendering professional service and which has as its members  
10                  only individuals who themselves are licensed or otherwise legally authorized within  
11                  this state to render the same professional service as the limited liability company or  
12                  nonlicensed employees as provided in section 10-31-07.2.

13       ~~7-~~ 8. "Professional limited liability partnership" or "limited liability partnership" means a  
14                  limited liability partnership that is registered under this chapter for the ~~sole and~~  
15                  ~~specific~~ purpose of rendering professional service, is not a foreign limited liability  
16                  partnership, and has as its partners only individuals who are licensed or otherwise  
17                  legally authorized within this state to render the same professional service as the  
18                  limited liability partnership or nonlicensed employees as provided in section  
19                  10-31-07.1.

20       ~~8-~~ 9. "Professional organization" or "organization" means:  
21                  a.    A professional corporation that is incorporated under this chapter;  
22                  b.    A professional limited liability company that is organized under this chapter; or  
23                  c.    A professional limited liability partnership that is registered under this chapter.

24       ~~9-~~ 10. "Professional service" means the personal service to the public which requires a  
25                  license as a condition precedent to the rendering of such service and which ~~prior to~~  
26                  before the passage of this chapter could not be performed by a corporation, limited  
27                  liability company, or a limited liability partnership.

28                  **SECTION 86. AMENDMENT.** Section 10-31-02 of the North Dakota Century Code is  
29                  amended and reenacted as follows:

30                  **10-31-02. Articles of incorporation.**



- 1           1. One or more individuals may incorporate a professional organization in the form of  
2           a corporation for the practice of a profession by filing articles of incorporation with  
3           the secretary of state. The articles of incorporation must meet the requirements of  
4           chapter 10-19.1 and contain the following:
  - 5           a. The profession to be practiced through the professional corporation; and
  - 6           b. The names and residence addresses of all of the original shareholders of the  
7           professional corporation who will practice the profession in this state.
- 8           2. At the time the articles of incorporation are filed with the secretary of state, the  
9           professional corporation also shall file a certificate from the regulating board of the  
10          profession involved that each of the directors and shareholders of voting shares  
11          who will practice the profession in this state, if any, is licensed to practice the  
12          profession in this state.

13           **SECTION 87. AMENDMENT.** Section 10-31-02.1 of the North Dakota Century Code is  
14 amended and reenacted as follows:

15           **10-31-02.1. Articles of organization.**

- 16          1. Two or more individuals may organize a professional organization in the form of a  
17          limited liability company for the practice of a profession by filing articles of  
18          organization with the secretary of state. The articles of organization must meet the  
19          requirements of chapter 10-32, and must contain the following:
  - 20          a. The profession to be practiced through the professional limited liability  
21          company; and
  - 22          b. The names and residence addresses of all of the original members of the  
23          professional limited liability company who will practice the profession in this  
24          state.
- 25          2. At the time the articles of organization are filed with the secretary of state, the  
26          professional limited liability company also shall file a certificate from the regulating  
27          board of the profession involved that each of the governors and members who will  
28          practice the profession in this state, if any, is licensed to practice the profession in  
29          this state.

30           **SECTION 88. AMENDMENT.** Section 10-31-02.2 of the North Dakota Century Code is  
31 amended and reenacted as follows:

1           **10-31-02.2. Registration.**

2           1. Two or more individuals may register a professional organization in the form of a  
3           limited liability partnership or a foreign professional organization in the form of a  
4           foreign limited liability partnership for the practice of a profession by filing a the  
5           registration required under section 45-22-3 with the secretary of state. The  
6           registration must meet the requirements of chapter 45-22, and contain the  
7           following:

8           a. The profession to be practiced through the professional limited liability  
9           partnership or foreign limited liability partnership; and  
10          b. The names and residence addresses of all of the ~~original~~ partners of the  
11          professional limited liability partnership or foreign limited liability partnership  
12          who will practice the profession in this state.

13          2. At the time the registration is filed with the secretary of state, the professional  
14          limited liability partnership or foreign limited liability partnership also shall file a  
15          certificate from the regulating board of the profession involved that each of the  
16          partners who will practice the profession in this state is licensed to practice the  
17          profession in this state.

18           **SECTION 89. AMENDMENT.** Section 10-31-03 of the North Dakota Century Code is  
19   amended and reenacted as follows:

20           **10-31-03. Applicability of ~~chapters~~ chapter 10-19.1, 10-22, and 10-23.** ~~Chapters~~  
21   Chapter 10-19.1, 10-22, and 10-23 ~~apply~~ applies to a professional organization that is created  
22   in the form of a corporation and which enjoys the powers and privileges and is subject to the  
23   duties, restrictions, and liabilities of other corporations except where inconsistent with the letter  
24   and purpose of this chapter. This chapter takes precedence in the event of any conflict with  
25   ~~chapters~~ chapter 10-19.1, 10-22, and 10-23.

26           **SECTION 90. AMENDMENT.** Section 10-31-04 of the North Dakota Century Code is  
27   amended and reenacted as follows:

28           **10-31-04. Purpose for which created.**

29          1. A professional organization may be created pursuant to this chapter only for the  
30          purpose of rendering one specific type of professional service and services  
31          ancillary ~~to~~ thereto or for the purpose of rendering two or more kinds of

- 1 professional services that are specifically authorized to be practiced in combination  
2 under the licensing laws of each of the professional services to be practiced by a  
3 licensed individual or partnership of licensed individuals and ancillary services.  
4 This subsection does not preclude an organization created pursuant to this chapter  
5 from rendering more than one specific type of professional service if the services  
6 rendered are set forth in chapters 43-03 and 43-19.1 or if the services rendered are  
7 set forth in chapters 43-26 and 43-40.
- 8 2. A professional organization may not engage in any business other than rendering  
9 the professional service for which it was created to render and services ancillary  
10 thereto. However, a professional organization may own real and personal property  
11 necessary or appropriate for rendering the type of professional services it was  
12 created to render and may invest its funds in real estate mortgages, stocks, bonds,  
13 membership interests, and any other type of investment.

14 **SECTION 91. AMENDMENT.** Section 10-31-05 of the North Dakota Century Code is  
15 amended and reenacted as follows:

16 **10-31-05. Name.**

- 17 1. The name of a professional organization:
- 18 a. In the form of a corporation incorporated under this chapter must contain:
- 19 (1) The word "chartered";
- 20 (2) The word "limited" or the abbreviation "Ltd.";
- 21 (3) The words "professional corporation" or either the abbreviation "P.C." or  
22 the abbreviation "PC", either of which may be used interchangeably for  
23 all purposes authorized by chapter 10-31, including real estate matters,  
24 contracts, and filings with the secretary of state; or
- 25 (4) The words "professional association" or either the abbreviation "P.A." or  
26 the abbreviation "PA", either of which may be used interchangeably for  
27 all purposes authorized by chapter 10-31, including real estate matters,  
28 contracts, and filings with the secretary of state.
- 29 b. In the form of a limited liability company organized under this chapter must  
30 contain:

- 1                   (1) The words "professional limited liability company" or "limited liability  
2                   company";
- 3                   (2) The abbreviations:
- 4                   (a) "P.L.C." or "PLC", either of which may be used interchangeably  
5                   for all purposes authorized by chapter 10-31 including real estate  
6                   matters, contracts, and filings with the secretary of state; ~~or~~
- 7                   ~~(3)~~ (b) ~~The abbreviations~~ "P.L.L.C." or "PLLC", either of which may be  
8                   used interchangeably for all purposes authorized by chapter  
9                   10-31 including real estate matters, contracts, and filings with the  
10                   secretary of state; or
- 11                   (c) "L.L.C." or "LLC", either of which may be used interchangeably  
12                   for all purposes authorized by chapter 10-31 including real estate  
13                   matters, contracts, and filings with the secretary of state.
- 14                   c. In the form of a limited liability partnership registered under this chapter shall  
15                   contain:
- 16                   (1) The words "professional limited liability partnership"; or
- 17                   (2) The abbreviations:
- 18                   (a) "P.L.L.P." or "PLLP", either of which may be use d  
19                   interchangeably for all purposes authorized by chapter 10-31  
20                   including real estate matters, contracts, and filings with the  
21                   secretary of state; or
- 22                   (b) "L.L.P." or "LLP", either of which may be used interchangeably  
23                   for all purposes authorized by chapter 10-31 including real estate  
24                   matters, contracts, and filings with the secretary of state.
- 25                   2. The use of ~~the word "company", "corporation", "incorporated", "limited liability~~  
26                   ~~company", "limited liability partnership", or~~ any other word, abbreviation, affix, or  
27                   prefix indicating that it is a corporation, limited liability company, or limited liability  
28                   partnership in the name of an organization created under this chapter, other than  
29                   the words and abbreviations set forth in subsection 1, is prohibited.

30                   **SECTION 92. AMENDMENT.** Section 10-31-07 of the North Dakota Century Code is  
31 amended and reenacted as follows:

1           **10-31-07. Issuance and transfer of shares.** A professional organization in the form of  
2 a corporation may issue its shares only to ~~individuals~~ persons who are licensed to render the  
3 same specific professional services as those for which the corporation was incorporated or as  
4 provided by section 10-31-07.1. A shareholder may voluntarily transfer shares in a professional  
5 corporation only to ~~the corporation or to an individual~~ a person owning or eligible to own the  
6 same type of shares as the ~~individual~~ person making the transfer. The issuance of any shares  
7 in violation of this section is void. The voluntary transfer of any shares in violation of this  
8 section is void. No share may be transferred upon the books of the professional corporation or  
9 issued by the professional corporation until there is presented to and filed with the corporation a  
10 certificate from the regulating board stating that the ~~individual~~ person to whom the transfer is to  
11 be made or the share issued is licensed to render the same specific professional services as  
12 those for which the corporation was incorporated.

13           **SECTION 93. AMENDMENT.** Section 10-31-07.1 of the North Dakota Century Code is  
14 amended and reenacted as follows:

15           **10-31-07.1. Retirement plan trust - Voting and nonvoting ~~stock~~ shares.** A  
16 professional corporation may establish a retirement plan trust which allows the corporation to  
17 contribute nonvoting shares for nonlicensed employees and voting shares for licensed  
18 employees.

19           **SECTION 94. AMENDMENT.** Section 10-31-07.2 of the North Dakota Century Code is  
20 amended and reenacted as follows:

21           **10-31-07.2. Issuance and transfer of membership interests.** A professional  
22 organization in the form of a limited liability company may issue membership interests only to  
23 ~~individuals~~ persons who are licensed to render the same specific professional services as those  
24 for which the company was organized. A member may voluntarily transfer membership  
25 interests in a professional limited liability company only to ~~the professional limited liability~~  
26 ~~company or to an individual~~ a person owning or eligible to own a membership interest. The  
27 reflection of any membership interests in the required records of the professional limited liability  
28 company in violation of this section is void. The voluntary transfer of any membership interests  
29 in violation of this section is void. No membership interest may be reflected in the required  
30 records of the professional limited liability company until there is presented to and filed with the  
31 limited liability company a certificate from the regulating board stating that the ~~individual~~ person

1 to whom the transfer is to be made or the membership interest issued is licensed to render the  
2 same specific professional services as those for which the limited liability company was  
3 organized.

4 **SECTION 95. AMENDMENT.** Section 10-31-07.3 of the North Dakota Century Code is  
5 amended and reenacted as follows:

6 **10-31-07.3. Issuance and transfer of partnership interests.** A professional  
7 organization in the form of a limited liability partnership may issue partnership interests only to  
8 ~~individuals~~ persons who are licensed to render the same specific professional services as those  
9 for which the partnership was registered. A partner may voluntarily transfer partnership  
10 interests in a professional limited liability partnership only to ~~the professional limited liability~~  
11 ~~partnership or an individual~~ a person owning or eligible to own a partnership interest. The  
12 issuance of any partnership interests issued in violation of this section is void. The voluntary  
13 transfer of any partnership interests in violation of this section is void. No partnership interest  
14 may be transferred upon the books of the professional limited liability partnership or issued by  
15 the professional limited liability partnership until there is presented to and filed with the limited  
16 liability partnership a certificate from the regulating board stating that the ~~individual~~ person to  
17 whom the transfer is to be made or the partnership interest issued is licensed to render the  
18 same specific professional services as those for which the limited liability partnership was  
19 registered.

20 **SECTION 96. AMENDMENT.** Section 10-31-12 of the North Dakota Century Code is  
21 amended and reenacted as follows:

22 **10-31-12. Death of last or only shareholder - Amendment of articles of**  
23 **incorporation - Involuntary dissolution.**

24 1. In the event of the death of the last or only shareholder of a professional  
25 corporation whose shares pass to heirs by intestate succession, to devisees under  
26 a last will and testament, or otherwise pass by operation of law to an individual not  
27 legally qualified to render the professional services which the professional  
28 corporation was incorporated to perform, the heirs, devisees, or personal  
29 representative of the deceased shareholder, within six months after the date of  
30 death of the last or only shareholder, may amend the articles of incorporation to

1 provide that the corporation must continue as a ~~general~~ corporation under ~~chapters~~  
2 chapter 10-19.1, 10-22, and 10-23.

3 2. The death of the last or only shareholder of a professional corporation and the  
4 failure of the heirs, devisees, or personal representative to make an amendment  
5 within six months after the death is a ground for the involuntary dissolution of the  
6 professional corporation.

7 3. When notified of the facts, the secretary of state shall certify immediately the facts  
8 to the attorney general who shall take immediate appropriate action to dissolve the  
9 professional corporation.

10 **SECTION 97. AMENDMENT.** Section 10-31-13 of the North Dakota Century Code is  
11 amended and reenacted as follows:

12 **10-31-13. Professional organizations - Annual reports - Renewal.**

13 1. With respect to a professional organization in the form of a corporation:

14 a. Each corporation incorporated under this chapter shall file with the secretary  
15 of state an annual report at the time specified for the filing of the report by  
16 ~~chapters~~ chapter 10-19.1, 10-22, and 10-23 giving the name and residence  
17 addresses of all officers, directors, and shareholders of the corporation as of  
18 the thirtieth day of June next preceding the filing of the report. With respect to  
19 shares, the report shall include:

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

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

26 b. ~~Attached to this~~ The report must be include a form certifying statement that all  
27 directors and shareholders of voting shares who practice in this state are  
28 licensed to render the same specific professional services as those for which  
29 the corporation was incorporated. ~~This certificate~~ The report must be:

30 (1) Made on a form as prescribed and furnished by the secretary of state;

- 1                   (2) Signed by the president or vice president ~~and attested by the secretary~~  
2                   ~~or assistant secretary~~ of the corporation; and
- 3                   (3) ~~Sworn to before a notary public by the individuals executing the~~  
4                   ~~certificate; and~~
- 5                   (4) Accompanied by the filing fee prescribed in chapter ~~40-23~~ 10-19.1.
- 6                   c. A copy of the ~~certificate~~ report must be filed at the same time with the  
7                   regulatory board that licenses the shareholders described in the ~~certificate~~  
8                   report. No filing fee may be charged by the regulatory board.
- 9                   d. A regulatory board issuing a license under section 10-31-01 shall issue a  
10                  certificate required in section 10-31-02. The certificate must be on a form  
11                  prescribed and furnished by the secretary of state. The regulatory board may  
12                  charge and collect a fee not to exceed twenty dollars per individual certified to  
13                  be licensed by the regulating board.
- 14                 2. With respect to a professional organization in the form of a limited liability  
15                 company:
- 16                 a. Each limited liability company organized under this chapter shall file with the  
17                 secretary of state an annual report at the time specified for the filing of the  
18                 report by chapter 10-32 giving the name and residence address of all  
19                 managers, governors, and members of the organization as of the thirtieth day  
20                 of June next preceding the filing of the report.
- 21                 b. ~~Attached to this~~ The report must be include a form certifying statement that all  
22                 governors and members holding voting membership interests who practice in  
23                 this state are licensed to render the same specific professional services as  
24                 those for which the limited liability company was organized. This ~~certificate~~  
25                 report must be:
- 26                   (1) Made on a form as prescribed and furnished by the secretary of state;
- 27                   (2) Signed by the president ~~and attested by the secretary~~ or vice president  
28                   of the limited liability company; and
- 29                   (3) ~~Sworn before a notary public by the individuals executing the certificate;~~  
30                   ~~and~~
- 31                   (4) Accompanied by the filing fee prescribed in section 10-32-180.



- 1 c. A copy of the ~~certificate~~ report must be filed at the same time with the  
2 regulatory board that licenses the members described in the ~~certificate~~ report.  
3 No filing fee may be charged by the regulatory board.
- 4 d. A regulatory board issuing a license under section 10-31-01 shall issue a  
5 certificate required in section 10-31-02. The certificate must be on a form  
6 prescribed and furnished by the secretary of state. The regulatory board may  
7 charge and collect a fee not to exceed twenty dollars per individual certified to  
8 be licensed by the regulatory board.
- 9 3. With respect to a professional organization in the form of a limited liability  
10 partnership:
- 11 a. The renewal registration filed with the secretary of state pursuant to chapter  
12 45-22 must include the name and residence address of all partners of the  
13 organization as of the thirtieth day of June next preceding the filing of the  
14 renewal registration.
- 15 b. ~~Attached to the~~ The renewal registration must ~~be include~~ include a ~~form-certifying~~  
16 statement that all partners holding voting partnership interests who practice in  
17 this state are licensed to render the same specific professional services as  
18 those for which the limited liability partnership was registered. ~~This certificate~~  
19 The renewal registration shall be:
- 20 (1) Made on a form prescribed and furnished by the secretary of state;  
21 (2) Signed by ~~two~~ a managing ~~partners~~ partner of the limited liability  
22 partnership; and
- 23 (3) ~~Sworn before a notary public by the individuals executing the certificate;~~  
24 and
- 25 (4) Accompanied by the filing fee prescribed in section 45-22-22.
- 26 c. A copy of the ~~certificate~~ renewal registration must be filed at the same time  
27 with the regulatory board that licenses the partners described in the ~~certificate~~  
28 renewal registration. No filing fee may be charged by the regulatory board.
- 29 d. A regulatory board issuing a license under section 10-31-01 shall issue a  
30 certificate required in section 10-31-02. The certificate must be on a form  
31 prescribed and furnished by the secretary of state. The regulatory board may

1 charge and collect a fee not to exceed twenty dollars per individual certified to  
2 be licensed by the regulating board.

3 **SECTION 98. AMENDMENT.** Section 10-31-13.1 of the North Dakota Century Code is  
4 amended and reenacted as follows:

5 **10-31-13.1. Foreign professional organizations - Practice in the state.**

- 6 1. A foreign professional organization may practice a profession in this state only  
7 through executives, owners, employees, and agents who are licensed to practice  
8 the profession in this state. ~~The provisions of this chapter with respect to the~~  
9 ~~practice of a profession by a professional organization apply to a foreign~~  
10 ~~professional organization.~~ The practice of a profession in this state by a foreign  
11 professional organization is subject to the laws and regulations of this state  
12 governing the practice of such professional service.
- 13 2. The certificate of authority of a foreign professional organization may be revoked  
14 by the secretary of state as provided in this chapter, if the foreign professional  
15 organization fails to comply with this chapter.
- 16 3. This chapter does not prohibit the practice of a profession in this state by an  
17 individual who is an executive, owner, employee, or agent of a foreign professional  
18 organization, if the individual could lawfully practice the profession in this state in  
19 the absence of any relationship to a foreign professional organization.
- 20 4. This section applies regardless of whether the foreign professional organization is  
21 authorized to practice a profession in this state.
- 22 5. A foreign professional organization may render only one specific type of  
23 professional service and services ancillary thereto in this state. A foreign  
24 professional organization may not engage in any business in this state other than  
25 rendering the professional service it is authorized to render and services ancillary  
26 thereto.
- 27 6. a. The provisions of chapter 10-19.1, applicable to foreign corporations, apply to  
28 a foreign professional organization rendering professional services in this  
29 state in the form of a foreign corporation. Such a foreign professional  
30 organization enjoys the powers and privileges and is subject to the duties,  
31 restrictions, and liabilities of other foreign corporations doing business in this

1           state, except where inconsistent with the letter and purpose of the provisions  
2           of this chapter applicable to foreign professional organizations.

3           b. A foreign professional organization rendering professional services in this  
4           state in the form of a foreign corporation shall include in its application for a  
5           certificate of authority under section 10-19.1-135 or its annual report under  
6           section 10-19.1-146 the following information:

7           (1) The profession to be practiced by the foreign corporation;

8           (2) The names and residence addresses of all directors and shareholders  
9           of the corporation who practice the profession in this state; and

10          (3) In an application for a certificate of authority, a certificate from the  
11          regulating board of the profession involved that all directors and  
12          shareholders who practice the profession in this state are licensed in  
13          this state to render the same professional service as those for which the  
14          corporation was formed; and in an annual report, a statement that all  
15          directors and shareholders who practice the profession in this state are  
16          licensed in this state to render the same professional service as those  
17          for which the corporation was formed.

18          7.    a. The provisions of chapter 10-32 applicable to foreign limited liability  
19          companies apply to a foreign professional organization rendering professional  
20          services in this state in the form of a foreign limited liability company. Such a  
21          foreign professional organization enjoys the powers and privileges and is  
22          subject to the duties, restrictions, and liabilities of other foreign limited liability  
23          companies doing business in this state, except where inconsistent with the  
24          letter and purpose of the provisions of this chapter applicable to foreign  
25          professional organizations.

26          b. A foreign professional organization rendering professional services in this  
27          state in the form of a foreign limited liability company shall include in its  
28          application for a certificate of authority under section 10-32-138 or its annual  
29          report under section 10-32-149 the following information:

30          (1) The profession to be practiced by the foreign limited liability company;

- 1                   (2) The names and residence addresses of all members or managers of  
2                   the limited liability company who practice the profession in this state;  
3                   and
- 4                   (3) In an application for a certificate of authority, a certificate from the  
5                   regulating board of the profession involved that all members or  
6                   managers who practice the profession in this state are licensed in this  
7                   state to render the same professional service as those for which the  
8                   limited liability company was formed; and in an annual report, a  
9                   statement that all members or managers who practice the profession in  
10                  this state are licensed in this state to render the same professional  
11                  service as those for which the limited liability company was formed.
- 12           8. a. The provisions of chapter 45-22 applicable to foreign limited liability  
13                  partnerships apply to a foreign professional organization rendering  
14                  professional services in this state in the form of a foreign limited liability  
15                  partnership. Such a foreign professional organization enjoys the powers and  
16                  privileges and is subject to the duties, restrictions, and liabilities of other  
17                  foreign limited liability partnerships doing business in this state, except where  
18                  inconsistent with the letter and purpose of the provisions of this chapter  
19                  applicable to foreign professional organizations.
- 20           b. A foreign professional organization rendering professional services in this  
21                  state in the form of a foreign limited liability partnership shall include in its  
22                  registration or renewal registration under section 45-22-03 the following  
23                  information:
- 24                  (1) The profession to be practiced by the foreign limited liability partnership;  
25                  (2) The names and residence addresses of all partners of the limited  
26                  liability partnership who practice the profession in this state; and  
27                  (3) In a registration, a certificate from the regulating board of the profession  
28                  involved that all partners who practice the profession in this state are  
29                  licensed in this state to render the same professional service as those  
30                  for which the limited liability partnership was formed; and in a renewal  
31                  registration, a statement that all partners who practice the profession in

1                   this state are licensed in this state to render the same professional  
2                   service as those for which the limited liability partnership was formed.

3           9.   The name of a foreign professional organization rendering professional services in  
4           this state shall contain words or abbreviations required or authorized by the laws of  
5           the jurisdiction in which the foreign professional organization is incorporated,  
6           organized, or originally registered.

7           **SECTION 99. AMENDMENT.** Section 10-32-02 of the North Dakota Century Code is  
8 amended and reenacted as follows:

9           **10-32-02. Definitions.** For the purposes of this chapter, unless the language or  
10 context clearly indicates that a different meaning is intended:

- 11           1. "Acquiring organization" means the foreign or domestic limited liability company or  
12           foreign or domestic corporation that acquires in an exchange the shares of a  
13           domestic or foreign corporation or the membership interests of a limited liability  
14           company.
- 15           2. "Address" means ~~mailing address, including a zip code.:~~  
16           a. In the case of a registered office or principal executive office, ~~the term means~~  
17           the mailing address ~~and, including a zip code, of~~ the actual office location  
18           which may not be only a post-office box; and  
19           b. In all other cases, the mailing address, including a zip code.
- 20           3. "Agreement to give transfer consent" means a member-control agreement under  
21           section 10-32-50, or a part of a member-control agreement, under which the  
22           members agree in advance to give any consent referred to in subsection 2 of  
23           section 10-32-32.
- 24           4. "Articles" or "articles of organization" means:  
25           a. In the case of a limited liability company organized under this chapter, articles  
26           of organization, articles of amendment, a statement of change of registered  
27           office, registered agent, or name of registered agent, a statement establishing  
28           or fixing the rights and preferences of a class or series of membership  
29           interests, articles of merger, articles of abandonment, and articles of  
30           termination.

- 1           b. In the case of a foreign limited liability company, the term includes all  
2           documents serving a similar function required to be filed with the secretary of  
3           state or other state office of the limited liability company's state of  
4           organization.
- 5           5. "Board" or "board of governors" means the board of governors of a limited liability  
6           company.
- 7           6. "Board member" means:
- 8           a. An individual serving on the board of governors in the case of a limited liability  
9           company; and
- 10          b. An individual serving on the board of directors in the case of a corporation.
- 11          7. "Business continuation agreement" means a member-control agreement under  
12          section 10-32-50, or a part of a member-control agreement, made after the limited  
13          liability company has incurred an event of dissolution, under which the members:
- 14          a. Agree that, despite any dissolution, winding up and termination of the limited  
15          liability company as a legal entity, its business will be continued in a  
16          successor organization through a merger, transfer of assets, transfer of  
17          membership interests, or otherwise; and
- 18          b. Specify the terms and conditions under which the business continuation will  
19          occur.
- 20          8. "Class", when used with reference to membership interests, means a category of  
21          membership interests which differs in one or more rights or preferences from  
22          another category of membership interests of the limited liability company.
- 23          9. "Closely held limited liability company" means a limited liability company that does  
24          not have more than thirty-five members.
- 25          10. "Constituent organization" means a limited liability company or a domestic or  
26          foreign corporation that is a party to a merger or an exchange.
- 27          11. "Contribution agreement" means an agreement between a person and a limited  
28          liability company under which:
- 29          a. The person agrees to make a contribution in the future; and

- 1           b.    The limited liability company agrees that, at the time specified for the  
2                    contribution in the future, the limited liability company will accept the  
3                    contribution and reflect the contribution in the required records.
- 4           12.  "Contribution allowance agreement" means an agreement between a person and a  
5                    limited liability company under which:
- 6                    a.    The person has the right, but not the obligation, to make a contribution in the  
7                            future; and
- 8                    b.    The limited liability company agrees that, if the person makes the specified  
9                            contribution at the time specified in the future, the limited liability company will  
10                           accept the contribution and reflect the contribution in the required records.
- 11          13.  "Dissolution" means that the limited liability company has incurred an event under  
12                    subsection 1 of section 10-32-109, subject only to sections 10-32-116 and  
13                    10-32-124, that obligates the limited liability company to wind up its affairs and to  
14                    terminate its existence as a legal entity.
- 15          14.  "Dissolution avoidance consent" means the consent of all remaining members:
- 16                    a.    Given, as provided in subdivision e of subsection 1 of section 10-32-109, after  
17                            the occurrence of any event that terminates the continued membership of a  
18                            member in the limited liability company; and
- 19                    b.    That the limited liability company must be continued as a legal entity without  
20                            dissolution.
- 21          15.  "Distribution" means a direct or indirect transfer of money or other property, other  
22                    than its own membership interests, with or without consideration, or an incurrence  
23                    or issuance of indebtedness, by a limited liability company to any of its members in  
24                    respect of membership interests. A distribution may be in the form of an interim  
25                    distribution or a termination distribution, or as consideration for the purchase,  
26                    redemption, or other acquisition of its membership interests, or otherwise.
- 27          16.  "Domestic corporation" means a corporation other than a foreign corporation  
28                    organized for profit and incorporated under or governed by chapter 10-19.1.
- 29          17.  "Filed with the secretary of state" means ~~that a signed original of a document~~  
30                   ~~together with the fees provided in section 10-32-150, has been delivered to the~~  
31                   ~~secretary of state and has been determined by the secretary of state to conform to~~

- 1 ~~law. The secretary of state shall endorse on the original the word "Filed" and the~~  
2 ~~month, day, and year of filing, and record the document in the office of the~~  
3 ~~secretary of state.:~~
- 4 a. That either of the following has been delivered to the secretary of state and  
5 has been determined by the secretary of state to conform to law:
- 6 (1) A signed original or a legible facsimile copy of a signed original of a  
7 request for reserved name which is the same size as the original  
8 document; or
- 9 (2) A signed original of all other documents, meeting the applicable  
10 requirements of this chapter, together with the fees provided in section  
11 10-33-141.
- 12 b. That the secretary of state shall then:
- 13 (1) Endorse on the original the word "filed" and the month, day, and year;  
14 and
- 15 (2) Record the document in the office of the secretary of state.
- 16 18. "Financial rights" means a member's rights:
- 17 a. To share in profits and losses as provided in section 10-32-36;
- 18 b. To share in distributions as provided in section 10-32-60;
- 19 c. To receive interim distributions as provided in section 10-32-61; and
- 20 d. To receive termination distributions as provided in subdivision c of
- 21 subsection 1 of section 10-32-131.
- 22 19. "Foreign corporation" means a corporation organized for profit that is incorporated
- 23 under laws other than the laws of this state for a purpose ~~or purposes~~ for which a
- 24 corporation may be incorporated under chapter 10-19.1.
- 25 20. "Foreign limited liability company" means a limited liability company organized for
- 26 profit which is organized under laws other than the laws of this state for a purpose
- 27 ~~or purposes~~ for which a limited liability company may be organized under this
- 28 chapter.
- 29 21. "Good faith" means honesty in fact in the conduct of the act or transaction
- 30 concerned.



- 1           22. "Governance rights" means all of a member's rights as a member in the limited  
2           liability company other than financial rights and the right to assign financial rights.
- 3           23. "Governing board" means:  
4           a. The board of governors in the case of a limited liability company; and  
5           b. The board of directors in the case of a corporation.
- 6           24. "Governor" means an individual serving on the board of governors.
- 7           25. "Intentionally" means that the person referred to either has a purpose to do or fail  
8           to do the act or cause the result specified or believes that the act or failure to act, if  
9           successful, will cause that result. A person "intentionally" violates a statute if:  
10          a. If the person intentionally does the act or causes the result prohibited by the  
11          statute; or if  
12          b. If the person intentionally fails to do the act or cause the result required by the  
13          statute, even though the person may not know of the existence or  
14          constitutionality of the statute or the scope or meaning of the terms used in  
15          the statute.
- 16          26. "Knows" or has "knowledge" means the person has actual knowledge of a fact. A  
17          person does not "know" or have "knowledge" of a fact merely because the person  
18          has reason to know of the fact.
- 19          27. "Legal representative" means a person empowered to act for another person,  
20          including an agent, manager, officer, partner, or associate of an organization; a  
21          trustee of a trust; a personal representative; ~~an executor of a will; an administrator~~  
22          ~~of an estate;~~ a trustee in bankruptcy; and a receiver, guardian, custodian, or  
23          conservator ~~of the person or estate of a person.~~
- 24          28. "Limited liability company" means a limited liability company, other than a foreign  
25          limited liability company, organized under this chapter.
- 26          29. "Manager" means ~~a person;~~  
27          a. An individual who is eighteen years of age or more and who is elected,  
28          appointed, or otherwise designated as a manager by the board of governors;  
29          and ~~any other person~~  
30          b. An individual considered elected as a manager pursuant to section 10-32-92.

- 1           30. "Member" means a person reflected in the required records of a limited liability  
2                    company as the owner of some governance rights of a membership interest of the  
3                    limited liability company.
- 4           31. "Membership interest" means a:
- 5                a. A member's interest in a limited liability company consisting of a member's  
6                    financial rights;~~a<sub>1</sub>~~
- 7                b. A member's right to assign financial rights as provided in section 10-32-31;~~a<sub>1</sub>~~
- 8                c. A member's governance rights;~~i~~ and a
- 9                d. A member's right to assign governance rights as provided in section 10-32-32.
- 10          32. "Notice" is given by a member of a limited liability company to the limited liability  
11                    company or a manager of a limited liability company when in writing and mailed or  
12                    delivered to the limited liability company or the manager at the registered office or  
13                    principal executive office of the limited liability company.
- 14                a. In all other cases, notice is given to a person:
- 15                    (1) When mailed to the person at an address designated by the person or  
16                        at the last known address of the person;
- 17                    (2) When handed to the person; or
- 18                    (3) When left at the office of the person with a clerk or other person in  
19                        charge of the office; or
- 20                        (a) If there is no one in charge, when left in a conspicuous place in  
21                            the office; or
- 22                        (b) If the office is closed or the person to be notified has no office,  
23                            when left at the dwelling house or usual place of abode of the  
24                            person with some person of suitable age and discretion who is  
25                            residing there.
- 26                b. Notice by mail is given when deposited in the United States mail with  
27                        sufficient postage affixed.
- 28                c. Notice is considered received when it is given.
- 29          33. "Operating agreement" means rules, resolutions, or other provisions, regardless  
30                    how designated, that:

- 1           a.    Relate to the management of the business or the regulation of the affairs of  
2           the limited liability company; and
- 3           b.    Have been made expressly part of the operating agreement by the action,  
4           taken from time to time under section 10-32-69, by the board of governors or  
5           the members.
- 6        34.   "Organization" means a, whether domestic or foreign, a limited liability company,  
7        corporation, partnership, limited partnership, limited liability partnership, joint  
8        venture, association, business trust, estate, trust, enterprise, and any other legal or  
9        commercial entity.
- 10       35.   "Owners" means:
- 11        a.    Members in the case of a limited liability company; and  
12        b.    Shareholders in the case of a corporation.
- 13       36.   "Ownership interests" means:
- 14        a.    Membership interests in the case of a limited liability company; and  
15        b.    Shares in the case of a corporation.
- 16       37.   "Parent" of a specified limited liability company means a limited liability company or  
17        corporation that directly or indirectly owns more than fifty percent of the voting  
18        power of the membership interests entitled to vote for governors of the specified  
19        limited liability company.
- 20       38.   "Pertains" means a contribution "pertains":
- 21        a.    To a particular series when the contribution is made in return for a  
22        membership interest in that particular series.
- 23        b.    To a particular class when the class has no series and the contribution is  
24        made in return for a membership interest in the class.
- 25        A contribution that pertains to a series does not pertain to the class of which the  
26        series is a part.
- 27       39.   "Principal executive office" means:
- 28        a.    If the limited liability company has an elected or appointed president, an office  
29        where the elected or appointed president of the limited liability company has  
30        an office-; or

- 1           **b.** If the limited liability company has no elected or appointed president,  
2           ~~"principal executive office"~~ means the registered office of the limited liability  
3           company.
- 4           40. "Registered office" means the place in this state designated in the articles of  
5           ~~organization~~ as the registered office of the limited liability company.
- 6           41. "Related organization" ~~of a specified limited liability company means a parent or~~  
7           ~~subsidiary of the specified limited liability company or another subsidiary of a~~  
8           ~~parent of the specified limited liability company~~ means an organization that  
9           controls, is controlled by, or is under common control with another organization  
10           with control existing if an organization:
- 11           **a.** Owens, directly or indirectly, at least fifty percent of the shares, membership  
12           interests, or other ownership interests of another organization;
- 13           **b.** Has the right, directly or indirectly, to elect, appoint, or remove fifty percent or  
14           more of the voting members of the governing body of another organization; or
- 15           **c.** Has the power, directly or indirectly, to direct or cause the direction of the  
16           management and policies of another organization, whether through the  
17           ownership of voting interests, by contract, or otherwise.
- 18           42. "Required records" are those records required to be maintained under section  
19           10-32-51.
- 20           43. "Security" has the meaning given it in subsection 13 of section 10-04-02.
- 21           44. "Series" means a category of membership interests, within a class of membership  
22           interests, that has some of the same rights and preferences as other membership  
23           interests within the same class, but that differ in one or more rights and  
24           preferences from another category of membership interests within that class.
- 25           45. "Signed" means that the signature of a person has been placed on a document, as  
26           provided in subsection 39 of section 41-01-11, and, with respect to a document  
27           required:
- 28           **a.** Required by this chapter to be filed with the secretary of state, means that the  
29           document has been signed by a person authorized to do so by this chapter,  
30           the articles of organization or operating agreement or a resolution approved  
31           by the affirmative vote of the required proportion or number of governors or

- 1                   the required proportion of the voting power of membership interests present  
2                   and entitled to vote. ~~A signature on a document not; and~~
- 3                   b. Not required by this chapter to be filed with the secretary of state, the  
4                   signature may be a facsimile affixed, engraved, printed, placed, stamped with  
5                   indelible ink, or in any other manner reproduced on the document.
- 6           46. "Subsidiary" of a specified limited liability company means:
- 7                   a. A limited liability company having more than fifty percent of the voting power  
8                   of its membership interests entitled to vote for governors owned directly or  
9                   indirectly by the specified limited liability company; or
- 10                  b. A corporation having more than fifty percent of the voting power of its shares  
11                  entitled to vote for directors owned directly or indirectly by the specified limited  
12                  liability company.
- 13           47. "Successor organization" means an organization that, pursuant to a business  
14                  continuation agreement or an order of the court under subsection 6 of section  
15                  10-32-119, continues the business of the dissolved and terminated limited liability  
16                  company.
- 17           48. "Surviving organization" means the foreign or domestic limited liability company or  
18                  domestic or foreign corporation resulting from a merger.
- 19           49. "Termination" means the end of a limited liability company's existence as a legal  
20                  entity and occurs when a notice of termination is:
- 21                   a. Filed with the secretary of state under section 10-32-117 together with the  
22                   fees provided in section 10-32-150; or
- 23                   b. Is considered filed with the secretary of state under subdivision c of  
24                   subsection 2 of section 10-32-106 together with the fees provided in section  
25                   10-32-150.
- 26           50. "Vote" includes authorization by written action.
- 27           51. "Winding up" means the period triggered by dissolution during which the limited  
28                  liability company ceases to carry on its business, except to the extent necessary  
29                  for concluding its affairs, and disposes of its assets under section 10-32-131.
- 30           52. "Written action" means a written document signed by all of the persons required to  
31                  take the action described. The term also means the counterparts of a written

1 document signed by any of the persons taking the action described. Each  
2 counterpart constitutes the action of the persons signing it, and all the  
3 counterparts, taken together, constitute one written action by all of the persons  
4 signing them.

5 **SECTION 100. AMENDMENT.** Section 10-32-06 of the North Dakota Century Code is  
6 amended and reenacted as follows:

7 **10-32-06. Two-member requirement.** A Unless otherwise provided in the articles of  
8 organization, a limited liability company must have two or more members at the time of its  
9 formation. A Unless a one-member limited liability company is authorized in the articles of  
10 organization, a limited liability company must be dissolved under subdivision e of subsection 1  
11 of section 10-32-109 whenever the limited liability company ceases to have at least two  
12 members unless the remaining member admits a new member within ninety days of the  
13 termination of the continued membership of the former member.

14 **SECTION 101. AMENDMENT.** Section 10-32-07 of the North Dakota Century Code is  
15 amended and reenacted as follows:

16 **10-32-07. Articles of organization.**

- 17 1. The articles of organization must contain:
- 18 a. The name of the limited liability company;
  - 19 b. The address of the principal executive office;
  - 20 c. The address of the registered office of the limited liability company and the  
21 name of its registered agent at that address;
  - 22 d. The name and address of each organizer;
  - 23 e. The effective date of organization:
    - 24 (1) If a later date than that on which the certificate  
25 of organization is issued by the secretary of state; and
    - 26 (2) Which may not be later than ninety days after the date on which the  
27 certificate of organization is issued;
  - 28 f. A statement stating in years that the limited period of existence for the limited  
29 liability company must be a period of thirty years or less from the date the  
30 articles of organization are filed with the secretary of state, unless the articles  
31 of organization expressly authorize a shorter or longer period of duration;



- 1           j.    The restatement of value of previous contributions is to be determined  
2           according to a specified process { as provided in subsections 3 and 4 of  
3           section 10-32-57};
- 4           k.    A member has certain preemptive rights, unless otherwise provided by the  
5           board of governors { as provided in section 10-32-37};
- 6           l.    The affirmative vote of the owners of a majority of the voting power of the  
7           membership interests present and entitled to vote at a duly held meeting is  
8           required for an action of the members, except where this chapter requires the  
9           affirmative vote of a majority of the voting power of all membership interests  
10          entitled to vote { as provided in subsection 1 of section 10-32-43};
- 11          m.   The voting power of each membership interest is in proportion to the value  
12          reflected in the required records of the contributions of the members { as  
13          provided in section 10-32-45};
- 14          n.   Members share in distributions in proportion to the value reflected in the  
15          required records of the contributions of members { as provided in section  
16          10-32-60};
- 17          o.   Members share profits and losses in proportion to the value reflected in the  
18          required records of the contributions of members { as provided in section  
19          10-32-36};
- 20          p.   A written action by the members taken without a meeting must be signed by  
21          all members { as provided in section 10-32-43};
- 22          q.   Members have no right to receive distributions in kind and the limited liability  
23          company has only limited rights to make distributions in kind { as provided in  
24          section 10-32-62};
- 25          r.   A member is not subject to expulsion {as provided in subsection 2 of section  
26          10-32-30};
- 27          s.   Unanimous consent is required for the transfer of governance rights to a  
28          person not already a member { as provided in subsection 2 of section  
29          10-32-32}; ~~and~~
- 30          t.   Unanimous consent is required to avoid dissolution { as provided in  
31          subdivision e of subsection 1 of section 10-32-109}; ~~and~~



- 1           u. A limited liability company dissolves upon an occurrence of an event that  
2           terminates the continued membership of any member as provided in  
3           subsection 1 of section 10-32-109.
- 4           3. The following provisions govern a limited liability company unless modified either in  
5           the articles of organization, a member central agreement under section 10-32-50,  
6           or in the operating agreement:
- 7           a. Governors serve for an indefinite term that expires at the next regular meeting  
8           of members { as provided in section 10-32-72};
- 9           b. The compensation of governors is fixed by the board of governors { as  
10           provided in section 10-32-74};
- 11           c. A certain method must be used for removal of governors { as provided in  
12           section 10-32-78};
- 13           d. A certain method must be used for filling board of governor vacancies { as  
14           provided in section 10-32-79};
- 15           e. If the board of governors fails to select a place for a board meeting, it must be  
16           held at the principal executive office { as provided in subsection 1 of section  
17           10-32-80};
- 18           f. ~~A governor may call a board of governors meeting, and the~~ The notice of the  
19           a board of governors meeting need not state the purpose of the meeting { as  
20           provided in subsection 3 of section 10-32-80};
- 21           g. A majority of the board of governors is a quorum for a board meeting { as  
22           provided in section 10-32-82};
- 23           h. A committee consists of one or more individuals, who need not be governors,  
24           appointed by affirmative vote of a majority of the governors present { as  
25           provided in subsection 2 of section 10-32-85};
- 26           i. The board may establish a special litigation committee { as provided in  
27           section 10-32-85};
- 28           j. The president and treasurer have specified duties, until the board of  
29           governors determines otherwise { as provided in section 10-32-89};

- 1 k. Managers may delegate some or all of their duties and powers, if not  
2 prohibited by the board of governors from doing so { as provided in section  
3 10-32-95};
- 4 l. Regular meetings of members need not be held, unless demanded by a  
5 member under certain conditions { as provided in section 10-32-38};
- 6 m. In all instances where a specific minimum notice period has not otherwise  
7 been fixed by law, not less than ten days' notice is required for a meeting of  
8 members { as provided in subsection 2 of section 10-32-40};
- 9 n. For a quorum at a members' meeting there is required a majority of the voting  
10 power of the membership interests entitled to vote at the meeting { as  
11 provided in section 10-32-44};
- 12 o. The board of governors may fix a date up to fifty days before the date of a  
13 members' meeting as the date for the determination of the members entitled  
14 to notice of and entitled to vote at the meeting { as provided in subsection 1 of  
15 section 10-32-45};
- 16 p. Indemnification of certain persons is required { as provided in section  
17 10-32-99};
- 18 q. The board of governors may authorize, and the limited liability company may  
19 make, distributions not prohibited, limited, or restricted by an agreement { as  
20 provided in subsection 1 of section 10-32-64}; and
- 21 r. Members have no right to interim distributions except as provided through the  
22 operating agreement or an act of the board of governors { as provided in  
23 section 10-32-61}.
- 24 4. The following provisions relating to the management of the business or the  
25 regulation of the affairs of a limited liability company may be included either in the  
26 articles of organization, a member central agreement under section 10-32-50, or,  
27 except for naming persons to serve as the first board of governors, fixing a greater  
28 than majority governor or member vote, establishing the rights and priorities for  
29 distributions and the rights to share in profits and losses, or giving or prescribing  
30 the manner of giving voting rights to persons other than members otherwise than

- 1           pursuant to the articles of organization, or eliminating or limiting a governor's  
2           personal liability, in the operating agreement:
- 3           a.    The persons to serve as the first board of governors may be named in the  
4           articles of organization { as provided in subsection 1 of section 10-32-69};
- 5           b.    A manner for increasing or decreasing the number of governors may be  
6           provided { as provided in section 10-32-70};
- 7           c.    Additional qualifications for governors may be imposed { as provided in  
8           section 10-32-71};
- 9           d.    Governors may be classified { as provided in section 10-32-75};
- 10          e.    The ~~day or~~ date, time, and place of board of governors meetings may be fixed  
11          { as provided in subsection 1 of section 10-32-80};
- 12          f.    Absent governors may be permitted to give written consent or opposition to a  
13          proposal { as provided in section 10-32-81};
- 14          g.    A larger than majority vote may be required for board of governor action { as  
15          provided in section 10-32-83};
- 16          h.    Authority to sign and deliver certain documents may be delegated to a  
17          manager or agent of the limited liability company other than the president { as  
18          provided in section 10-32-89};
- 19          i.    Additional managers may be designated { as provided in section ~~10-32-90~~  
20          10-32-88};
- 21          j.    Additional powers, rights, duties, and responsibilities may be given to  
22          managers { as provided in section ~~10-32-91~~ 10-32-89};
- 23          k.    A method for filling vacant offices may be specified { as provided in  
24          subsection 3 of section 10-32-94};
- 25          l.    The ~~day or~~ date, time, and place of regular member meetings may be fixed  
26          {as provided in subsection 3 of section 10-32-38};
- 27          m.    Certain persons may be authorized to call special meetings of members {as  
28          provided in subsection 1 of section 10-32-39};
- 29          n.    Notices of member meetings may be required to contain certain information  
30          {as provided in subsection 3 of section 10-32-40};

- 1           o. A larger than majority vote may be required for member action ~~{as provided in~~  
2           section 10-32-42};
- 3           p. Voting rights may be granted in or pursuant to the articles of organization to  
4           persons who are not members ~~{ as provided in~~ subsection 3 of section  
5           10-32-45};
- 6           q. Limited liability company actions giving rise to dissenter rights may be  
7           designated ~~{as provided in~~ subdivision d of subsection 1 of section 10-32-55};  
8           and
- 9           r. A governor's personal liability to the limited liability company or its members  
10          for monetary damages for breach of fiduciary duty as a governor may be  
11          eliminated or limited in the articles ~~{as provided in~~ subsection 4 of section  
12          10-32-86}.
- 13          5. The articles of organization may contain other provisions not inconsistent with law  
14          relating to the management of the business or the regulation of the affairs of the  
15          limited liability company.
- 16          6. It is not necessary to set forth in the articles of organization any of the limited  
17          liability company powers granted by this chapter.

18          **SECTION 102. AMENDMENT.** Section 10-32-10 of the North Dakota Century Code is  
19          amended and reenacted as follows:

20          **10-32-10. Limited liability company name.**

- 21          1. The limited liability company name:
- 22               a. Must be in the English language or in any other language expressed in  
23               English letters or characters;
- 24               b. Must contain the words "limited liability company", or must contain the  
25               abbreviation "L.L.C." or the abbreviation "LLC", either of which abbreviation  
26               may be used interchangeably for all purposes authorized by this chapter  
27               including real estate matters, contracts, and filings with the secretary of state;
- 28               c. May not contain a word or phrase that indicates or implies that it may not be  
29               organized under this chapter;
- 30               d. May not contain the word "corporation" or "incorporated" and may not contain  
31               the abbreviation of either or both of these words;

- 1           ~~e. e.~~   May not contain a word or phrase that indicates or implies that it is organized  
2                                   for a purpose other than a legal business purpose for which a limited liability  
3                                   company may be organized under this chapter; and.
- 4           ~~e.~~   ~~May not be the same as, or deceptively similar to, the name of a domestic or~~  
5                                   ~~foreign limited liability company, corporation, or limited partnership, whether~~  
6                                   ~~profit or nonprofit, authorized to do business in this state, or a name the right~~  
7                                   ~~to which is, at the time of organization, reserved in the manner provided in~~  
8                                   ~~section 10-32-11, or is a fictitious name registered with the office of the~~  
9                                   ~~secretary of state in the manner provided in chapter 45-11 or is a trade name~~  
10                                  ~~registered with the office of the secretary of state in the manner provided in~~  
11                                  ~~chapter 47-25 unless there is filed with the articles of organization one of the~~  
12                                  ~~following:~~
- 13                                  ~~(1)   The written consent of the domestic or foreign limited liability company,~~  
14                                  ~~corporation, or limited partnership authorized to do business in this~~  
15                                  ~~state having a deceptively similar name or the holder of a reserved~~  
16                                  ~~name or registered trade name to use the deceptively similar name; or~~
- 17                                  ~~(2)   A certified copy of a final judgment of a court in this state establishing~~  
18                                  ~~the prior right of the applicant to the use of the name in this state.~~
- 19           f.   May not be the same as, or deceptively similar to:
- 20                                  (1)   The name whether foreign and authorized to do business in this state,  
21                                  or domestic, unless there is filed with the articles a document which  
22                                  complies with subsection 2 of this section, of:
- 23                                  (a)   Another limited liability company;  
24                                  (b)   A corporation;  
25                                  (c)   A limited partnership; or  
26                                  (d)   A limited liability partnership; or
- 27                                  (2)   A name, the right of which is, at the time of organization, reserved in the  
28                                  manner provided in section 10-19.1-14, 10-32-11, 10-33-11,  
29                                  45-10.1-03, or 45-22-05;
- 30                                  (3)   A fictitious name registered in the manner provided in chapter 45-11; or  
31                                  (4)   A trade name registered in the manner provided in chapter 47-25.

1           2. The secretary of state shall determine whether a limited liability company name is  
2           deceptively similar to another name for purposes of this chapter.

3           3. If the secretary of state determines that a limited liability company name is  
4           deceptively similar to another name for purposes of this chapter, then the limited  
5           liability company name may not be used unless there is filed with the articles:

6           a. The written consent of the holder of the rights to the name to which the  
7           proposed name has been determined to be deceptively similar; or

8           b. A certified copy of a judgment of a court in this state establishing the prior  
9           right of the applicant to the use of the name in this state.

10           This subsection does not affect the right of a domestic limited liability company  
11           existing on the effective date of this chapter, or a foreign limited liability company  
12           authorized to do business in this state on that date to continue the use of its name.

13           4. This section and section 10-32-11 do not:

14           a. Abrogate or limit:

15                 (1) The law of unfair competition or unfair practices;

16                 (2) Chapter 47-25;

17                 (3) The laws of the United States with respect to the right to acquire and  
18                 protect copyrights, trade names, trademarks, service names, service  
19                 marks; or

20                 (4) Any other rights to the exclusive use of names or symbols.

21           b. Derogate the common law or the principles of equity.

22           4. 5. A limited liability company that is merged with another limited liability company or  
23           domestic or foreign corporation, or that is organized by the reorganization of one or  
24           more limited liability companies or domestic or foreign corporations, or that  
25           acquires by sale, lease, or other disposition to or exchange with a limited liability  
26           company all or substantially all of the assets of another limited liability company or  
27           domestic or foreign corporation including its name, may have the same name as  
28           that used in this state by any of the other limited liability companies or domestic or  
29           foreign corporations, if the other limited liability company or domestic or foreign  
30           corporation ~~was~~:

31           a. Was organized or incorporated under the laws of, ~~or is~~ this state;

- 1            b. Is authorized to transact business or conduct activities in; this state;  
2            c. Holds a reserved name in the manner provided in section 10-19.1-14,  
3            10-32-11, 10-33-11, 45-10.1-03, or 45-22-05;  
4            d. Holds a fictitious name registered in the manner provided in chapter 45-11; or  
5            e. Holds a trade name registered in the manner provided in chapter 47-25.  
6        ~~5-~~ 6. The use of a name by a limited liability company in violation of this section does not  
7            affect or vitiate its limited liability company existence, ~~but~~. However, a court in this  
8            state may, upon application of the state or of an interested or affected person,  
9            enjoin the limited liability company from doing business under a name assumed in  
10           violation of this section, although its articles of organization may have been filed  
11           with the secretary of state and a certificate of organization issued.  
12        7. A limited liability company whose period of existence has expired or that is  
13           involuntarily dissolved by the secretary of state pursuant to section 10-32-149 may  
14           reacquire the right to use that name by refiling articles of organization pursuant to  
15           section 10-32-20, amending pursuant to section 10-32-130.1, or reinstating  
16           pursuant to section 10-32-149, unless the name has been adopted for use or  
17           reserved by another person, in which case the filing will be rejected unless the  
18           filing is accompanied by a written consent or judgment pursuant to subsection 2. A  
19           limited liability company that cannot reacquire the use of its limited liability  
20           company name shall adopt a new limited liability company name which complies  
21           with the provisions of this section.

22            **SECTION 103. AMENDMENT.** Section 10-32-11 of the North Dakota Century Code is  
23 amended and reenacted as follows:

24            **10-32-11. Reserved name.**

- 25            1. The exclusive right to the use of a limited liability company name otherwise  
26            permitted by section 10-32-10 may be reserved by any person.  
27            2. The reservation is made by filing with the secretary of state a request that the  
28            name be reserved together with the fees provided in section 10-32-150.  
29            a. If the name is available for use by the applicant, the secretary of state shall  
30            reserve the name for the exclusive use of the applicant for a period of twelve  
31            months.

- 1            b. The reservation may be renewed for successive twelve-month periods.
- 2            3. The right to the exclusive use of a limited liability company name reserved
- 3            pursuant to this section may be transferred to another person by or on behalf of the
- 4            applicant for whom the name was reserved by filing with the secretary of state a
- 5            notice of the transfer and specifying the name and address of the transferee
- 6            together with the fees provided in section 10-32-150.
- 7            4. The right to the exclusive use of a limited liability company name reserved
- 8            pursuant to this section may be canceled by or on behalf of the applicant for whom
- 9            the name was reserved by filing with the secretary of state a notice of the
- 10           cancellation together with the fees provided in section 10-32-150.
- 11           5. The secretary of state may accept for filing a legible facsimile copy of the signed
- 12           original of any request for reserved name.
- 13           6. The secretary of state may destroy all reserved name requests and index thereof
- 14           one year after expiration.

15           **SECTION 104. AMENDMENT.** Section 10-32-12 of the North Dakota Century Code is

16 amended and reenacted as follows:

17           **10-32-12. Registered office and agent.**

- 18           1. A limited liability company shall continuously maintain a registered office in this
- 19           state. A registered office need not be the same as the principal place of business,
- 20           or the principal executive office of the limited liability company.
- 21           2. A limited liability company shall ~~designate in its articles of organization~~ appoint and
- 22           continuously maintain a registered agent. The registered agent may be an
- 23           individual residing in this state, a domestic corporation or a domestic limited liability
- 24           company, or a foreign corporation or foreign limited liability company authorized to
- 25           transact business in this state. The registered agent must maintain a business
- 26           office that is identical with the registered office. Proof of the registered agent's
- 27           consent to serve in such capacity must be filed with the secretary of state, together
- 28           with the fees provided in section 10-32-150.

29           **SECTION 105. AMENDMENT.** Section 10-32-13 of the North Dakota Century Code is

30 amended and reenacted as follows:

31           **10-32-13. Change of registered office or agent.**



- 1           1. A limited liability company may change its registered office, change its registered  
2           agent, or state a change in the name of its registered agent, by filing with the  
3           secretary of state, along with the fees provided in section 10-32-150, a statement  
4           containing:
- 5           a. The name of the limited liability company;
- 6           b. If the address of its registered office is to be changed, the new address of its  
7           registered office;
- 8           c. If its registered agent is to be designated or changed, the name of its new  
9           registered agent;
- 10          d. If the name of its registered agent is to be changed, the name of its registered  
11          agent as changed;
- 12          e. A statement that the address of its registered office and the address of the  
13          business office of its registered agent, as changed, will be identical; and
- 14          f. A statement that the change of registered office or registered agent was  
15          authorized by resolution approved by the board of governors.
- 16          2. A registered agent of a limited liability company may resign by filing with the  
17          secretary of state a signed written notice of resignation, including a statement that  
18          a signed copy of the notice has been given to the limited liability company at its  
19          principal executive office, or to a legal representative of the limited liability  
20          company. The appointment of the agent terminates thirty days after the notice is  
21          filed with the secretary of state.
- 22          3. If the business address or name of a registered agent changes, the agent shall  
23          change the address of the registered office or the name of the registered agent, as  
24          the case may be, of each limited liability company represented by that agent by  
25          filing with the secretary of state a statement for each limited liability company as  
26          required in subsection 1, except that it need be signed only by the registered  
27          agent, need not be responsive to subdivision ~~e~~ f of subsection 1, and must state  
28          that a copy of the statement has been mailed to each of those limited liability  
29          companies or to the legal representative of each of those limited liability  
30          companies.

1           **SECTION 106. AMENDMENT.** Section 10-32-15 of the North Dakota Century Code is  
2 amended and reenacted as follows:

3           **10-32-15. Procedure for amendment before contribution.** Before any contribution is  
4 reflected in the required records of a limited liability company, the articles of organization may  
5 be amended pursuant to section 10-32-67 by the organizers or by the board of governors. The  
6 articles of organization may also be amended by the board of governors to change or cancel a  
7 statement pursuant to subsection 6 of section 10-32-56 establishing or fixing the rights and  
8 preferences of a class or series of membership interests before any contribution pertaining to  
9 that class or series is reflected in the required records of the limited liability company by filing  
10 articles of amendment or a statement of cancellation, as appropriate, with the secretary of state.

11           **SECTION 107. AMENDMENT.** Section 10-32-16 of the North Dakota Century Code is  
12 amended and reenacted as follows:

13           **10-32-16. Procedure for amendment after contribution.**

- 14           1. ~~After~~ Except as otherwise provided in section 10-32-15, after any contribution has  
15           been reflected in the required records of a limited liability company, the articles of  
16           organization may be amended in the manner set forth in this section.
- 17           2. A resolution approved by the affirmative vote of a majority of the governors  
18           present, or proposed by a member or members owning five percent or more of the  
19           voting power of the members entitled to vote, that sets forth the proposed  
20           amendment must be submitted to a vote at the next regular or special meeting of  
21           the members of which notice has not yet been given but still can be timely given.  
22           Any number of amendments may be submitted to the members and voted upon at  
23           one meeting, but the same or substantially the same amendment proposed by a  
24           member or members need not be submitted to the members or be voted upon at  
25           more than one meeting during a fifteen-month period. The resolution may amend  
26           the articles of organization in their entirety to restate and supersede the original  
27           articles of organization and all amendments to them.
- 28           3. Written notice of the members' meeting setting forth the substance of the proposed  
29           amendment must be given to each member entitled to vote in the manner provided  
30           in section 10-32-40 for the giving of notice of meetings of members.
- 31           4. The proposed amendment is adopted:

- 1           a.    When approved by the affirmative vote of the ~~owners of a majority of the~~  
2                   ~~voting power of the members present and entitled to vote~~ members required  
3                   by section 10-32-42; or
- 4           b.    If the articles of organization provide for a specified proportion equal to or  
5                   larger than the majority necessary to transact a specified type of business at a  
6                   meeting, or if it is proposed to amend the articles to provide for a specified  
7                   proportion equal to or larger than the majority necessary to transact a  
8                   specified type of business at a meeting, the affirmative vote necessary to add  
9                   the provision to, or to amend an existing provision in, the articles of  
10                  organization is the larger of:
- 11                  (1)   The specified proportion or number or, in the absence of a specific  
12                      provision, the affirmative vote necessary to transact the type of  
13                      business described in the proposed amendment at a meeting  
14                      immediately before the effectiveness of the proposed amendment; or
- 15                  (2)   The specified proportion or number that would, upon effectiveness of  
16                      the proposed amendment, be necessary to transact the specified type  
17                      of business at a meeting.

18           **SECTION 108. AMENDMENT.** Section 10-32-17 of the North Dakota Century Code is  
19 amended and reenacted as follows:

20           **10-32-17. Class or series voting on amendments.** The owners of the outstanding  
21 membership interests of a class or series are entitled to vote as a class or series upon a  
22 proposed amendment, whether or not entitled to vote on the amendment by the provisions of  
23 the articles of organization, if the amendment would:

- 24           1.    Effect an exchange, reclassification, or cancellation of all or part of the membership  
25                  interests of the class or series;
- 26           2.    Effect an exchange, or create a right of exchange, of all or any part of the  
27                  membership interests of another class or series for the membership interests of the  
28                  class or series;
- 29           3.    Change the rights or preferences of the membership interests of the class or  
30                  series;

- 1           4.    Change the membership interests of the class or series into the same or a different
- 2                    number of membership interests of ~~the same or~~ another class or series;
- 3           5.    Create a new class or series of membership interests having rights and
- 4                    preferences prior and superior to the membership interests of that class or series,
- 5                    or increase the rights and preferences or the number of membership interests, of a
- 6                    class or series having rights and preferences prior or superior to the membership
- 7                    interests of that class or series;
- 8           6.    Divide the membership interests of the class into series and determine the
- 9                    designation of each series and the variations in the relative rights and preferences
- 10                   between the membership interests of each series or authorize the board of
- 11                   governors to do so;
- 12           7.    Limit or deny any existing preemptive rights of the membership interests of the
- 13                   class or series; or
- 14           8.    Cancel or otherwise affect distributions on the membership interests of the class or
- 15                   series.

16           **SECTION 109. AMENDMENT.** Section 10-32-19 of the North Dakota Century Code is  
17 amended and reenacted as follows:

18           **10-32-19. Effect of amendment.**

- 19           1.    An amendment does not affect an existing cause of action in favor of or against the
- 20                   limited liability company, nor a pending suit to which the limited liability company is
- 21                   a party, nor the existing rights of persons other than members.
- 22           2.    If the limited liability company name is changed by the amendment, a suit brought
- 23                   by or against the limited liability company under its former name does not abate for
- 24                   that reason.
- 25           3.    When effective under section 10-32-21, an amendment restating the articles in
- 26                   their entirety supersedes the original articles and all amendments to the original
- 27                   articles.

28           **SECTION 110. AMENDMENT.** Section 10-32-22 of the North Dakota Century Code is  
29 amended and reenacted as follows:

30           **10-32-22. Amendment of articles of organization in court-supervised**  
31 **reorganization.**

- 1           1. Whenever a plan of reorganization of a limited liability company has been  
2 confirmed by decree or order of a court of competent jurisdiction in proceedings for  
3 the reorganization of the limited liability company, pursuant to the provisions of any  
4 applicable statute of the United States relating to reorganization ~~or~~ of limited  
5 liability companies, the articles may be amended, in the manner provided in this  
6 section, in as many respects as may be necessary to carry out the plan and to put  
7 it into effect, so long as the articles as amended contain only provisions which  
8 might be lawfully contained in original articles of organization at the time of making  
9 the amendment. In particular, and without limitation upon any general power of  
10 amendment, the articles may be amended ~~for such purpose so as~~ to:
- 11       a. Change the limited liability company name, period of duration, or  
12       organizational purposes of the limited liability company.
  - 13       b. Repeal, alter, or amend the operating agreement of the limited liability  
14       company.
  - 15       c. Change the preferences, limitations, relative rights in respect of all or any part  
16       of the membership interests of the limited liability company, and classify,  
17       reclassify, or cancel all or any part thereof.
  - 18       d. Authorize the issuance of bonds, debentures, or other obligations of the  
19       limited liability company, whether convertible into membership interests of any  
20       class or bearing warrants or other evidence of optional rights to purchase or  
21       subscribe for membership interests of any class, and fix the terms and  
22       conditions thereof.
  - 23       e. Constitute or reconstitute and classify or reclassify the board of governors and  
24       appoint governors and managers in place of or in addition to all or any of the  
25       governors or managers then in office.
- 26       2. Amendments to the articles pursuant to subsection 1 must be made in the following  
27       manner:
- 28       a. Articles of amendment approved by decree or order of the court must be  
29       executed and verified in duplicate by the person or persons designated or  
30       appointed by the court for that purpose and must set forth the name of the  
31       limited liability company, the amendments of the articles approved by the

1 court, the date of the decree or order approving the articles of amendment,  
2 the title of the proceedings in which the decree or order was entered by a  
3 court having jurisdiction of the proceedings for the reorganization of the  
4 limited liability company pursuant to the provisions of an applicable statute of  
5 the United States.

6 b. An original of the articles of amendment must be filed with the secretary of  
7 state. If the secretary of state finds that the articles of amendment conform to  
8 law, and that all fees have been paid as provided in section 10-32-150, then  
9 the articles of amendment must be recorded in the office of the secretary of  
10 state.

11 3. The articles of amendment become effective upon their acceptance by the  
12 secretary of state or at any other time within thirty days after their acceptance if the  
13 articles of amendment so provide.

14 4. The articles are deemed to be amended accordingly, without any action by the  
15 governors or members of the limited liability company and with the same effect as  
16 if the amendment had been adopted by the unanimous action of the governors and  
17 members.

18 **SECTION 111. AMENDMENT.** Section 10-32-23 of the North Dakota Century Code is  
19 amended and reenacted as follows:

20 **10-32-23. Powers ~~Powers~~ General powers.**

21 1. A limited liability company has the powers set forth in this section, subject to any  
22 limitations provided in any other statute of this state or in its articles of organization.

23 2. A limited liability company has a limited duration of thirty years from the date the  
24 articles of organization are filed with the secretary of state, unless the articles of  
25 organization state a shorter or longer duration.

26 3. A limited liability company may sue and be sued, and complain, defend, and  
27 participate as a party or otherwise in any legal, administrative, or arbitration  
28 proceeding in its limited liability company name.

29 4. A limited liability company may purchase, lease, or otherwise acquire, own, hold,  
30 improve, use, and otherwise deal in and with real or personal property, or any  
31 interest in property, wherever situated.

- 1           5. A limited liability company may sell, convey, mortgage, create a security interest in,  
2           encumber, assign, lease, exchange, transfer, or otherwise dispose of all or any  
3           part of its real or personal property, or any interest in this property, wherever  
4           situated.
- 5           6. A limited liability company may purchase, subscribe for, or otherwise acquire, own,  
6           hold, vote, use, employ, sell, exchange, mortgage, lend, create a security interest  
7           in, or otherwise dispose of ~~and otherwise,~~ use and deal in and with, securities or  
8           other interests in, or obligations of, a person or direct or indirect obligations of any  
9           domestic or foreign government or instrumentality ~~thereof~~.
- 10          7. A limited liability company may make contracts and incur liabilities, borrow money,  
11          and secure any of its obligations by mortgage of or creation of a security interest in  
12          or other encumbrance or assignment of all or any of its property, franchises, and  
13          income.
- 14          8. A limited liability company may invest and reinvest its funds.
- 15          9. A limited liability company may take and hold real and personal property, whether  
16          or not of a kind sold or otherwise dealt in by the limited liability company, as  
17          security for the payment of money loaned, advanced, or invested.
- 18          10. A limited liability company may conduct its business, carry on its operations, have  
19          offices, and exercise the powers granted by this chapter anywhere in the universe.
- 20          11. Except as otherwise prohibited by law, a limited liability company may make  
21          donations, irrespective of limited liability company benefit, for:
- 22              a. The public welfare;
- 23              b. Social, community, charitable, religious, educational, scientific, civic, literary,  
24              and testing for public safety purposes and for similar or related purposes;
- 25              c. ~~For the~~ The purpose of fostering national or international amateur sports  
26              competition; and
- 27              d. The prevention of cruelty to children and animals.
- 28          12. A limited liability company may pay pensions, retirement allowances, and  
29          compensation for past services ~~to and for the benefit of,~~ and establish, ~~maintain,~~  
30          ~~continue, and carry out, wholly or partially at the expense of the limited liability~~  
31          ~~company,~~ employee or incentive benefit plans, trusts, and provisions ~~to or for the~~

- 1 benefit of ~~any or all~~ of its and its related organizations' officers, managers,  
2 directors, governors, employees, and agents and, in the case of a related  
3 organization that is a limited liability company, members who provide services to  
4 the limited liability company, and the families, dependents, and beneficiaries of any  
5 of them. It may indemnify and purchase and maintain insurance for ~~and on behalf~~  
6 ~~of~~ a fiduciary of any of these employee benefit and incentive plans, trusts, and  
7 provisions.
- 8 13. A limited liability company may participate in any capacity in the promotion,  
9 organization, ownership, management, and operation of any organization or in any  
10 transaction, undertaking, or arrangement that the participating limited liability  
11 company would have power to conduct by itself, whether or not the participation  
12 involves sharing or delegation of control ~~with or to others~~.
- 13 14. A limited liability company may provide for its benefit life insurance and other  
14 insurance with respect to the services of ~~any or all~~ of its members, managers,  
15 governors, employees, and agents, or on the life of a member for the purpose of  
16 acquiring at the death of the member any or all membership interests in the limited  
17 liability company owned by the member.
- 18 15. A limited liability company may have, alter at its pleasure, and use a limited liability  
19 company seal as provided in section 10-32-24.
- 20 16. A limited liability company may adopt, amend, and repeal an operating agreement  
21 relating to the management of the business or the regulation of the affairs of the  
22 limited liability company as provided in section 10-32-68.
- 23 17. A limited liability company may establish committees of the board of governors,  
24 elect or appoint persons to the committees, and define their duties as provided in  
25 section 10-32-85 and fix their compensation.
- 26 18. A limited liability company may elect or appoint managers, employees, and agents  
27 of the limited liability company and define their duties and fix their compensation.
- 28 19. A limited liability company may accept contributions under section 10-32-56 and  
29 may enter into contribution agreements under section 10-32-58 and contribution  
30 allowance agreements under section 10-32-59.



- 1           20. A limited liability company may lend money to, guarantee an obligation of, become  
2                   a surety for, or otherwise financially assist persons as provided in section  
3                   10-32-97.
- 4           21. A limited liability company may make advances as provided in section 10-32-98.
- 5           22. A limited liability company shall indemnify those persons against certain expenses  
6                   and liabilities only as provided in section 10-32-99.
- 7           23. A limited liability company may conduct all or part of its business under one or  
8                   more trade names.
- 9           24. A limited liability company may acquire an ownership interest in another  
10                   organization.
- 11          25. A limited liability company may have and exercise all other powers necessary or  
12                   convenient to effect any or all of the business purposes for which the limited liability  
13                   company is organized.

14           **SECTION 112. AMENDMENT.** Section 10-32-28 of the North Dakota Century Code is  
15 amended and reenacted as follows:

16           **10-32-28. Nature of a membership interest and statement of interest owned.**

- 17           1. A membership interest is personal property. A member has no interest in specific  
18                   limited liability company property. All property of the limited liability company is  
19                   property of the limited liability company itself.
- 20           2. At the request of any member, the limited liability company shall state in writing the  
21                   particular membership interest owned by that member as of the moment the limited  
22                   liability company makes the statement.
- 23           a. The statement must describe the member's right to vote, to share in profits  
24                   and losses, and to share in distributions, restrictions on assignments of  
25                   financial rights under subsection 3 of section 10-32-31 or governance rights  
26                   under subsection 6 of section 10-32-32, then in effect, as well as any  
27                   assignment of the member's rights then in effect other than a security interest.
- 28           b. The statement is not a certificated security, is not a negotiable instrument, and  
29                   may not serve as a vehicle by which a transfer of any membership interest  
30                   may be effected.

1           3. Notwithstanding any other provision of law, for the purpose of any law relating to  
2           security interests, a membership interest, governance rights, and financial rights  
3           are each a general intangible, as defined in section 41-09-06, and not a certificated  
4           security as defined in subdivision a of subsection 1 of section 41-08-02, an  
5           uncertificated security as defined in subdivision b of subsection 1 of section  
6           41-08-02, chattel paper as defined in subdivision b of subsection 1 of section  
7           41-09-05, an instrument as defined in subdivision i of subsection 1 of section  
8           41-09-05, or an account as defined in section 41-09-06.

9           **SECTION 113. AMENDMENT.** Section 10-32-31 of the North Dakota Century Code is  
10          amended and reenacted as follows:

11           **10-32-31. Assignment of financial rights.**

12           1. Except as provided in subsection 3, a member's financial rights are transferable in  
13           whole or in part.

14           2. An assignment of a member's financial rights entitles the assignee to receive, to  
15           the extent assigned, only the share of profits and losses and the distributions to  
16           which the assignor would otherwise be entitled.

17           a. An assignment of a member's financial rights does not dissolve the limited  
18           liability company and does not entitle or empower the assignee to become a  
19           member, to exercise any governance rights, to receive any notices from the  
20           limited liability company, or to cause dissolution.

21           b. The assignment may not allow the assignee to control the member's exercise  
22           of governance rights.

23           3. A restriction on the assignment of financial rights may be imposed in the articles, in  
24           the operating agreement, by a resolution adopted by the members, or by an  
25           agreement among or other written action by members or among them and the  
26           limited liability company. A restriction is not binding with respect to financial rights  
27           reflected in the required records before the adoption of the restriction, unless the  
28           owners of those financial rights are parties to the agreement or voted in favor of the  
29           restriction.

30           4. Subject to subsection 5, a written restriction on the assignment of financial rights  
31           that is not manifestly unreasonable under the circumstances and is noted

1 conspicuously in the required records may be enforced against the owner of the  
2 restricted financial rights or a successor or transferee of the owner, including a  
3 pledgee or a legal representative. Unless noted conspicuously in the required  
4 records, a restriction, even though permitted by this section, is ineffective against a  
5 person without knowledge of the restriction.

6 5. With regard to restrictions on the assignment of financial rights, a would-be  
7 assignee of financial rights is entitled to rely on a statement of membership interest  
8 issued by the limited liability company under section 10-32-28. A restriction on the  
9 assignment of financial rights, which is otherwise valid and in effect at the time of  
10 the issuance of a statement of membership interest but which is not reflected in  
11 that statement, is ineffective against an assignee who takes an assignment in  
12 reliance on the statement.

13 6. Notwithstanding any provision of law, articles of organization, member-control  
14 agreement, operating agreement, other agreement, resolution, or action to the  
15 contrary, a security interest in a member's financial rights may be foreclosed and  
16 otherwise enforced, and a secured party may assign a member's financial rights in  
17 accordance with title 41 without the consent or approval of a member whose  
18 financial rights are subject to the security interest.

19 **SECTION 114. AMENDMENT.** Section 10-32-32 of the North Dakota Century Code is  
20 amended and reenacted as follows:

21 **10-32-32. Assignment of a complete membership interest and of governance**  
22 **rights coupled with an assignment of financial rights.**

23 1. A member's governance rights are assignable, in whole or in part, only as provided  
24 in this section.

25 2. Subject to subsection 6, a member may, without the consent of any other member,  
26 assign governance rights, in whole or in part, to another person already a member  
27 at the time of the assignment. ~~Any~~

28 a. Except as otherwise provided in the articles of organization, any other  
29 assignment of any governance rights is effective only if all the members, other  
30 than the member seeking to make the assignment, approve the assignment

1 by unanimous written consent, ~~unless the articles of organization provide for~~  
2 ~~written consent by fewer than all members.~~

3 b. Subject to subsection 6, a member may grant a security interest in a complete  
4 membership interest or governance rights without obtaining the consent  
5 required by this subsection.

6 (1) However, a secured party may not take or assign ownership of  
7 governance rights without first obtaining the consent required by this  
8 subsection.

9 (2) If a secured party has a security interest in both a member's financial  
10 rights and governance rights, including a security interest in a complete  
11 membership interest, this subsection's requirement that the secured  
12 party obtain consent applies only to taking or assigning ownership of  
13 the governance rights and does not apply to taking or assigning  
14 ownership of the financial rights.

15 3. When an assignment of governance rights is effective under subsection 2:

16 a. If the assignment is not a security interest, the assignee becomes a member,  
17 if not already a member; and

18 b. If the assignor does not retain any governance rights, the assignor ceases to  
19 be a member, and the written consent required under subsection 2, also  
20 constitutes the dissolution avoidance consent necessary to avoid dissolution  
21 that would otherwise ensue under subdivision e of subsection 1 of section  
22 10-32-109 on account of the assignor ceasing to be a member if the consent  
23 required to avoid dissolution is not greater than the consent required under  
24 subsection 2.

25 4. When an assignment other than a security interest is effective under subsection 2,  
26 unless the written consent under subsection 2 otherwise provides:

27 a. The assignee is liable in proportion to the interest assigned for the obligations  
28 of the assignor under section 10-32-56, including liability for unperformed  
29 promises that have been reflected as contributions in the required records,  
30 and section 10-32-65 existing at the time of transfer, except to the extent that,

- 1 at the time the assignee became a member, the liability was unknown to the  
2 assignee, and could not be ascertained from the required records; and
- 3 b. The assignor is not released from liability to the limited liability company for  
4 obligations of the assignor existing at the time of transfer under sections  
5 10-32-56 and 10-32-65.
- 6 5. If any purported or attempted assignment of governance rights is ineffective for  
7 failure to obtain the consent required in subsection 2:
- 8 a. The purported or attempted assignment is ineffective in its entirety; and  
9 b. Any assignment of financial rights that accompanied the purported or  
10 attempted assignment of governance rights is void.
- 11 6. Restrictions on the transfer of governance rights may be imposed following the  
12 same procedures and under the same conditions as stated in subsections 3 and 4  
13 of section 10-32-31 for restricting the transfer of financial rights.
- 14 7. Notwithstanding any provision of law, articles of organization, member-control  
15 agreement, operating agreement, other agreement, resolution, or action to the  
16 contrary, a security interest in a member's full membership interest or governance  
17 rights may be foreclosed and otherwise enforced, and a secured party may assign  
18 a member's complete membership interest or governance rights in accordance  
19 with title 41, all without the consent or approval of the member whose full  
20 membership interest or governance rights are the subject of the security interest.

21 **SECTION 115. AMENDMENT.** Section 10-32-34 of the North Dakota Century Code is  
22 amended and reenacted as follows:

23 **10-32-34. Rights of judgment creditor.** On application to a court of competent  
24 jurisdiction by any judgment creditor of a member, the court may charge a member's or an  
25 assignee's financial rights with payment of the unsatisfied amount of the judgment with interest.

- 26 1. To the extent so charged, the judgment creditor has only the rights of an assignee  
27 of a member's financial rights under section 10-32-31.
- 28 2. This chapter does not deprive any member or assignee of financial rights of the  
29 benefit of any exemption laws applicable to the membership interest.
- 30 3. This section is the sole and exclusive remedy of a judgment creditor with respect to  
31 the judgment debtor's membership interest.

1           **SECTION 116. AMENDMENT.** Section 10-32-37 of the North Dakota Century Code is  
2 amended and reenacted as follows:

3           **10-32-37. Preemptive rights.**

- 4           1. To the extent allowed by section 9 of article XII of the Constitution of North Dakota,  
5 a member of a limited liability company has the preemptive rights provided in this  
6 section, unless denied or limited in the articles of organization or by the board of  
7 governors pursuant to subdivision b of subsection 5 of section 10-32-56.
- 8           2. A preemptive right is the right of a member to make contributions of a certain  
9 amount or to make a contribution allowance agreement specifying future  
10 contributions of a certain amount before the limited liability company may accept  
11 new contributions from other persons or to make contribution allowance  
12 agreements with other persons.
- 13           3. A member has a preemptive right whenever the limited liability company proposes  
14 to accept contributions from other persons, or to make contribution allowance  
15 agreements with other persons, pertaining to membership interests of the same  
16 series or class as the series or class owned by the member.
- 17           4. ~~No~~ Unless otherwise provided in the articles of organization, no preemptive rights  
18 pursuant to this section arise as to contributions to be accepted from others or as  
19 to contribution allowance agreements to be made with others when the contribution  
20 is:
- 21           a. To be made in a form other than money;
- 22           b. To be made or reflected pursuant to a plan of merger;
- 23           c. To be made or reflected pursuant to an employee or incentive benefit plan  
24 approved at a meeting by the affirmative vote of the owners of a majority of  
25 the voting power of all membership interests entitled to vote;
- 26           d. To be made pursuant to a previously made contribution allowance agreement;  
27 or
- 28           e. To be made or reflected pursuant to a plan of reorganization approved by a  
29 court of competent jurisdiction pursuant to a statute of this state or of the  
30 United States.

- 1           5. The extent to which each member may make a new contribution, or obtain the right  
2           to make a new contribution under a contribution allowance agreement, by exercise  
3           of a preemptive right as to any class or series is the ratio that the value of that  
4           member's contributions, as reflected in the required records as pertaining to that  
5           class or series before the contribution, bears to the total value of all members'  
6           contributions reflected in the required records as pertaining to that class or series  
7           before the new contribution.
- 8           6. A member may waive a preemptive right in writing. The waiver is binding upon the  
9           member whether or not consideration has been given for the waiver. Unless  
10          otherwise provided in the waiver, a waiver of preemptive rights is effective only for  
11          the proposed contribution or contribution allowance agreement described in the  
12          waiver.
- 13          7. When proposing to accept new contributions, or to make contribution allowance  
14          agreements, with respect to which members have preemptive rights under this  
15          section, the board of governors shall cause notice to be given to each member  
16          entitled to preemptive rights. The notice must be given at least ten days before the  
17          date by which the member must exercise a preemptive right and must contain:
- 18          a. The extent of the member's preemptive right, being:
- 19               (1) In the case of a preemptive right to make a contribution, the amount of  
20               the contribution to be made; and
- 21               (2) In the case of a preemptive right to make a contribution allowance  
22               agreement, the amount of the contribution to be allowed under that  
23               contribution allowance agreement;
- 24          b. The method used to determine the extent of the member's preemptive right;
- 25          c. The terms and conditions upon which the member may make a contribution or  
26          make a contribution allowance agreement; and
- 27          d. The time within which and the method by which the member must exercise  
28          the right.
- 29          8. If a member does not exercise preemptive rights to make a contribution or to make  
30          a contribution allowance agreement, then for a period not exceeding one year after  
31          the date fixed by the board of governors for the exercise of those preemptive rights

1 and to the extent of the preemptive rights not exercised, the board of governors  
2 may accept contributions or make contribution allowance agreements on terms no  
3 less favorable to the limited liability company than those offered to the member.

4 9. ~~No~~ If the members of a limited liability company are entitled to cumulative voting in  
5 the election of governors, no amendment to the articles of organization that has the  
6 effect of denying, limiting, or modifying the preemptive rights provided in this  
7 section may be adopted if the votes of a proportion of the voting power sufficient to  
8 elect a governor at an election of the entire board of governors under cumulative  
9 voting are cast against the amendment.

10 **SECTION 117. AMENDMENT.** Section 10-32-38 of the North Dakota Century Code is  
11 amended and reenacted as follows:

12 **10-32-38. Regular meetings of members.**

13 1. Regular meetings of members may be held on an annual or other less frequent  
14 periodic basis, but need not be held unless required by the articles of organization  
15 or operating agreement or by subsection 2.

16 2. If a regular meeting of members has not been held during the ~~immediately~~  
17 ~~preceding~~ earlier of six months or the fiscal yearend of the corporation at fifteen  
18 ~~months,~~ a after its last meeting:

19 a. A member or members owning five percent or more of the voting power of all  
20 members entitled to vote may demand a regular meeting of members by  
21 written notice of demand given to the president or the secretary of the limited  
22 liability company.

23 b. Within thirty days after receipt of the demand by one of those managers, the  
24 board of governors shall cause a regular meeting of members to be called  
25 and held on notice no later than ninety days after receipt of the demand.

26 c. If the board of governors fails to cause a regular meeting to be called and held  
27 as required by this subsection, the member or members making the demand  
28 may call the regular meeting by giving notice as required by section 10-32-40.

29 d. All necessary expenses of the notice and the meeting must be paid by the  
30 limited liability company.



- 1           3. A regular meeting, if any, must be held on the ~~day or~~ date and at the time and  
2           place fixed by, or in a manner authorized by, the articles or operating agreement,  
3           except that a meeting called by or at the demand of a member pursuant to  
4           subsection 2 must be held in the county where the principal executive office of the  
5           limited liability company is located.
- 6           4. At each regular meeting of members ~~there~~:
- 7           a. There must be an election of qualified successors for governors who serve for  
8           an indefinite term or whose terms have expired or are due to expire within six  
9           months after the date of the meeting.
- 10          b. No other particular business is required to be transacted at a regular meeting.
- 11          c. Any business appropriate for action by the members may be transacted at a  
12          regular meeting.

13           **SECTION 118. AMENDMENT.** Section 10-32-39 of the North Dakota Century Code is  
14 amended and reenacted as follows:

15           **10-32-39. Special meetings of members.**

- 16          1. Special meetings of the members may be called for any purpose or purposes at  
17          any time, by:
- 18           a. The president;
- 19           b. Two or more governors;
- 20           c. A person authorized in the articles or operating agreement to call special  
21          meetings; or
- 22           d. A member or members owning ten percent or more of the voting power of all  
23          membership interests entitled to vote.
- 24          2. A member or members owning ten percent or more of the voting power of all  
25          membership interests entitled to vote, may demand a special meeting of members  
26          by written notice of demand given to the president or secretary of the limited  
27          liability company and containing the purposes of the meeting.
- 28           a. Within thirty days after receipt of the demand by one of those managers, the  
29          board of governors shall cause a special meeting of members to be called  
30          and held on notice no later than ninety days after receipt of the demand, all at  
31          the expense of the limited liability company.



- 1           2.   The court may fix the time and place of the meeting, specify a record date for  
2                    determining members entitled to notice of and to vote at the meeting, prescribe the  
3                    form and content of the meeting notice, fix the quorum required for specific matters  
4                    to be considered at the meeting, or direct that the votes represented at the meeting  
5                    constitute a quorum for action on those matters, and enter other orders necessary  
6                    to accomplish the purposes of the meeting.
- 7           3.   If the court orders a meeting, it may also order the limited liability company to pay  
8                    the costs of the member, including reasonable attorneys' fees incurred to obtain  
9                    the order.

10           **SECTION 120. AMENDMENT.** Section 10-32-40 of the North Dakota Century Code is  
11 amended and reenacted as follows:

12           **10-32-40. Notice.**

- 13           1.   Except as otherwise provided in this chapter, notice of all meetings of members  
14                    must be given to every owner of membership interests entitled to vote, ~~except~~  
15                    ~~where the meeting is an adjourned meeting and the date, time, and place of the~~  
16                    ~~meeting were announced at the time of adjournment.~~ unless:
- 17                    a.   The meeting is an adjourned meeting to be held not more than one hundred  
18                    twenty days after the date fixed for the original meeting and the date, time,  
19                    and place of the meeting were announced at the time of the original meeting  
20                    or any adjournment of the original meeting; or
- 21                    b.   The following have been mailed by first-class mail to a member at the address  
22                    in the limited liability company records and returned nondeliverable:
- 23                            (1)   Two consecutive annual meeting notices and notices of any special  
24                                meetings held during the period between the two annual meetings; or
- 25                            (2)   All payments of distribution sent during a twelve-month period, provided  
26                                there were at least two sent during the twelve-month period.
- 27                    c.   An action or meeting that is taken or held without notice under subdivision b  
28                    has the same force and effect as if notice was given. If the member delivers a  
29                    written notice of the member's current address to the limited liability company,  
30                    the notice requirement is reinstated.

- 1           2. If notice of an adjourned meeting is required under subdivision a of subsection 1,  
2           then the date for determination of membership interests entitled to notice of and  
3           entitled to vote at the adjourned meeting must comply with subsection 1 of section  
4           1-019.1-73.2, except, if the date of the meeting is set by court order, the court may  
5           provide that the original date of determination will continue in effect or may fix a  
6           new date.
- 7           3. The notice:
- 8           a. In all instances where a specific minimum notice period has not otherwise  
9           been fixed by law, ~~the notice~~ must be given at least ten days before the date  
10           of the meeting, or a shorter time provided in the articles of organization or  
11           operating agreement, and not more than fifty days before the date of the  
12           meeting;
- 13          ~~3.~~ b. The notice must contain the date, time, and place of the meeting, ~~and any~~  
14           ~~other information required by this chapter. In the case of a special meeting,~~  
15           ~~the notice must contain a statement of the purposes of the meeting. The~~  
16           ~~notice may also contain any other information required by the articles of~~  
17           ~~organization or operating agreement or considered necessary or desirable by~~  
18           ~~the board of governors or by any other person or persons calling the meeting.;~~
- 19          c. Must contain the information with respect to dissenter's rights required by  
20           subsection 2 of section 10-32-55, if applicable;
- 21          d. Must inform members if proxies are permitted at the meeting and, if so, state  
22           the procedure for appointing proxies;
- 23          e. Must contain a statement of the purpose of the meeting, in the case of a  
24           special meeting;
- 25          f. Must contain any other information:
- 26           (1) Required by the articles of organization, operating agreement, or this  
27           chapter;
- 28           (2) Considered necessary or desirable by the board of governors; and
- 29          g. May contain any other information considered necessary or desirable by the  
30           person or persons calling the meeting.
- 31          4. A member may waive notice of a meeting of members.

- 1           a. A waiver of notice by a member entitled to notice is effective ~~whether~~;  
2           (1) ~~Whether~~ given before, at, or after the meeting; and ~~whether~~  
3           (2) ~~Whether~~ given in writing, or by attendance.
- 4           b. Attendance by a member at a meeting is a waiver of notice of that meeting,  
5           except where the member ~~objects~~;  
6           (1) ~~Objects~~ at the beginning of the meeting to the transaction of business  
7           because the meeting is not lawfully called or convened; or ~~objects~~  
8           (2) ~~Objects~~ before a vote on an item of business because the item may not  
9           lawfully be considered at that meeting and does not participate in the  
10          consideration of the item at that meeting.

11           **SECTION 121.** Section 10-32-40.1 of the North Dakota Century Code is created and  
12 enacted as follows:

13           **10-32-40.1. Voting rights.**

- 14          1. The board of governors may fix a date not more than fifty days, or a shorter time  
15 period provided in the articles of organization or operating agreement, before the  
16 date of a meeting of members as the date for the determination of the owners of  
17 membership interests entitled to notice of and entitled to vote at the meeting.  
18 When a date is so fixed, only members on that date are entitled to notice of and  
19 permitted to vote at that meeting of members.
- 20          2. A determination of the owners of membership interests entitled to notice and to  
21 vote at a meeting of members is effective for an adjournment of the meeting unless  
22 the board of governors fixes a new date for determining the right to notice and to  
23 vote, which it must do if the meeting is adjourned to a date more than fifty days  
24 after the record date for determining members entitled to notice of the original  
25 meeting.
- 26          3. If a court orders a meeting adjourned to a date more than one hundred twenty days  
27 after the date fixed for the original meeting:
- 28           a. It must provide the original record date for notice and voting continues in  
29 effect; or
- 30           b. It may fix a new record date for notice and voting.

- 1           4. A resolution approved by the affirmative vote of a majority of the governors present  
2           may establish a procedure whereby a member may certify in writing to the limited  
3           liability company that all or a portion of the membership interest registered in the  
4           name of the member are held for the account of one or more beneficial owners.  
5           Upon receipt by the limited liability company of the writing, the persons specified as  
6           beneficial owners, rather than the actual member, are deemed the members for the  
7           purposes specified in the writing.
- 8           5. Unless otherwise provided in the articles or by the board of governors under  
9           subsections 5 and 6 of section 10-32-56, members have voting power in proportion  
10           to the value of the contributions of the members as reflected in the required  
11           records.
- 12           6. The articles of organization may give or prescribe the manner of giving a creditor,  
13           securityholder, or other person a right to vote under this section, but no prescription  
14           under this subsection may have the effect of transferring from an assignor of  
15           financial rights to the assignee the assignor's voting rights.
- 16           7. Membership interests owned by two or more members may be voted by any one of  
17           them unless the limited liability company receives written notice from any one of  
18           them denying the authority of that person to vote those membership interests.
- 19           8. Except as provided in subsection 7, an owner of a membership interest entitled to  
20           vote may vote any portion of the membership interest in any way the member  
21           chooses. If a member votes without designating the proportion voted in a  
22           particular way, the member is considered to have voted all of the membership  
23           interest in that way.

24           **SECTION 122.** Section 10-32-40.2 of the North Dakota Century Code is created and  
25 enacted as follows:

26           **10-32-40.2. Voting list.**

- 27           1. After fixing a record date for notice of and voting at a meeting, a limited liability  
28           company shall prepare an alphabetical list of the names of its members who are  
29           entitled to notice and to vote. The list must show the address and the voting power  
30           of each member.

- 1           2. The list of members must be available for inspection by a member with voting  
2           rights for the purpose of communication with other members concerning the  
3           meeting, beginning two business days after the meeting notice is given and  
4           continuing through the meeting, at the principal executive office of the limited  
5           liability company or at a reasonable place identified in the meeting notice in the city  
6           where the meeting will be held.
- 7           a. The list also must be available at the meeting.  
8           b. A member, a member's agent, or the attorney of the member or member's  
9           agent is entitled on written demand to inspect and to copy the list, at a  
10           reasonable time and at the member's expense, during the period it is  
11           available for inspection and at any time during the meeting or an adjournment.
- 12          3. If the limited liability company refuses to allow a member with voting rights, the  
13          member's agent, or the attorney of the member or member's agent to inspect the  
14          list of members before or at the meeting, the district court of the county where the  
15          principal executive office of the limited liability company is located, on application of  
16          the member, may:
- 17           a. Order the inspection or copying at the limited liability company's expense;  
18           b. Postpone the meeting until the inspection or copying is complete; or  
19           c. Order the limited liability company to pay the member's costs, including  
20           reasonable attorneys' fees, incurred to obtain the order.
- 21          4. Unless a written demand to inspect and copy a membership list has been made  
22          under subsection 2 before the membership meeting and a limited liability company  
23          improperly refuses to comply with the demand, refusal or failure to comply with this  
24          section does not affect the validity of action taken at the meeting.
- 25          5. A member, agent, or attorney who gains access to a membership list under this  
26          section may not use or give to another for use the membership list for any purpose  
27          other than a proper purpose. Upon application of the limited liability company, the  
28          district court may issue a protective order or order other relief necessary to enforce  
29          this subsection.

30           **SECTION 123. AMENDMENT.** Section 10-32-42 of the North Dakota Century Code is  
31 amended and reenacted as follows:

1           **10-32-42. Act of members.** Unless this chapter or the articles of organization require  
2 a greater vote or voting by class or series:

3           1. The members shall take action by the affirmative vote of the owners of the greater  
4 of a majority of the voting power of the membership interests present and entitled  
5 to vote on that item of business ~~except where this chapter or the articles of~~  
6 ~~organization require a larger proportion~~ or a majority of the voting power of the  
7 membership interests with voting rights that would constitute the minimum voting  
8 power needed for a quorum for the transaction of business at a meeting. If the  
9 articles require a larger proportion than is required by this chapter for a particular  
10 action, the articles control.

11           2. In any case where a class or series of membership interests is entitled by this  
12 chapter, the articles of organization, the operating agreement, or the terms of the  
13 membership interests to vote as a class or series, the matter being voted upon  
14 must also receive the affirmative vote of the owners of the same proportion of the  
15 membership interests as is required pursuant to subsection 1.

16           3. Unless otherwise provided in the article or operating agreement, members may  
17 take action at a meeting by voice or ballot, action without a meeting pursuant to  
18 section 10-32-43, written ballot pursuant to section 10-32-43.1, or by electronic  
19 communication pursuant to section 10-32-43.2.

20           **SECTION 124. AMENDMENT.** Section 10-32-43 of the North Dakota Century Code is  
21 amended and reenacted as follows:

22           **10-32-43. Action without a meeting.**

23           1. An action required or permitted to be taken at a meeting of the members may be  
24 taken without a meeting by written action signed by all of the members entitled to  
25 vote on that action. If the articles so provide, any action may be taken by written  
26 action signed by the members who own voting power equal to the voting power  
27 that would be required to take the same action at a meeting of the members at  
28 which all members were present.

29           2. The written action is effective when signed by the required members, unless a  
30 different effective time is provided in the written action.



1           3.    When written action is permitted to be taken by less than all members, all members  
2                    must be notified immediately of its text and effective date. Failure to provide the  
3                    notice does not invalidate the written action. A member who does not sign or  
4                    consent to the written action has no liability for the action or actions taken by the  
5                    written action.

6           4.    When this chapter requires or permits a certificate concerning an action to be filed  
7                    with the secretary of state, the managers signing the certificate must indicate that  
8                    the action was taken under this section.

9           **SECTION 125.** Section 10-32-43.1 of the North Dakota Century Code is created and  
10   enacted as follows:

11           **10-32-43.1. Action by written ballot.**

12           1.    Except as provided in subsection 5, and unless prohibited or limited by the articles  
13                    or operating agreement, an action that may be taken at a regular or special  
14                    meeting of members may be taken without a meeting if the limited liability company  
15                    mails or delivers a written ballot to every member entitled to vote on the matter.

16           2.    A written ballot must set forth each proposed action and provide an opportunity to  
17                    vote for or against each proposed action.

18           3.    Approval by written ballot under this section is valid only if:

19                   a.   The number of votes cast by ballot equals or exceeds the quorum required to  
20                    be present at a meeting authorizing the action; and

21                   b.   The number of approvals equals or exceeds the number of votes that would  
22                    be required to approve the matter at a meeting at which the total number of  
23                    votes cast was the same as the number of votes cast by ballot.

24           4.    Solicitations for votes by written ballot must:

25                   a.   Indicate the number of responses needed to meet the quorum requirements;

26                   b.   State the percentage of approvals necessary to approve each matter other  
27                    than election of governors; and

28                   c.   Specify the time by which a ballot must be received by the limited liability  
29                    company in order to be counted.

30           5.    Except as otherwise provided in the articles or operating agreement, a written  
31                    ballot may not be revoked.

1           **SECTION 126.** Section 10-32-43.2 of the North Dakota Century Code is created and  
2 enacted as follows:

3           **10-32.43.2. Electronic communications.**

- 4           1. A conference among members by any means of communication through which the  
5 participants may simultaneously hear each other during the conference constitutes  
6 a regular or special meeting of members if the same notice is given of the  
7 conference as would be required for a meeting and the membership interests held  
8 by the members participating in the conference would be sufficient to constitute a  
9 quorum at a meeting. Participation in a conference by this means constitutes  
10 presence at the meeting in person or by proxy if all the other requirements of  
11 section 10-32-48 are met.
- 12           2. A member may participate in a regular or special meeting of members not  
13 described in subsection 1 by any means of communication through which the  
14 member, other participants, and all participants physically present at the meeting  
15 may simultaneously hear each other during the meeting. Participation in a meeting  
16 by that means constitutes presence at the meeting in person or by proxy if all the  
17 other requirements of section 10-32-48 are met.
- 18           3. Waiver of notice of a meeting by means of communication described in  
19 subsections 1 and 2 may be given in the manner provided in subsection 4 of  
20 section 10-32-40. Participation in a meeting by means of communication  
21 described in subsections 1 and 2 is a waiver of notice of that meeting, except  
22 where the member objects at the beginning of the meeting to the transaction of  
23 business because the meeting is not lawfully called or convened or objects before  
24 a vote on an item of business because the item may not lawfully be considered at  
25 the meeting and does not participate in the consideration of the item at that  
26 meeting.

27           **SECTION 127. AMENDMENT.** Section 10-32-44 of the North Dakota Century Code is  
28 amended and reenacted as follows:

29           **10-32-44. Quorum.** ~~The~~

- 30           1. A quorum for a meeting of members is the owners of a majority of the voting power  
31 of the membership interests entitled to vote at a the meeting ~~are a quorum for the~~

1 ~~transaction of business, unless a larger or smaller proportion is provided in the~~  
2 ~~articles or operating agreement. In no event may a quorum consist of less than~~  
3 ~~one third of the membership interests entitled to vote at the meeting. If a quorum~~  
4 ~~is present when a duly called or held meeting is convened, the members present~~  
5 ~~may continue to transact business until adjournment, even though the withdrawal~~  
6 ~~of members originally present leaves less than the proportion otherwise required~~  
7 ~~for a quorum.~~

8 2. Except as provided in subdivision b, a quorum is necessary for the transaction of  
9 business at a meeting of members.

10 a. If a quorum is not present, a meeting may be adjourned from time to time for  
11 that reason.

12 b. If a quorum has been present at a meeting and members have withdrawn  
13 from the meeting so that less than a quorum remains, the members still  
14 present may continue to transact business until adjournment.

15 **SECTION 128. AMENDMENT.** Section 10-32-47 of the North Dakota Century Code is  
16 amended and reenacted as follows:

17 **10-32-47. Voting by organizations and legal representatives.**

18 1. Membership interests of a limited liability company reflected in the required records  
19 as being owned by another domestic or foreign organization may be voted by the  
20 president or another legal representative of that organization.

21 2. Except as provided in subsection 3, membership interests of a limited liability  
22 company reflected in the required records as being owned by a subsidiary are not  
23 entitled to ~~vote~~ be voted on any matter.

24 3. Membership interests of a limited liability company in the name of, or under the  
25 control of, the limited liability company or a subsidiary in a fiduciary capacity are  
26 not entitled to vote on any matter, except to the extent that the settlor or beneficiary  
27 possesses and exercises a right to ~~vote~~ be voted or gives the limited liability  
28 company or, with respect to membership interests in the name of or under the  
29 control of a subsidiary, binding instructions on how to vote the membership  
30 interests.

- 1           4.    Subject to section 10-32-35, membership interests under the control of a person in  
2                    a capacity as a personal representative, administrator, executor, guardian,  
3                    conservator, or the like may be voted by the person, either in person or by proxy,  
4                    without reflecting in the required records those membership interests in the name  
5                    of the person.
- 6           5.    Subject to section 10-32-35, membership interests reflected in the required records  
7                    in the name of a trustee in bankruptcy or a receiver may be voted by the trustee or  
8                    receiver either in person or by proxy. Membership interests under the control of a  
9                    trustee in bankruptcy or a receiver may be voted by the trustee or receiver without  
10                   reflecting in the required records the name of the trustee or receiver, if authority to  
11                   do so is contained in an appropriate order of the court by which the trustee or  
12                   receiver was appointed.
- 13          6.    Membership interests reflected in the required records in the name of an  
14                   organization not described in subsections 1 through 5 may be voted either in  
15                   person or by proxy by the legal representative of that organization.
- 16          7.    The grant of a security interest in a membership interest does not entitle the  
17                   holders of the security interest to vote except as provided in section 10-32-32.

18           **SECTION 129. AMENDMENT.** Section 10-32-48 of the North Dakota Century Code is  
19 amended and reenacted as follows:

20           **10-32-48. Proxies.**

- 21          1.    A member may cast or authorize the casting of a vote by filing a written  
22                   appointment of a proxy with a manager of the limited liability company at or before  
23                   the meeting at which the appointment is to be effective.
  - 24                  a.    A written appointment of a proxy may be signed by the member or authorized  
25                        by the member by transmission of a telegram, cablegram, or other means of  
26                        electronic transmission. ~~The telegram, cablegram, or other means of~~  
27                        ~~electronic transmission must set forth or be submitted with information from~~  
28                        which it can be determined, provided the limited liability company has no  
29                        reason to believe that the telegram, cablegram, or other electronic  
30                        transmission was not authorized by the member.

- 1            b. Any reproduction of the writing or transmission may be substituted or used in  
2            lieu of the original writing or transmission for any purpose for which the  
3            original transmission could be used, if the copy, facsimile telecommunication,  
4            or other reproduction is a complete and legible reproduction of the entire  
5            original writing or transmission.
- 6            c. An appointment of a proxy for membership interests owned jointly by two or  
7            more members is valid if signed or otherwise authorized by any one of them,  
8            unless the limited liability company receives from any one of those members  
9            written notice either denying the authority of that person to appoint a proxy or  
10           appointing a different proxy.
- 11          2. The appointment of a proxy is valid for eleven months, unless a longer period is  
12           expressly provided in the appointment. No appointment is irrevocable and any  
13           agreement purporting to grant an irrevocable proxy is void. A member who  
14           revokes a proxy is not liable in any way for damages, restitution, or other claim.
- 15          3. An appointment may be ~~terminated~~ revoked at will. ~~Termination may be made by~~  
16           ~~filing written notice of the termination of the appointment with a manager of the~~  
17           ~~limited liability company, or by filing a new written appointment of a proxy with a~~  
18           ~~manager of the limited liability company. Termination~~ Appointment of a proxy is  
19           revoked by the person appointing the proxy by attending a meeting and voting in  
20           person or signing and delivering to the manager or agent authorized to tabulate  
21           proxy votes either a writing stating that the appointment of the proxy is revoked or  
22           a later appointment. Revocation in either manner revokes all prior proxy  
23           appointments and is effective when filed with a manager of the limited liability  
24           company.
- 25          4. The death or incapacity of a person appointing a proxy does not revoke or affect  
26           the right of the limited liability company to accept the authority of the proxy, unless  
27           written notice of the death or incapacity is received by a manager ~~of the limited~~  
28           ~~liability company~~ authorized to tabulate votes before the proxy exercises the  
29           authority under that appointment.
- 30          5. Unless the appointment specifically provides otherwise, if two or more persons are  
31           appointed as proxies for a member:

- 1           a. Any one of them may vote the membership interests on each item of business  
2           in accordance with specific instructions contained in the appointment; and  
3           b. If no specific instructions are contained in the appointment with respect to  
4           voting the membership interests on a particular item of business, the  
5           membership interests must be voted as a majority of the proxies determine. If  
6           the proxies are equally divided, the membership interests must not be voted.
- 7           6. ~~Unless the appointment of a proxy contains a~~ Subject to section 10-32-48.1 and an  
8           express restriction, limitation, or specific reservation of authority of the proxy  
9           appearing in the appointment, the limited liability company may accept a vote or  
10          action ~~taken by a person named in the appointment~~ by the proxy as the action of  
11          the member. The vote of a proxy is final, binding, and not subject to challenge, but  
12          the proxy is liable to the member for damages resulting from a failure to exercise  
13          the proxy or from an exercise of the proxy in violation of the authority granted in the  
14          appointment.
- 15          7. If a proxy is given authority by a member to vote on less than all items of business  
16          considered at a meeting of members, the member is considered to be present and  
17          entitled to vote by the proxy for purposes of subsection 1 of section 10-32-42 only  
18          with respect to those items of business for which the proxy has authority to vote. A  
19          proxy who is given authority by a member who abstains with respect to an item of  
20          business is considered to have authority to vote on the item of business for  
21          purposes of this subsection.
- 22          8. A member may not grant any proxy to any person who is an assignee of any  
23          member's financial rights and who is not also a member.

24          **SECTION 130.** Section 10-32-48.1 of the North Dakota Century Code is created and  
25          enacted as follows:

26          **10-32-48.1. Acceptance of member act by the limited liability company.**

- 27          1. If the name signed on a vote, consent, waiver, or proxy appointment corresponds  
28          to the record name of a member, the limited liability company, if acting in good  
29          faith, may accept the vote, consent, waiver, or proxy appointment and give it effect  
30          as the act of the member.

- 1           2. Unless the articles or operating agreement provide otherwise, if the name signed  
2           on a vote, consent, waiver, or proxy appointment does not correspond to the  
3           record name of a member, the limited liability company, if acting in good faith, may  
4           accept the vote, consent waiver, or proxy appointment and give it effect as the act  
5           of the member if:
- 6           a. The member is an organization and the name signed purports to be that of an  
7           officer, manager, or agent of the organization;
- 8           b. The name signed purports to be that of an administrator, guardian, or  
9           conservator representing the member and, if the limited liability company  
10           requests, evidence of fiduciary status acceptable to the limited liability  
11           company has been presented with respect to the vote, consent, waiver, or  
12           proxy appointment;
- 13           c. The name signed purports to be that of a receiver or trustee in bankruptcy of  
14           the member, and, if the limited liability company requests, evidence of this  
15           status acceptable to the limited liability company has been presented with  
16           respect to the vote, consent, waiver, or proxy appointment;
- 17           d. The name signed purports to be that of a pledgee, beneficial owner, or  
18           attorney-in-fact of the member and if the limited liability company requests,  
19           evidence acceptable to the limited liability company of the signatory's  
20           authority to sign for the member has been presented with respect to the vote,  
21           consent, waiver, or proxy appointment; or
- 22           e. Two or more persons hold the membership interests as cotenants or  
23           fiduciaries and the name signed purports to be the name of at least one of the  
24           coholders and the person signing appears to be acting on behalf of all the  
25           coholders.
- 26           3. The limited liability company may reject a vote, consent, waiver, or proxy  
27           appointment if the manager or agent authorized to tabulate votes, acting in good  
28           faith, has reasonable basis for doubt about the validity of the signature on it or  
29           about the signatory's authority to sign for the member.
- 30           4. The limited liability company or its manager or agent who accepts or rejects a vote,  
31           consent, waiver, or proxy appointment in good faith and in accordance with the

1           standards of this section is not liable in damages to the member for the  
2           consequences of the acceptance or rejection.

3           5. Limited liability company action based on the acceptance or rejection of a vote,  
4           consent, waiver, or proxy appointment under this section is valid unless a court of  
5           competent jurisdiction determines otherwise.

6           **SECTION 131. AMENDMENT.** Section 10-32-51 of the North Dakota Century Code is  
7 amended and reenacted as follows:

8           **10-32-51. Required records and information.**

- 9           1. A limited liability company shall keep at its principal executive office, or at another  
10           place or places within the United States determined by the board of governors:
- 11           a. A current list of the full name and last-known business, residence, or mailing  
12           address of each member, each governor, and the president;
  - 13           b. A current list of the full name and last-known business, residence, or mailing  
14           address of each assignee of financial rights other than a secured party and a  
15           description of the rights assigned;
  - 16           c. A copy of the articles of organization and all amendments to the articles;
  - 17           d. Copies of any currently effective written operating agreement;
  - 18           e. Copies of the limited liability company's federal, state, and local income tax  
19           returns and reports, if any, for the three most recent years;
  - 20           f. Financial statements required by section 10-32-52;
  - 21           g. Records of all proceedings of members for the last three years;
  - 22           h. Records of all proceedings of the board of governors for the last three years;
  - 23           i. Reports made to members generally within the last three years;
  - 24           j. Member-control agreements described in section 10-32-50;
  - 25           k. A statement of all contributions accepted under subsection 3 of section  
26           10-32-56 including for each contribution:
    - 27           (1) The identity of the member to whom the contribution relates;
    - 28           (2) The class or series to which the contribution pertains;
    - 29           (3) The amount of cash accepted by the limited liability company or  
30           promised to be paid to the limited liability company;



- 1                   (4) A description of any services rendered to or for the benefit of the limited  
2                   liability company or promised to be rendered to or for the benefit of the  
3                   limited liability company; and
- 4                   (5) The value accorded under subsection 4 of section 10-32-56 to:
- 5                   (a) Any other property transferred or promised to be transferred to  
6                   the limited liability company; and
- 7                   (b) Any services rendered to or for the benefit of the limited liability  
8                   company or promised to be rendered to or for the benefit of the  
9                   limited liability company;
- 10                  l. A statement of all contribution agreements made under section 10-32-58,  
11                  including for each contribution agreement:
- 12                  (1) The identity of the would-be contributor;
- 13                  (2) The class or series to which the future contribution pertains; and
- 14                  (3) As to each future contribution to be made, the same information as  
15                  subdivision k of subsection 1 requires for contributions already  
16                  accepted;
- 17                  m. A statement of all contribution allowance agreements made under section  
18                  10-32-59, including for each contribution allowance agreement:
- 19                  (1) The identity of the would-be contributor;
- 20                  (2) The class or series to which the future contribution would pertain; and
- 21                  (3) As to each future contribution allowed to be made, the same  
22                  information as subdivision k of subsection 1 requires for contributions  
23                  already accepted;
- 24                  n. An explanation of any restatement of value made under section 10-32-57;
- 25                  o. Any written consents obtained from members under this chapter;
- 26                  p. A copy of agreements, contracts, or other arrangements or portions of them  
27                  incorporated by reference under subsections 6 through 8 of section 10-32-56.
- 28                  2. A member of a limited liability company has an absolute right, upon written  
29                  demand, to examine and copy, in person or by a legal representative, at any  
30                  reasonable time, and the limited liability company shall make available within ten

- 1           days after receipt by a manager of the limited liability company of the written  
2           demand, all documents referred to in subsection 1.
- 3           3. A member of a limited liability company who has been a member for at least six  
4           months immediately preceding the member's demand or who is the holder of  
5           record of at least five percent of all membership interests of the limited liability  
6           company has a right, upon written demand, to examine and copy, in person or by a  
7           legal representative, other limited liability company records at any reasonable time  
8           only if the member demonstrates a proper purpose for the examination. A "proper  
9           purpose" is one reasonably related to the person's interest as a member of a  
10          limited liability company.
- 11          4. On application of the limited liability company, a court in this state may issue a  
12          protective order permitting the limited liability company to withhold portions of the  
13          records of proceedings of the board of governors for a reasonable period of time,  
14          not to exceed twelve months, in order to prevent premature disclosure of  
15          confidential information that would be likely to cause competitive injury to the  
16          limited liability company. A protective order may be renewed for successive  
17          reasonable periods of time, each not to exceed twelve months and in total not to  
18          exceed thirty-six months, for good cause shown. In the event a protective order is  
19          issued, the statute of limitations for any action that the member might bring as a  
20          result of information withheld automatically extends for the period of delay. If the  
21          court does not issue a protective order with respect to any portion of the records of  
22          proceedings as requested by the limited liability company, it shall award  
23          reasonable expenses, including attorney's fees and disbursements, to the member.  
24          This subsection does not limit the right of a court to grant other protective orders or  
25          impose other reasonable restrictions on the nature of the limited liability company  
26          records that may be copied or examined under subsections 2 and 3 or the use or  
27          distribution of the records by the demanding member.
- 28          5. A member who has gained access under this section to any limited liability  
29          company record may not use or furnish to another for use the limited liability  
30          company record or a portion of the contents for any purpose other than a proper  
31          purpose. Upon application of the limited liability company, a court may issue a

1 protective order or order other relief as may be necessary to enforce the provisions  
2 of this subsection.

3 6. Copies of the information referred to in subsection 1 must be furnished at the  
4 expense of the limited liability company. In all other cases, the limited liability  
5 company may charge the requesting party a reasonable fee to cover the expenses  
6 of providing the copy.

7 7. The records maintained by a limited liability company may utilize any information  
8 storage technique, including, for example, punched holes, printed or magnetized  
9 spots, or microimages, even though that makes them illegible visually, if the  
10 records can be converted accurately and within a reasonable time, into a form that  
11 is legible visually and whose contents are assembled by related subject matter to  
12 permit convenient use by people in the normal course of business. A limited  
13 liability company shall convert any of the records referred to in subsections 2 and 3  
14 upon the request of a person entitled to inspect them, and the expense of the  
15 conversion must be borne by the person who bears the expense of copying  
16 pursuant to subsection 6. A copy of the conversion is admissible in evidence, and  
17 is acceptable for all other purposes, to the same extent as the existing or original  
18 records would be if they were legible visually.

19 **SECTION 132. AMENDMENT.** Section 10-32-52 of the North Dakota Century Code is  
20 amended and reenacted as follows:

21 **10-32-52. Financial statements.**

22 1. A limited liability company shall, upon written request by a member, ~~furnish~~  
23 prepare annual financial statements within one hundred eighty days after the close  
24 of the limited liability company's fiscal year, including at least a balance sheet as of  
25 the end of each fiscal year and a statement of income for the fiscal year, prepared  
26 on the basis of accounting methods reasonable in the circumstances. The  
27 financial statements may be consolidated statements of the limited liability  
28 company and one or more of its subsidiaries. ~~In the case of~~  
29 a. If the statements are audited by a public accountant, each copy must be  
30 accompanied by a report setting forth the opinion of the accountant on the  
31 statements; ~~in other cases,~~

- 1           **b.** If the statements are not audited by a public accountant each copy must be  
2           accompanied by a statement of the treasurer or other person in charge of the  
3           limited liability company's financial records ~~stating~~;  
4           (1) Stating the reasonable belief of the person that the financial statements  
5           were prepared in accordance with accounting methods reasonable in  
6           the circumstances, ~~describing~~;  
7           (2) Describing the basis of presentation; ~~i~~ and ~~describing~~  
8           (3) Describing any respects in which the financial statements were not  
9           prepared on a basis consistent with those prepared for the previous  
10          year.

- 11          2. Upon written request by a member, a limited liability company shall furnish its most  
12          recent annual financial statements as required under subsection 1 no later than ten  
13          business days after receipt of a member's written request. "Furnish" for purposes  
14          of this subsection means that the limited liability company shall deliver or mail,  
15          postage prepaid, the financial statements to the address specified by the  
16          requesting member.

17          **SECTION 133.** Section 10-32-52.1 of the North Dakota Century Code is created and  
18          enacted as follows:

19          **10-32-52.1. Equitable remedies.** If a limited liability company or a manager or  
20          governor of the limited liability company violates this chapter, a court in this state, in an action  
21          brought by a member of the limited liability company, may grant equitable relief it considers just  
22          and reasonable in the circumstances and award expenses, including attorneys' fees and  
23          disbursements, to the member.

24          **SECTION 134. AMENDMENT.** Section 10-32-53 of the North Dakota Century Code is  
25          amended and reenacted as follows:

26          **10-32-53. Actions by members.** No action may be brought in this state for violations  
27          of this chapter by a member in the right of a domestic or foreign limited liability company unless  
28          the plaintiff is a member at the time of the transaction of which the plaintiff complains, or the  
29          plaintiff's membership interests thereafter devolved upon the plaintiff by operation of law from a  
30          person who was a member at such time.

- 1           1. In any action thereafter instituted in the right of any domestic or foreign limited  
2           liability company by the member, the court having jurisdiction, upon final judgment  
3           and finding that the action was brought without reasonable cause, may require the  
4           plaintiff to pay the parties named as defendant the reasonable expenses, including  
5           fees of attorneys, incurred by them in defense of such action.
- 6           2. In any action now pending or hereafter instituted or maintained in the right of any  
7           domestic or foreign limited liability company by the owner of less than five percent  
8           of the membership interests, unless the membership interest of such owner has a  
9           market value in excess of twenty-five thousand dollars, the limited liability company  
10          in whose ~~rights~~ right such action is brought is entitled at any time before final  
11          judgment to require the plaintiff to give security for the reasonable expenses,  
12          including attorney's fees, that may be incurred by it in connection with such action  
13          or may be incurred by other parties named as defendant for which it may become  
14          legally liable.
- 15          a. Market value must be determined on the date the plaintiff institutes the action  
16          or, in the case of an intervenor, on the date the intervenor becomes a party to  
17          the action.
- 18          b. The amount of the security may from time to time be increased or decreased,  
19          in the discretion of the court, upon showing that the security provided has or  
20          may become inadequate or is excessive.
- 21          c. The limited liability company has recourse to such security in such amount as  
22          the court having jurisdiction determines upon the termination of the action,  
23          whether or not the court finds the action was brought without reasonable  
24          cause.

25           **SECTION 135. AMENDMENT.** Section 10-32-54 of the North Dakota Century Code is  
26 amended and reenacted as follows:

27           **10-32-54. Rights of dissenting members.**

- 28           1. Subject to a member-control agreement under section 10-32-50, a member of a  
29           limited liability company may dissent from, and obtain payment for the fair value of  
30           the member's membership interests in the event of, any of the following limited  
31           liability company actions:

- 1           a. An amendment of the articles of organization that materially and adversely  
2           affects the rights or preferences of the membership interests of the dissenting  
3           member in that it:
- 4           (1) Alters or abolishes a preferential right of the membership interests;  
5           (2) Creates, alters, or abolishes a right in respect of the redemption of the  
6           membership interests, including a provision respecting a sinking fund  
7           for the redemption or repurchase of the membership interests;  
8           (3) Alters or abolishes a preemptive right of the owner of the membership  
9           interests to make a contribution;  
10          (4) Excludes or limits the right of a member to vote on a matter, or to  
11          cumulate votes, except as the right may be excluded or limited through  
12          the acceptance of contributions or the making of contribution  
13          agreements pertaining to membership interests with similar or different  
14          voting rights;  
15          (5) Changes a member's right to resign or retire;  
16          (6) Establishes or changes the conditions for or consequences of  
17          expulsion;  
18          (7) Changes the statement required under subdivision e f of subsection 1  
19          of section 10-32-07; or  
20          (8) Changes the statement required under subdivision f g of subsection 1  
21          of section 10-32-07- i ;
- 22          b. A sale, lease, transfer, or other disposition of all or substantially all of the  
23          property and assets of the limited liability company ~~not made in the usual or~~  
24          ~~regular course of its business~~, but not including a transaction permitted  
25          without member approval under section 10-32-108, a disposition in dissolution  
26          described in subsection 4 of section 10-32-113, ~~or~~ a disposition pursuant to  
27          an order of a court, or a disposition for cash on terms requiring that all or  
28          substantially all of the net proceeds of disposition be distributed to the  
29          members in accordance with their respective membership interests within one  
30          year after the date of disposition;

- 1 c. A plan of merger to which the limited liability company is a party, except as  
2 provided in paragraph 1 of subdivision a of subsection 2 of section 10-32-131  
3 and subject to subsection 3 of section 10-32-131;
- 4 d. A plan of exchange to which the limited liability company is a party as the  
5 organization whose ownership interests will be acquired by the acquiring  
6 organization, if the membership interests being acquired are entitled to be  
7 voted on the plan;
- 8 e. Any other limited liability company action taken pursuant to a member vote  
9 with respect to which the articles of organization, the operating agreement, or  
10 a resolution approved by the board of governors directs that dissenting  
11 members may obtain payment for their membership interests; or
- 12 f. A resolution of the board of governors under subsection 2 of section  
13 10-32-131 to implement a business continuation agreement.
- 14 2. The members of a limited liability company who have a right under this section to  
15 obtain payment for their membership interests do not have a right at law or in  
16 equity to have a limited liability company action described in subsection 1 set aside  
17 or rescinded, except when the limited liability company action is fraudulent with  
18 regard to the complaining member or the limited liability company.

19 **SECTION 136. AMENDMENT.** Section 10-32-55 of the North Dakota Century Code is  
20 amended and reenacted as follows:

21 **10-32-55. Procedures for asserting dissenters' rights.**

- 22 1. For purposes of this section:
- 23 a. "Limited liability company" means a limited liability company whose members  
24 have obtained rights to dissent under subsection 1 of section 10-32-54 and  
25 includes any successor by merger.
- 26 b. "Fair value of the membership interests" means the value of the membership  
27 interests of a limited liability company immediately before the effective date of  
28 the limited liability company action referred to in subsection 1 of section  
29 10-32-54.
- 30 c. "Interest" means interest beginning five days after the effective date of the  
31 limited liability company action referred to in subsection 1 of section 10-32-54,

- 1 up to and including the date of payment, calculated at the rate provided in  
2 section 28-20-34 for interest on verdicts and judgments.
- 3 d. "Member" includes a former member when dissenters' rights exist because:
- 4 (1) The membership of that former member has terminated causing  
5 dissolution; and
- 6 (2) The dissolved limited liability company has then either entered into a  
7 winding-up merger under subsection 3 of section 10-32-112 or has  
8 disposed of its assets pursuant to a business continuation agreement  
9 under subsection 2 of section 10-32-131.
- 10 2. If a limited liability company calls a member meeting at which any action described  
11 in subsection 1 of section 10-32-54 is to be voted upon, the notice of the meeting  
12 must inform each member of the right to dissent and must include a copy of section  
13 10-32-54 and this section and, if applicable, subsections 2 and 3 of section  
14 10-32-131. For members who have assigned some or all of their financial rights,  
15 the description must also include the procedures under subsection 8.
- 16 3. If the proposed action must be approved by the members, a member who wishes  
17 to exercise dissenters' rights must file with the limited liability company before the  
18 vote on the proposed action a written notice of intent to demand the fair value of  
19 the membership interests owned by the member and must not vote the  
20 membership interests in favor of the proposed action.
- 21 4. After the proposed action has been approved by the board of governors and, if  
22 necessary, the members, the limited liability company shall send to all members  
23 who have complied with subsection 3 and to all members entitled to dissent if no  
24 member vote was required, a notice that contains:
- 25 a. The address to which a demand for payment must be sent in order to obtain  
26 payment and the date by which the demand must be received;
- 27 b. A form to be used to certify the date on which the member acquired the  
28 membership interests and to demand payment; and
- 29 c. A copy of section 10-32-54, this section and, if applicable, subsections 2 and  
30 3 of section 10-32-131.



- 1           5. In order to receive the fair value of the membership interests, a dissenting member  
2           must demand payment within thirty days after the notice required by subsection 4  
3           was given, but the dissenter retains all other rights of a member until the proposed  
4           action takes effect.
- 5           6. After the limited liability company action takes effect, or after the limited liability  
6           company receives a valid demand for payment, whichever is later, the limited  
7           liability company shall remit to each dissenting member who has complied with  
8           subsections 3, 4, and 5, the amount the limited liability company estimates to be  
9           the fair value of the membership interests, plus interest, accompanied by:
- 10          a. The limited liability company's closing balance sheet and statement of income  
11           for a fiscal year ending not more than sixteen months before the effective date  
12           of the limited liability company action, together with the latest available interim  
13           financial statements;
- 14          b. An estimate by the limited liability company of the fair value of the  
15           membership interests and a brief description of the method used to reach the  
16           estimate; and
- 17          c. A copy of section 10-32-54, this section; and, if applicable, subsections 2 and  
18           3 of section 10-32-131.
- 19          7. The limited liability company may withhold the remittance described in subsection 6  
20           from a person who was not a member on the date the action dissented from was  
21           first announced to the public. If the dissenter has complied with subsections 3, 4,  
22           and 5, the limited liability company shall forward to the dissenter the materials  
23           described in subsection 6, a statement of the reason for withholding the remittance,  
24           and an offer to pay to the dissenter the amount listed in the materials if the  
25           dissenter agrees to accept that amount in full satisfaction. The dissenter may  
26           decline the offer and demand payment under subsection 8. Failure to do so  
27           entitles the dissenter only to the amount offered. If the dissenter makes demand,  
28           subsections 9 and 10 apply.
- 29          8. If a dissenter believes that the amount remitted under subsections 5, 6, and 7 is  
30           less than the fair value of the membership interests plus interest, the dissenter may  
31           give written notice to the limited liability company of the dissenter's own estimate of

1 the fair value of the membership interests, plus interest, within thirty days after the  
2 limited liability company mails the remittance under subsections 5, 6, and 7, and  
3 demand payment of the difference. Otherwise, a dissenter is entitled only to the  
4 amount remitted by the limited liability company.

5 9. If the limited liability company receives a demand under subsection 8, it shall,  
6 within sixty days after receiving the demand, either pay to the dissenter the amount  
7 demanded or agreed to by the dissenter after discussion with the limited liability  
8 company or file in court a petition requesting that the court determine the fair value  
9 of the membership interests, plus interest. The petition must be filed in the county  
10 in which the registered office of the limited liability company is located, except that  
11 a surviving foreign corporation that receives a demand relating to the membership  
12 interests of a constituent limited liability company shall file the petition in the county  
13 in this state in which the last registered office of the constituent limited liability  
14 company was located. The petition must name as parties all dissenters who have  
15 demanded payment under subsection 8 and who have not reached agreement with  
16 the limited liability company. The limited liability company shall, after filing the  
17 petition, serve all parties with a summons and copy of the petition under the rules  
18 of civil procedure. Nonresidents of this state may be served by registered or  
19 certified mail or by publication as provided by law. Except as otherwise provided,  
20 the rules of civil procedure apply to this proceeding. The jurisdiction of the court is  
21 plenary and exclusive. The court may appoint appraisers, with powers and  
22 authorities the court considers proper, to receive evidence on and recommend the  
23 amount of the fair value of the membership interests. The court shall determine  
24 whether the member or members in question have fully complied with the  
25 requirements of this section and shall determine the fair value of the membership  
26 interests, taking into account any and all factors the court finds relevant, computed  
27 by any method or combination of methods that the court, in its discretion, sees fit to  
28 use, whether or not used by the limited liability company or by a dissenter. The fair  
29 value of the membership interests as determined by the court is binding on all  
30 members, wherever located. A dissenter is entitled to judgment for the amount by  
31 which the fair value of the membership interests as determined by the court, plus

- 1 interest, exceeds the amount, if any, remitted under subsections 5, 6, and 7, but is  
2 not liable to the limited liability company for the amount, if any, by which the  
3 amount, if any, remitted to the dissenter under subsection 5 exceeds the fair value  
4 of the membership interests as determined by the court, plus interest.
- 5 10. The court shall determine the costs and expenses of a proceeding under  
6 subsection 9, including the reasonable expenses and compensation of any  
7 appraisers appointed by the court, and shall assess those costs and expenses  
8 against the limited liability company, except that the court may assess part or all of  
9 those costs and expenses against a dissenter whose action in demanding payment  
10 is found to be arbitrary, vexatious, or not in good faith.
- 11 11. If the court finds that the limited liability company has failed to comply substantially  
12 with this section, the court may assess all fees and expenses of any experts or  
13 attorneys as the court considers equitable. These fees and expenses may also be  
14 assessed against a person who has acted arbitrarily, vexatiously, or not in good  
15 faith in bringing the proceeding, and may be awarded to a party injured by those  
16 actions.
- 17 12. The court may award, in its discretion, fees and expenses to an attorney for the  
18 dissenters out of the amount awarded to the dissenters, if any.
- 19 13. When an assignment of some or all of the financial rights of a membership interest  
20 is in effect, then as to that membership interest the provisions of subsections 1  
21 through 12 must be followed subject to the following revisions:
- 22 a. All rights to be exercised and actions to be taken by a member under  
23 subsection 2 must be taken by the member and not by any assignee of the  
24 member's financial rights. As between the limited liability company and the  
25 assignees, the actions taken or omitted by the member bind the assignees.
- 26 b. Instead of remitting a payment under subsection 6, the limited liability  
27 company shall forward to the dissenter member:
- 28 (1) An offer to pay the fair value of the membership interests with that  
29 amount to be allocated among and paid to the member and the  
30 assignees of financial rights according to the terms of the assignments  
31 reflected in the required records; and

- 1                   (2) A statement of that allocation.
- 2                   c. If the dissenter member accepts the amount of the offer made under
- 3                   subdivision b but disputes the allocation, the dissenter shall promptly so notify
- 4                   the limited liability company and promptly after the notification bring an action
- 5                   to determine the proper allocation. The suit must be filed in the county in
- 6                   which the registered office of the limited liability company is located, or in the
- 7                   case of a surviving foreign corporation that is complying with this section
- 8                   following a merger or an exchange with a constituent limited liability company
- 9                   the suit must be filed in the county in this state in which the last registered
- 10                  office of the constituent limited liability company was located. The suit must
- 11                  name as parties the member, the limited liability company, and all assignees
- 12                  of the member's financial rights. Upon being served with the action, the
- 13                  limited liability company shall promptly pay into the court the amount offered
- 14                  under subdivision b and shall then be dismissed from the action.
- 15                  d. If the dissenter considers the amount offered under subdivision b inadequate,
- 16                  the dissenter may decline the offer and demand payment under subsection 8.
- 17                  If the dissenter makes demand, subsections 9 and 10 apply, with the court
- 18                  having jurisdiction also to determine the correctness of the allocation.
- 19                  e. If the member fails to take action under either subdivision c or d, then:
- 20                  (1) As to the limited liability company, both the member and the assignees
- 21                  of the member's financial rights are limited to the amount and allocation
- 22                  offered under subdivision b; and
- 23                  (2) The limited liability company discharges its obligation of payment by
- 24                  making payment according to the amount and allocation offered under
- 25                  subdivision b.

26                  **SECTION 137. AMENDMENT.** Section 10-32-56 of the North Dakota Century Code is

27 amended and reenacted as follows:

28                  **10-32-56. Authorization, form, and acceptance of contributions.**

- 29                  1. Subject to any restrictions in the articles of organization and only when authorized
- 30                  by the board of governors, a limited liability company may accept contributions

- 1           under subsections 2 and 3, make contribution agreements under section 10-32-58,  
2           and make contribution allowance agreements under section 10-32-59.
- 3           2. A person may make a contribution to a limited liability company by paying money  
4           or transferring the ownership of an interest in property to the limited liability  
5           company for rendering services to or for the benefit of the limited liability company.
- 6           3. No purported contribution is to be treated or considered as a contribution, unless:  
7           a. The board of governors accepts the contribution on behalf of the limited  
8           liability company and in that acceptance describes the contribution and states  
9           the value being accorded to the contribution; and  
10           b. The fact of contribution and the contribution's accorded value are both  
11           reflected in the required records of the limited liability company.
- 12           4. The determinations of the board of governors as to the amount or fair value or the  
13           fairness to the limited liability company of the contribution accepted or to be  
14           accepted by the limited liability company or the terms of payment or performance,  
15           including under a contribution agreement in section 10-32-58, and a contribution  
16           allowance agreement in section 10-32-59, are presumed to be proper if they are  
17           made in good faith and on the basis of accounting methods, or a fair valuation or  
18           other method, reasonable in the circumstances. Governors who are present and  
19           entitled to vote, and who, intentionally or without reasonable investigation, fail to  
20           vote against approving a consideration that is unfair to the limited liability company,  
21           or overvalue property or services received or to be received by the limited liability  
22           company as a contribution, are jointly and severally liable to the limited liability  
23           company for the benefit of the then members who did not consent to and are  
24           damaged by the action, to the extent of the damages of those members. A  
25           governor against whom a claim is asserted pursuant to this subsection, except in  
26           case of knowing participation in a deliberate fraud, is entitled to contribution on an  
27           equitable basis from other governors who are liable under this subsection.
- 28           5. All the membership interests of a limited liability company must:  
29           a. Be of one class, without series, unless the articles of organization establish, or  
30           authorize the board of governors to establish, more than one class or series  
31           within classes;

- 1           b. Be ordinary membership interests entitled to vote as provided in section  
2                   10-32-45, and have equal rights and preferences in all matters not otherwise  
3                   provided for by the board of governors unless and to the extent that the  
4                   articles of organization have fixed the relative rights and preferences of  
5                   different classes and series; and
- 6           c. Share profits and losses as provided in section 10-32-36 and be entitled to  
7                   distributions as provided in sections 10-32-60 and 10-32-61 and subdivision c  
8                   of subsection 1 of section 10-32-131.
- 9           6. Subject to any restrictions in the articles of organization, the power granted in  
10                   subsection 5 may be exercised by a resolution approved by the affirmative vote of  
11                   a majority of the directors present establishing a class or series, setting forth the  
12                   designation of the class or series, and fixing the relative rights and preferences of  
13                   the class or series established in the articles of organization or by resolution of the  
14                   board of governors.
- 15           7. A statement executed by a manager setting forth the name of the limited liability  
16                   company and the text of the resolution and certifying the adoption of the resolution  
17                   and the date of adoption must be filed with the secretary of state together with the  
18                   fees provided in section 10-32-150 before the acceptance of any contributions for  
19                   which the resolution creates rights or preferences not set forth in the articles of  
20                   organization. The resolution is effective when the statement has been filed with  
21                   the secretary of state unless the statement specifies a later effective date within  
22                   thirty days of filing the statement with the secretary of state.
- 23           8. Without limiting the authority granted in this section, a limited liability company may  
24                   have membership interests of a class or series:
- 25                   a. Subject to the right of the limited liability company to redeem any of those  
26                   membership interests at the price fixed for their redemption by the articles of  
27                   organization or by the board of governors;
- 28                   b. Entitling the members to cumulative, partially cumulative, or noncumulative  
29                   distributions;
- 30                   c. Having preference over any class or series of membership interests for the  
31                   payment of distributions of any or all kinds;

- 1           d. Convertible into membership interests of any other class or any series of the  
2           same or another class; or  
3           e. Having full, partial, or no voting rights, except as provided in section 10-32-17.

4           **SECTION 138. AMENDMENT.** Section 10-32-58 of the North Dakota Century Code is  
5 amended and reenacted as follows:

6           **10-32-58. Contribution agreements.**

- 7           1. A contribution agreement, whether made before or after the formation of the limited  
8 liability company, is not enforceable against the would-be contributor unless it is in  
9 writing and signed by the would-be contributor.
- 10          2. A Unless otherwise provided in the contribution agreement, or unless all of the  
11 would-be contributors and, if in existence, the limited liability company, consent to  
12 a shorter or longer period, a contribution agreement is irrevocable for a period of  
13 six months unless the contribution agreement provides for, or unless all other  
14 would-be contributors who are a party to a contribution consent to, an earlier  
15 revocation.
- 16          3. A contribution agreement, whether made before or after the formation of a limited  
17 liability company, must be paid or performed in full at the time or times, or in the  
18 installments, if any, specified in the contribution agreement. In the absence of a  
19 provision in the contribution agreement specifying the time at which the  
20 contribution is to be paid or performed, the contribution must be paid or performed  
21 at the time or times determined by the board of governors, but a call made by the  
22 board of governors for payment or performance on contributions must be uniform  
23 for all membership interests of the same class or for all membership interests of  
24 the same series.
- 25          4. Unless otherwise provided in the contribution agreement, in the event of default in  
26 the payment or performance of an installment or call when due, the limited liability  
27 company may proceed to collect the amount due in the same manner as a debt  
28 due the limited liability company ~~or, if the amount due remains unpaid for a period~~  
29 ~~of twenty days after written notice of demand for payment has been given to the~~  
30 ~~delinquent would-be contributor, the board of governors may declare a forfeiture of~~  
31 ~~the contribution agreement or cancel it in accordance with this subsection.~~ If a

1 would-be contributor does not make a required contribution of property or services,  
2 the limited liability company shall require the would-be contributor to contribute  
3 cash equal to that portion of the value, as stated in the limited liability company  
4 required records, of the contribution that has not been made.

5 5. ~~Upon forfeiture of a contribution agreement~~ If the amount due under a contribution  
6 agreement remains unpaid for a period of twenty days after the written notice of  
7 demand for payment has been given to the delinquent would-be contributor, the  
8 membership interests that were subject to the contribution agreement may be  
9 offered for sale by the limited liability company for a price in money equaling or  
10 exceeding the sum of the full balance owed by the delinquent would-be contributor  
11 plus the expenses incidental to the sale. Any excess of net proceeds realized by  
12 the limited liability company over the sum of the amount owed by the delinquent  
13 would-be contributor plus the expenses incidental to the sale must be paid to the  
14 delinquent would-be contributor or to a legal representative. The payment must  
15 not exceed the amount of contribution actually made by the delinquent would-be  
16 contributor.

17 a. If the membership interests that were subject to the contribution agreement  
18 are sold pursuant to this subsection, the limited liability company shall pay to  
19 the delinquent would-be contributor or to the delinquent would-be contributor's  
20 representatives the lesser of:

21 (1) The excess of net proceeds realized by the limited liability company  
22 over the sum of the amount owed by the delinquent would-be  
23 contributor plus the expenses incidental to the sales; or

24 (2) The amount actually paid by the delinquent would-be contributor.

25 b. If the membership interests that were subject to the contribution agreement  
26 are not sold pursuant to this subsection, the limited liability company may  
27 collect the amount due in the same manner as a debt due to the limited  
28 liability company or cancel the contribution agreement pursuant to  
29 subsection 6.

30 6. ~~If, within twenty days after the limited liability company offers to sell the~~  
31 ~~membership interests that were subject to the defaulted contribution agreement, no~~



1           ~~prospective purchaser offers to purchase the membership interests for a money~~  
2           ~~price sufficient to pay the sum of the full balance owed by the delinquent would be~~  
3           ~~contributor plus the expenses incidental to the sale, or if the limited liability~~  
4           ~~company has refunded to the would be contributor or a legal representative a~~  
5           ~~portion of the contribution agreement price actually paid, the contribution~~  
6           ~~agreement may be canceled and the limited liability company may retain the~~  
7           ~~portion of the contribution agreement price actually paid that does not exceed ten~~  
8           ~~percent of the contribution agreement price. If the amount due under a~~  
9           ~~contribution agreement remains unpaid for a period of twenty days after written~~  
10           ~~notice of demand for payment has been given to the delinquent would-be~~  
11           ~~contributor and the membership interests that were subject to the contribution~~  
12           ~~agreement have not been sold pursuant to subsection 5, the limited liability~~  
13           ~~company:~~

- 14           a. May cancel the contribution agreement;  
15           b. May retain the portion of the contribution agreement price actually paid that  
16           does not exceed ten percent of the contribution agreement; and  
17           c. Shall refund to the delinquent would-be contributor or the delinquent would-be  
18           contributor's legal representatives that portion of the contribution agreement  
19           price actually paid that exceeds ten percent of the contribution price.

20           7. A would-be contributor's rights under a contribution agreement may not be  
21           assigned, in whole or in part, to a person who was not a member at the time of the  
22           assignment, unless all the members approve the assignment by unanimous written  
23           consent.

24           **SECTION 139. AMENDMENT.** Section 10-32-64 of the North Dakota Century Code is  
25           amended and reenacted as follows:

26           **10-32-64. Limitations on distribution.**

27           1. The board of governors may authorize and cause the limited liability company to  
28           make a distribution only if the board of governors determines, in accordance with  
29           subsection 2, that the limited liability company will be able to pay its debts in the  
30           ordinary course of business after making the distribution and the board of

- 1           governors does not know before the distribution is made that the determination  
2           was or has become erroneous,~~and the~~.
- 3           a.   The limited liability company may make the distribution if it is able to pay its  
4           debts in the ordinary course of business after making the distribution.
- 5           b.   The effect of a distribution on the ability of the limited liability company to pay  
6           its debts in the ordinary course of business after making the distribution must  
7           be measured in accordance with subsection 3.
- 8           c.   The right of the board of governors to authorize, and the limited liability  
9           company to make, distributions may be prohibited, limited, or restricted by the  
10          articles of organization or operating agreement or an agreement.
- 11          2.   A determination that the limited liability company will be able to pay its debts in the  
12          ordinary course of business after the distribution is presumed to be proper if the  
13          determination is made in compliance with the standard of conduct provided in  
14          section 10-32-86 on the basis of financial information prepared in accordance with  
15          accounting methods, or a fair valuation or other method, reasonable in the  
16          circumstances. No liability under section 10-32-66 or 10-32-86 will accrue if the  
17          requirements of this subsection have been met.
- 18          3.   In the case of a distribution made by a limited liability company in connection with a  
19          redemption of its membership interests, the effect of the distribution must be  
20          measured as of the date on which money or other property is transferred, or  
21          indebtedness payable in installments or otherwise is incurred, by the limited liability  
22          company, or as of the date on which the member ceases to be a member of the  
23          limited liability company, whichever is the earliest. The effect of any other  
24          distribution must be measured as of the date of its authorization if payment occurs  
25          one hundred twenty days or less following the date of authorization, or as of the  
26          date of payment if payment occurs more than one hundred twenty days following  
27          the date of authorization. The provisions of chapter 13-02.1 do not apply to  
28          distributions made by a limited liability company governed by this chapter.
- 29          4.   Indebtedness of a limited liability company incurred or issued in a distribution in  
30          accordance with this section to a member who as a result of the transaction is no  
31          longer a member is on a parity with the indebtedness of the limited liability

1            company to its general unsecured creditors, except to the extent subordinated,  
2            agreed to, or secured by a pledge of any assets of the limited liability company or a  
3            related organization, or subject to any other agreement between the limited liability  
4            company and the member.

5            5. A distribution may be made to the owners of a class or series of membership  
6            interests only if:

7            a. All amounts payable to the owners of membership interests having a  
8            preference for the payment of that kind of distribution, other than those  
9            owners who give notice to the limited liability company of their agreement to  
10           waive their rights to that payment, are paid; and

11           b. The payment of the distribution does not reduce the remaining net assets of  
12           the limited liability company below the aggregate preferential amount payable  
13           in the event of liquidation to the owners of membership interests having  
14           preferential rights, unless the distribution is made to those members in the  
15           order and to the extent of their respective priorities or the owners of  
16           membership interests who do not receive distributions in that order give notice  
17           to the limited liability company of their agreement to waive their rights to that  
18           distribution.

19           6. A determination that the payment of the distribution described in subsection 5 does  
20           not reduce the remaining net assets of the limited liability company below the  
21           aggregate preferential amount payable in the event of termination to the owners of  
22           membership interests having preferential rights is presumed to be proper if the  
23           determination is made in compliance with the standard of conduct provided in  
24           section 10-32-86 on the basis of financial information prepared in accordance with  
25           accounting methods, or a fair valuation or other method, reasonable in the  
26           circumstances. Liability under section 10-32-66 or 10-32-86 will not arise if the  
27           requirements of this subsection are met.

28           ~~6.~~ 7. If the money or property available for distribution is insufficient to satisfy all  
29           preferences, the distributions must be made pro rata according to the order of  
30           priority of preferences by classes and by series within those classes unless those

1 owners who do not receive distributions in that order give notice to the limited  
2 liability company of their agreement to waive their rights to that distribution.

3 **SECTION 140. AMENDMENT.** Section 10-32-66 of the North Dakota Century Code is  
4 amended and reenacted as follows:

5 **10-32-66. Liability of governors for illegal distributions.**

- 6 1. In addition to any other liabilities, a governor who is present at a meeting and fails  
7 to vote against, or who consents in writing to, a distribution made in violation of  
8 subsections 1 or 4 of section 10-32-64 or a restriction contained in the articles of  
9 organization or operating agreement or an agreement, and ~~who~~ fails to comply with  
10 the standard of conduct provided in section 10-32-86, is liable to the limited liability  
11 company, its receiver or any other person winding up its affairs, jointly and  
12 severally with all other governors so liable and to other governors under  
13 subsection 3, but only to the extent that the distribution exceeded the amount that  
14 properly could have been paid under section 10-32-64.
- 15 2. A governor against whom an action is brought under this section with respect to a  
16 distribution may implead in that action all members who received the distribution  
17 and may compel pro rata contribution from them in that action to the extent  
18 provided in subsection 1 of section 10-32-65.
- 19 3. A governor against whom an action is brought under this section with respect to a  
20 distribution may implead in that action all other governors who voted for or  
21 consented in writing to the distribution and may compel pro rata contribution from  
22 them in that action.
- 23 4. An action may not be commenced under this section more than two years from the  
24 date of the distribution.

25 **SECTION 141. AMENDMENT.** Section 10-32-67 of the North Dakota Century Code is  
26 amended and reenacted as follows:

27 **10-32-67. Organization.**

- 28 1. If the first board of governors is not named in the articles of organization, the  
29 organizers may elect the first board of governors or may act as governors with all  
30 of the powers, rights, duties, and liabilities of governors, until governors are elected  
31 or until a contribution is accepted, whichever occurs first.

- 1           2. After the issuance of the certificate of organization, the organizers or the governors  
2           named in the articles of organization shall either hold an organizational meeting at  
3           the call of a majority of the organizers or of the governors named in the articles, or  
4           take written action, for the purposes of transacting business and taking actions  
5           necessary or appropriate to complete the organization of the limited liability  
6           company, including, without limitation, amending the articles, electing governors,  
7           adopting an operating agreement, electing managers, adopting banking  
8           resolutions, authorizing or ratifying the purchase, lease, or other acquisition of  
9           suitable space, furniture, furnishings, supplies, and materials, approving a limited  
10          liability company seal, adopting a fiscal year for the limited liability company,  
11          contracting to receive and accept contributions, and making any appropriate tax  
12          elections.
- 13          a. If a meeting is held, the person or persons calling the meeting shall give at  
14              least three days notice of the meeting to each organizer or governor named,  
15              stating the date, time, and place of the meeting.
- 16          b. Organizers and governors may waive notice of an organizational meeting in  
17              the same manner that a governor may waive notice of meetings of the board  
18              of governors under subsection 5 of section 10-32-80.

19           **SECTION 142. AMENDMENT.** Section 10-32-68 of the North Dakota Century Code is  
20   amended and reenacted as follows:

21           **10-32-68. Operating agreement.**

- 22          1. A limited liability company may, but need not, have an operating agreement. The  
23          operating agreement may contain any provision relating to the management of the  
24          business or the regulation of the affairs of the limited liability company not  
25          inconsistent with law or the articles of organization. An act of the board under  
26          subsection 2 and of the members under subsection 3 will be considered part of the  
27          operating agreement only if the act expressly states that it is intended to constitute  
28          or revise the operating agreement.
- 29          2. An initial operating agreement may be adopted pursuant to section 10-32-67 by the  
30          organizers or by the first board of governors. Unless reserved by the articles of  
31          organization to the members, the power to adopt, amend, or repeal the operating

1 agreement is vested in the board of governors. The power of the board of  
2 governors is subject to the power of the members, exercisable in the manner  
3 provided in subsection 3, to adopt, amend, or repeal the operating agreement  
4 adopted, amended, or repealed by the board of governors. After the adoption of  
5 the initial operating agreement, the board of governors may not adopt, amend, or  
6 repeal an operating agreement provision fixing a quorum for meetings of members,  
7 prescribing procedures for removing governors or filling vacancies in the board of  
8 governors, or fixing the number of governors or their classifications, qualifications,  
9 or terms of office, but may adopt or amend an operating agreement provision to  
10 increase the number of governors.

- 11 3. ~~Unless the articles or operating agreement provides otherwise,~~ members owning  
12 five percent or more of the voting power of the members entitled to vote may  
13 propose a resolution for action by the members to adopt, amend, or repeal  
14 operating agreement provisions adopted, amended, or repealed by the board of  
15 governors and the resolution ~~sets~~ must set forth the provision or provisions  
16 proposed for adoption, amendment, or repeal, the limitations and procedures for  
17 submitting, considering, and adopting the resolution are the same as provided in  
18 subsections 2 through 4 of section 10-32-16, for amendment of the articles of  
19 organization. The articles or operating agreement may impose different or  
20 additional requirements for the members to adopt, amend, or repeal the operating  
21 agreement.

22 **SECTION 143. AMENDMENT.** Section 10-32-72 of the North Dakota Century Code is  
23 amended and reenacted as follows:

24 **10-32-72. Terms.**

25 1. With respect to length of terms:

26 a. Unless fixed terms are provided for in the articles or operating agreement, a  
27 governor serves for an indefinite term that expires at the next regular meeting  
28 of the members.

- 29 (1) A fixed term of a governor, other than an ex officio governor, must not  
30 exceed five years. ~~A governor holds office for the term for which the~~  
31 ~~governor was elected and until a successor is elected and has qualified,~~

1                   ~~or until the earlier death, resignation, removal, or disqualification of the~~  
2                   ~~governor.~~

3                   (2) An ex officio governor serves as long as the governor holds the office or  
4                   position designated in the articles or operating agreement.

5                   b. Unless the articles or operating agreement provides otherwise, a governor  
6                   holds office until expiration of the term for which the governor was elected or  
7                   appointed and until a successor is elected and has qualified or until the earlier  
8                   death, resignation, removal, or disqualification of the governor.

9                   c. A decrease in the number of governors or term of office does not shorten an  
10                   incumbent director's term.

11                   d. Except as provided in the articles or operating agreement, the term of a  
12                   governor filling a vacancy expires at the end of the unexpired term that the  
13                   director is filling.

14                   2. The articles or operating agreement may provide for staggering the terms of  
15                   governors by dividing the total number of governors into groups.

16                   **SECTION 144. AMENDMENT.** Section 10-32-77 of the North Dakota Century Code is  
17 amended and reenacted as follows:

18                   **10-32-77. Resignation.**

19                   1. A governor may resign at any time by giving written notice to the limited liability  
20                   company. The resignation is effective without acceptance when the notice is given  
21                   to the limited liability company, unless a later effective time is specified in the  
22                   notice.

23                   2. If a resignation is made effective at a later time, the board may fill the pending  
24                   vacancy before the effective time if the board of governors provides that the  
25                   successor does not take office until the effective time.

26                   **SECTION 145. AMENDMENT.** Section 10-32-78 of the North Dakota Century Code is  
27 amended and reenacted as follows:

28                   **10-32-78. ~~Removal~~ Nonjudicial removal of governors.**

29                   1. The provisions of this section apply unless modified by the articles of organization  
30                   or the operating agreement.

31                   2. A governor may be removed at any time, with or without cause, if:

- 1           a.    The governor was named by the board of governors to fill a vacancy;
- 2           b.    The members have not elected governors in the interval between the time of
- 3                 the appointment to fill a vacancy and the time of the removal; and
- 4           c.    A majority of the remaining governors present affirmatively votes to remove
- 5                 the governor.
- 6        3.    Any one or all of the governors may be removed at any time, with or without cause,
- 7                 by the affirmative vote of the owners of the proportion of the voting power of the
- 8                 membership interests of the classes or series the governor represents sufficient to
- 9                 elect them. If less than the entire board of governors is to be removed, no one of
- 10                the governors may be removed if the votes cast against the governor's removal
- 11                which, if then cumulatively voted at the election of the entire board of governors, or
- 12                if there be classes of governors at an election of the class of governors of which
- 13                the governor is a part, would be sufficient to elect the governor. Whenever the
- 14                members of any class are entitled to elect one or more governors by the provisions
- 15                of the articles of the organization, the provisions of this section apply, in respect to
- 16                the removal of a governor or governors so elected, to the vote of the members of
- 17                that class and not to the vote of the members as a whole.
- 18        4.    New governors may be elected at a meeting at which governors are removed.

19        **SECTION 146.** Section 10-32-78.1 of the North Dakota Century Code is created and  
20 enacted as follows:

21        **10-32-78.1. Removal of governors by judicial proceeding.**

- 22        1.    The district court of the county where the principal executive office of a limited
- 23                liability company is located may remove any governor of the limited liability
- 24                company from office in a proceeding commenced either by the limited liability
- 25                company, its members holding at least ten percent of the voting power of any class
- 26                of membership interests, or the attorney general, if the court finds that:
- 27                a.    The governor engaged in fraudulent, dishonest conduct, or gross abuse of
- 28                        authority or discretion with respect to the limited liability company or a final
- 29                        judgment has been entered finding that the governor has violated section
- 30                        10-33-86; and
- 31                b.    Removal is in the best interest of the limited liability company.



1           2.   The court that removes a governor may bar the governor from serving on the board  
2                   of governors for a period prescribed by the court.

3           3.   If members or the attorney general commence a proceeding under subsection a,  
4                   then the limited liability company shall be made a party defendant.

5           **SECTION 147. AMENDMENT.** Section 10-32-79 of the North Dakota Century Code is  
6 amended and reenacted as follows:

7           **10-32-79. Vacancies.**

8           1.   Unless different rules for filling vacancies are provided for in the articles or  
9                   operating agreement:

10           a.   Vacancies on the board of governors resulting from the death, resignation,  
11                   removal, or disqualification of a governor may be filled by the affirmative vote  
12                   of a majority of the remaining governors, even though less than a quorum;  
13                   and

14           b.   Vacancies on the board of governors resulting from newly created  
15                   governorships may be filled by the affirmative vote of a majority of the  
16                   governors serving at the time of the increase.

17           2.   Each governor elected under this section to fill a vacancy holds office until a  
18                   qualified successor is elected by the members at the next regular or special  
19                   meeting of the members.

20           3.   A vacancy that will occur at a specific later date may be filled before the vacancy  
21                   occurs but the new governor may not take office until the vacancy occurs.

22           **SECTION 148. AMENDMENT.** Section 10-32-80 of the North Dakota Century Code is  
23 amended and reenacted as follows:

24           **10-32-80. Board of governors meetings.**

25           1.   Meetings of the board of governors may be held from time to time as provided in  
26                   the articles of organization or operating agreement at any place within or without  
27                   the state that the board of governors may select or by any means described in  
28                   subsection 2. If the articles, operating agreement, or board of governors fails to  
29                   select a place for a meeting, the meeting must be held at the principal executive  
30                   office, unless the articles or operating agreement provide otherwise.

31           2.   A board of governors meeting may be conducted by:

- 1           a. A conference among governors using any means of communication through  
2           which the governors may simultaneously hear each other during the  
3           conference constitutes a board of governors meeting, if the same notice is  
4           given of the conference as would be required by subsection 3 for a meeting,  
5           and if the number of governors participating in the conference ~~would be~~  
6           ~~sufficient to constitute~~ is a quorum ~~at a meeting~~. Participation in a meeting by  
7           ~~that this means constitutes personal presence in person~~ at the meeting; or  
8           b. By any means of communication through which the governor, other governors  
9           so participating, and all governors physically present at the meeting may  
10          simultaneously hear each other during the meeting. Participation in a meeting  
11          by ~~that this means constitutes personal presence in person~~ at the meeting.
- 12          3. Unless the articles of organization or operating agreement provide for a different  
13          time period, a governor may call a board meeting by giving at least ten days' notice  
14          or, in the case of organizational meetings under subsection 2 of section 10-32-67,  
15          at least three days' notice to all governors of the date, time, and place of the  
16          meeting. The notice need not state the purpose of the meeting unless the articles  
17          or operating agreement require it.
- 18          4. If the ~~day or~~ date, time, and place of a board of governors meeting have been  
19          provided in the articles or operating agreement, or announced at a previous  
20          meeting of the board of governors, no notice is required. Notice of an adjourned  
21          meeting need not be given other than by announcement at the meeting at which  
22          adjournment is taken.
- 23          5. A governor may waive notice of a meeting of the board of governors. A waiver of  
24          notice by a governor entitled to notice is effective whether given before, at, or after  
25          the meeting, and whether given in writing, or by attendance. Attendance by a  
26          governor at a meeting is a waiver of notice of that meeting, except where the  
27          governor objects at the beginning of the meeting to the transaction of business  
28          because the meeting is not lawfully called or convened and does not participate in  
29          the meeting after the objection.

30           **SECTION 149. AMENDMENT.** Section 10-32-81 of the North Dakota Century Code is  
31    amended and reenacted as follows:

1           **10-32-81. Absent governors.** If the articles of organization or operating agreement so  
2 provide, a governor may give advance written consent or opposition to a proposal to be acted  
3 on at a board of governors meeting. If the governor is not present at the meeting, consent or  
4 opposition to a proposal does not constitute presence for purposes of determining the existence  
5 of a quorum, but consent or opposition must be counted as a the vote of a governor present at  
6 the meeting in favor of or against the proposal and must be entered in the minutes or other  
7 record of action at the meeting, if the proposal acted on at the meeting is substantially the same  
8 or has substantially the same effect as the proposal to which the governor has consented or  
9 objected.

10           **SECTION 150. AMENDMENT.** Section 10-32-83 of the North Dakota Century Code is  
11 amended and reenacted as follows:

12           **10-32-83. Act of the board of governors.** The board of governors shall take action by  
13 the affirmative vote of the greater of a majority of governors present at a duly held meeting at  
14 the time the action is taken or a majority of the minimum proportion or number of governors that  
15 would constitute a quorum for the transaction of business at a meeting, except where this  
16 chapter or the articles require the affirmative vote of a larger proportion or number. If the  
17 articles require a larger proportion or number than is required by this chapter for a particular  
18 action, the articles control.

19           **SECTION 151. AMENDMENT.** Section 10-32-84 of the North Dakota Century Code is  
20 amended and reenacted as follows:

21           **10-32-84. Action without a meeting.**

- 22           1. An action required or permitted to be taken at a board of governors meeting may  
23           be taken by written action signed by all of the governors. If the articles so provide,  
24           any action, other than an action requiring member approval, may be taken by  
25           written action signed by the number of governors that would be required to take the  
26           same action at a meeting of the board of governors at which all governors were  
27           present.
- 28           2. The written action is effective when signed by the required number of governors,  
29           unless a different effective time is provided in the written action.
- 30           3. When written action is permitted to be taken by less than all governors, all  
31           governors must be notified immediately of its text and effective date. Failure to

1 provide the notice does not invalidate the written action. A governor who does not  
2 sign or consent to the written action has no liability for the action or actions ~~taken~~  
3 ~~thereby~~.

4 **SECTION 152. AMENDMENT.** Section 10-32-85 of the North Dakota Century Code is  
5 amended and reenacted as follows:

6 **10-32-85. Committees.**

- 7 1. A resolution approved by the affirmative vote of a majority of the board of  
8 governors may establish committees having the authority of the board in the  
9 management of the business of the limited liability company only to the extent  
10 provided in the resolution. Committees may include a special litigation committee  
11 consisting of one or more independent governors or other independent persons to  
12 consider legal rights or remedies of the limited liability company and whether those  
13 rights and remedies should be pursued. Committees other than special litigation  
14 committees are subject at all times to the direction and control of the board of  
15 governors.
- 16 2. Committee members must be individuals. Unless the articles or operating  
17 agreement provide for a different membership or manner of appointment, a  
18 committee consists of one or more persons, who need not be governors, appointed  
19 by ~~affirmative vote of a majority of the governors present~~ the board.
- 20 3. Sections 10-32-80 through 10-32-84 apply to committees and members of  
21 committees to the same extent as those sections apply to the board of governors  
22 and governors.
- 23 4. Minutes, if any, of committee meetings must be made available upon request to  
24 members of the committee and to any governor.
- 25 5. The establishment of, delegation of authority to, and action by a committee does  
26 not alone constitute compliance by a governor with the standard of conduct set  
27 forth in section 10-32-86.
- 28 6. Committee members are considered to be governors for purposes of sections  
29 10-32-86, 10-32-87, and 10-32-99.

30 **SECTION 153. AMENDMENT.** Section 10-32-86 of the North Dakota Century Code is  
31 amended and reenacted as follows:

1           **10-32-86. Standard of conduct for governors.**

2           1. A governor shall discharge the duties of the position of governor in good faith, in a  
3           manner the governor reasonably believes to be in the best interests of the limited  
4           liability company, and with the care an ordinarily prudent person in a like position  
5           would exercise under similar circumstances. A person who so performs those  
6           duties is not liable by reason of being or having been a governor of the limited  
7           liability company.

8           2. A governor is entitled to rely on information, opinions, reports, or statements,  
9           including financial statements and other financial data, in each case prepared or  
10          presented by:

11          a. One or more managers or employees of the limited liability company whom  
12          the governor reasonably believes to be reliable and competent in the matters  
13          presented;

14          b. Counsel, public accountants, or other persons as to matters that the governor  
15          reasonably believes are within the person's professional or expert  
16          competence; or

17          c. A committee of the board of governors upon which the governor does not  
18          serve, duly established in accordance with section 10-32-85, as to matters  
19          within its designated authority, if the governor reasonably believes the  
20          committee to merit confidence.

21          3. Subsection 2 does not apply to a governor who has knowledge concerning the  
22          matter in question that makes the reliance otherwise permitted by subsection 2  
23          unwarranted.

24          4. A governor who is present at a meeting of the board of governors when an action  
25          is approved by the affirmative vote of a majority of the governors present is  
26          presumed to have assented to the action approved, unless the governor:

27          a. Objects at the beginning of the meeting to the transaction of business  
28          because the meeting is not lawfully called or convened and does not  
29          participate in the meeting after the objection, in which case the governor is not  
30          considered to be present at the meeting for any purpose of this chapter;

31          b. Votes against the action at the meeting; or

- 1 c. ~~Is prohibited by section 10-32-87 from voting on the action by the articles; by~~  
2 ~~the operating agreement; as the result of the decision to approve, ratify, or~~  
3 ~~authorize a transaction pursuant to section 10-32-87; or by a conflict of~~  
4 ~~interest policy adopted by the board.~~
- 5 5. A governor's personal liability to the limited liability company or its members for  
6 monetary damages for breach of fiduciary duty as a governor may be eliminated or  
7 limited in the articles of organization. The articles may not eliminate or limit the  
8 liability of a governor:
- 9 a. For any breach of the governor's duty of loyalty to the limited liability company  
10 or its members;
- 11 b. For acts or omissions not in good faith or that involve intentional misconduct  
12 or a knowing violation of law;
- 13 c. Under section 10-32-66;
- 14 d. For any transaction from which the governor derived an improper personal  
15 benefit; or
- 16 e. For any act or omission occurring before the date when the provision in the  
17 articles of organization eliminating or limiting liability becomes effective.
- 18 6. In discharging the duties of the position of governor, a governor may, in  
19 considering the best interests of the limited liability company, consider the interests  
20 of the limited liability company's employees, customers, suppliers, and creditors,  
21 the economy of the state and nation, community and societal considerations, and  
22 the long-term as well as short-term interests of the limited liability company and its  
23 members including the possibility that these interests may be best served by the  
24 continued independence of the limited liability company.

25 **SECTION 154. AMENDMENT.** Section 10-32-87 of the North Dakota Century Code is  
26 amended and reenacted as follows:

27 **10-32-87. Governor conflicts of interest.**

- 28 1. A contract or other transaction between a limited liability company and one or more  
29 of its governors, ~~or between a limited liability company and an organization in or of~~  
30 ~~which one or more of its governors are governors, directors, managers, officers, or~~  
31 ~~legal representatives~~ or a member of the family of the governor; a director of a

1           related organization or a member of the family of a director of a related  
2           organization; or an organization in or of which the limited liability company's  
3           governor or a member of the family of the governor is a governor, director,  
4           manager, officer, or legal representative or ~~have~~ has a material financial interest, is  
5           not void or voidable because the governor ~~or governors~~ or the other ~~organizations~~  
6           ~~are parties~~ organization is a party or because the governor ~~or governors are~~ is  
7           present at the meeting of the members or the board of governors or a committee at  
8           which the contract or transaction is authorized, approved, or ratified, if at least one  
9           of the requirements of subsection 2 is satisfied.

10          2. The contract or transaction described in subsection 1 is not void or voidable if:

11           a. The contract or transaction was, and the person asserting the validity of the  
12           contract or transaction sustains the burden of establishing that the contract or  
13           transaction was, fair and reasonable as to the limited liability company at the  
14           time it was authorized, approved, or ratified;

15           b. The material facts as to the contract or transaction and as to the manager's  
16           interest are fully disclosed or known to the members and the contract or  
17           transaction is approved in good faith by ~~the holders of a majority of the~~  
18           ~~membership interests, but membership interests owned by the interested~~  
19           ~~governor may not be counted in determining the presence of a quorum and~~  
20           ~~may not be voted;~~

21           (1) The owners of two-thirds of the voting power of membership interests  
22           entitled to vote that are owned by persons other than the interested  
23           governor; or

24           (2) The unanimous affirmative vote of all members, whether or not entitled  
25           to vote;

26           c. The material facts as to the contract or transaction and as to the governor's  
27           interest are fully disclosed or known to the board of governors or a committee,  
28           and the board of governors or committee authorizes, approves, or ratifies the  
29           contract or transaction in good faith by a majority of the board of governors or  
30           committee, but the interested governor is not counted in determining the  
31           presence of a quorum and may not vote; or

1           d. The contract or transaction is a distribution described in subsection 1 of  
2           section 10-32-64 or a merger or exchange described in subsection 1 or 2 of  
3           section 10-32-100.

4        ~~2.~~ 3. For purposes of this section:

5           a. A governor does not have a material financial interest in a resolution fixing the  
6           compensation of the governor or fixing the compensation of another governor  
7           as a governor, manager, employee, or agent of the limited liability company,  
8           even though the first governor is also receiving compensation from the limited  
9           liability company; and

10          b. A governor has a material financial interest in each organization in which the  
11          governor, ~~or the spouse, parents, children and spouses of children, brothers~~  
12          ~~and sisters and spouses of brothers and sisters of the governor, or any~~  
13          ~~combination of them have~~ or a member of the family of the governor, has a  
14          material financial interest. A "member of the family" of the governor is a  
15          spouse, parent, child, child of a spouse, brother, sister, or the spouse of any  
16          of these individuals.

17          4. The procedures described under subdivisions a, b, and c of subsection 2 are not  
18          required if the contract or transaction is between related parties.

19        **SECTION 155. AMENDMENT.** Section 10-32-88 of the North Dakota Century Code is  
20        amended and reenacted as follows:

21        **10-32-88. Managers.** A limited liability company must consist of one or more  
22        individuals eighteen years of age or more, and exercising the functions of the offices, however  
23        designated, of president and treasurer and may have one or more vice presidents and a  
24        secretary, as may be provided in the operating agreement. Any other managers, assistant  
25        managers, and agents, as necessary, may be elected or appointed by the board of governors  
26        or chosen in such other manner as may be provided in the operating agreement.

27        **SECTION 156. AMENDMENT.** Section 10-32-89 of the North Dakota Century Code is  
28        amended and reenacted as follows:

29        **10-32-89. Duties of managers and agents.** Unless the articles, operating agreement,  
30        or a resolution adopted by the board of governors and not inconsistent with the articles or  
31        operating agreement, provides otherwise, the managers shall have the following duties:



- 1           1. ~~Unless the articles of organization or the operating agreement provides otherwise,~~  
2           the The president shall:
- 3           a. Have general active management for the business of the limited liability  
4           company;
- 5           b. When present, preside at all meetings of the board of governors and of the  
6           members;
- 7           c. See that all orders and resolutions of the board of governors are carried into  
8           effect;
- 9           d. Sign and deliver in the name of the limited liability company any deeds,  
10           mortgages, bonds, contracts, or other instruments pertaining to the business  
11           of the limited liability company, except in cases in which the authority to sign  
12           and deliver is required by law to be exercised by another person or is  
13           expressly delegated by the articles or operating agreement or the board of  
14           governors to some other manager or agent of the limited liability company;
- 15           e. Maintain records of and, whenever necessary, certify all proceedings of the  
16           board of governors and members; and
- 17           f. Perform other duties prescribed by the board of governors.
- 18           2. ~~Unless the articles of organization or the operating agreement provides otherwise,~~  
19           the The vice president, if any, or if there is more than one, the vice presidents in  
20           the order determined by the board of governors shall:
- 21           a. In the absence or disability of the president, perform the duties and exercise  
22           the powers of the president; and
- 23           b. Perform other duties and have other powers as the board of governors may  
24           from time to time prescribe.
- 25           3. The treasurer shall:
- 26           a. Keep accurate financial records for the limited liability company;
- 27           b. Deposit all money, drafts, and checks in the name of and to the credit of the  
28           limited liability company in the banks and depositories designated by the  
29           board of governors;

- 1 c. Endorse for deposit all notes, checks, and drafts received by the limited  
2 liability company as ordered by the board of governors, making proper  
3 vouchers for them;
- 4 d. Disburse limited liability company funds and issue checks and drafts in the  
5 name of the limited liability company, as ordered by the board of governors;
- 6 e. Give to the president and the board of governors, whenever requested, an  
7 account of all transactions by the treasurer and of the financial condition of the  
8 limited liability company; and
- 9 f. Perform other duties prescribed by the board of governors or by the president.
- 10 ~~3.~~ 4. The secretary, if any, shall:
- 11 a. Attend all meetings of the board of governors, all meetings of the members,  
12 and, when required, all meetings of standing committees;
- 13 b. Record all proceedings of the meetings;
- 14 c. Give, or cause to be given, notice of all meetings of the members and  
15 meetings of the board of governors; and
- 16 d. Perform other duties prescribed by the board of governors.
- 17 5. Any other managers and agents of the limited liability company, as between  
18 themselves and the limited liability company, have the authority and shall perform  
19 the duties in the management of the limited liability company as may be provided in  
20 the articles of organization or the operating agreement, or as may be determined  
21 by resolution of the board not inconsistent with the articles of organization or the  
22 operating agreement.

23 **SECTION 157. AMENDMENT.** Section 10-32-91 of the North Dakota Century Code is  
24 amended and reenacted as follows:

25 **10-32-91. Multiple managerial positions.** Any number of managerial positions or  
26 functions of those positions may be held or exercised by the same ~~person~~ individual. If a  
27 document must be signed by ~~persons~~ individuals holding different positions or functions and a  
28 ~~person~~ an individual holds or exercises more than one of those positions or functions, that  
29 ~~person~~ individual may sign the document in more than one capacity, but only if the document  
30 indicates each capacity in which the ~~person~~ individual signs.

1           **SECTION 158. AMENDMENT.** Section 10-32-92 of the North Dakota Century Code is  
2 amended and reenacted as follows:

3           **10-32-92. Managers deemed elected.** In the absence of an election or appointment of  
4 managers by the board of governors, the ~~person~~ individual or ~~persons~~ individuals exercising  
5 the functions of the principal managers of the limited liability company are deemed to have  
6 been elected to those offices.

7           **SECTION 159. AMENDMENT.** Section 10-32-93 of the North Dakota Century Code is  
8 amended and reenacted as follows:

9           **10-32-93. Contract rights.** The election or appointment of ~~a person~~ an individual as a  
10 manager or agent does not, of itself, create contract rights. However, a limited liability company  
11 may enter into a contract with a manager or agent. The resignation or removal of the manager  
12 or agent is without prejudice to any contractual rights or obligations.

13           **SECTION 160. AMENDMENT.** Section 10-32-94 of the North Dakota Century Code is  
14 amended and reenacted as follows:

15           **10-32-94. Resignation, removal, and vacancy.**

- 16           1. A manager may resign at any time by giving written notice to the limited liability  
17 company. The resignation is effective without acceptance when the notice is given  
18 to the limited liability company, unless a later effective date is specified in the  
19 notice.
- 20           2. ~~A~~ Except as otherwise provided in the articles or operating agreement, a manager  
21 may be removed at any time, with or without cause, by a resolution approved by  
22 the affirmative vote of a majority of the governors present, subject to the provisions  
23 of a member-control agreement. The removal is without prejudice to any  
24 contractual rights of the officer.
- 25           3. A vacancy in an office because of death, resignation, removal, ~~or~~ disqualification or  
26 other cause, may, or in the case of the president or treasurer, must be filled for the  
27 unexpired portion of the term in the manner provided in the articles or operating  
28 agreement, or determined by the board of governors, or pursuant to section  
29 10-32-92.

30           **SECTION 161. AMENDMENT.** Section 10-32-95 of the North Dakota Century Code is  
31 amended and reenacted as follows:

1           **10-32-95. Delegation.** Unless prohibited by the articles or operating agreement or by a  
2 resolution ~~approved by the affirmative vote of a majority of the governors present~~ adopted by  
3 the board of governors, a manager elected or appointed by the board of governors may, without  
4 the approval of the board, delegate some or all of the duties and powers of an office to other  
5 ~~persons~~ individuals. A manager who delegates the duties or powers of an office remains  
6 subject to the standard of conduct for a manager with respect to the discharge of all duties and  
7 powers so delegated.

8           **SECTION 162. AMENDMENT.** Section 10-32-96 of the North Dakota Century Code is  
9 amended and reenacted as follows:

10           **10-32-96. Standard of conduct for managers.** A manager shall discharge the duties  
11 of an office in good faith, in a manner the manager reasonably believes to be in the best  
12 interests of the limited liability company, and with the care an ordinarily prudent person in a like  
13 position would exercise under similar circumstances. ~~A person~~ An individual exercising the  
14 principal functions of an office or to whom some or all of the duties and powers of an office are  
15 delegated pursuant to section 10-32-95 is considered a manager for purposes of this section  
16 and sections 10-32-53 and 10-32-99.

17           **SECTION 163. AMENDMENT.** Section 10-32-97 of the North Dakota Century Code is  
18 amended and reenacted as follows:

19           **10-32-97. Loans, guarantees, and suretyship.**

20           1. A limited liability company may lend money to, guarantee an obligation of, become  
21 a surety for, or otherwise financially assist a person, if the transaction, or a class of  
22 transactions to which the transaction belongs, is approved by the affirmative vote  
23 of a majority of the governors present and:

- 24           a. Is in the usual and regular course of business of the limited liability company;  
25           b. Is with, or for the benefit of, a related organization, an organization in which  
26 the limited liability company has a financial interest, an organization with  
27 which the limited liability company has a ~~business~~ relationship in the usual  
28 and regular course of its business, or an organization to which the limited  
29 liability company has the power to make donations any of which relationships  
30 constitute consideration sufficient to make the loan, guaranty, suretyship, or

- 1                   other financial assistance so approved enforceable against the limited liability  
2                   company;
- 3                   c.   Is with, or for the benefit of, a member who provides services to the limited  
4                   liability company, or a manager or other employee of the limited liability  
5                   company or a subsidiary, including a member, manager, or employee who is  
6                   a governor of the limited liability company or a subsidiary, and may  
7                   reasonably be expected, in the judgment of the board of governors, to benefit  
8                   the limited liability company; or
- 9                   d.   ~~Has~~ Whether or not separate consideration has been promised to the limited  
10                   liability company, has been approved by the owners of two-thirds of the voting  
11                   power of persons other than the interested person or persons.
- 12                  2.   A loan, guarantee, surety contract, or other financial assistance under subsection 1  
13                  may be with or without interest and may be unsecured or may be secured in any  
14                  manner, including, without limitation, a grant of a security interest in a member's  
15                  financial rights in the limited liability company.
- 16                  3.   This section does not grant any authority to act as a bank or to carry on the  
17                  business of banking.

18                  **SECTION 164. AMENDMENT.** Section 10-32-99 of the North Dakota Century Code is  
19 amended and reenacted as follows:

20                  **10-32-99. Indemnification.**

- 21                  1.   For purposes of this section:
- 22                   a.   "Limited liability company" includes a domestic or foreign limited liability  
23                   company that was the predecessor of the limited liability company referred to  
24                   in this section in a merger or other transaction in which the predecessor's  
25                   existence ceased upon consummation of the transaction.
- 26                   b.   "Official capacity" means:
- 27                   (1)   With respect to a governor, the position of governor in a limited liability  
28                   company;
- 29                   (2)   With respect to a person other than a governor, the elective or  
30                   appointive office or position held by a manager, member of a committee  
31                   of the board of governors, the employment relationship undertaken by

1 an employee, agent of the limited liability company, or the scope of the  
2 services provided by members of the limited liability company who  
3 provide services to the limited liability company; and

4 (3) With respect to a governor, manager, member, employee, or agent of  
5 the limited liability company who, while a governor, manager, member,  
6 or employee of the limited liability company, is or was serving at the  
7 request of the limited liability company or whose duties in that position  
8 involve or involved service as a governor, director, manager, officer,  
9 member, partner, trustee, employee, or agent of another organization or  
10 employee benefit plan, the position of that person as a governor,  
11 director, manager, officer, member, partner, trustee, employee, or  
12 agent, as the case may be, of the other organization or employee  
13 benefit plan.

14 c. "Proceeding" means a threatened, pending, or completed civil, criminal,  
15 administrative, arbitration, or investigative proceeding, including a proceeding  
16 by or in the right of the limited liability company.

17 d. "Special legal counsel" means counsel who has not represented the limited  
18 liability company or a related organization, or a governor, manager, member  
19 of a committee of the board of governors, employee, or agent whose  
20 indemnification is in issue.

21 2. Subject to the provisions of subsection 5, a limited liability company shall indemnify  
22 a person made or threatened to be made a party to a proceeding by reason of the  
23 former or present official capacity of the person against judgments, penalties, fines,  
24 including, without limitation, excise taxes assessed against the person with respect  
25 to an employee benefit plan, settlements, and reasonable expenses, including  
26 attorney's fees and disbursements, incurred by the person in connection with the  
27 proceeding, if, with respect to the acts or omissions of the person complained of in  
28 the proceeding, the person:

29 a. Has not been indemnified by another organization or employee benefit plan  
30 for the same judgments, penalties, fines, including, without limitation, excise  
31 taxes assessed against the person with respect to an employee benefit plan,

- 1 settlements, and reasonable expenses, including attorney's fees and  
2 disbursements, incurred by the person in connection with the proceeding with  
3 respect to the same acts or omissions;
- 4 b. Acted in good faith;
- 5 c. Received no improper personal benefit and section 10-32-87, if applicable,  
6 has been satisfied;
- 7 d. In the case of a criminal proceeding, had no reasonable cause to believe the  
8 conduct was unlawful; and
- 9 e. In the case of acts or omissions occurring in the official capacity described in  
10 paragraph 1 or 2 of subdivision b of subsection 1, reasonably believed that  
11 the conduct was in the best interests of the limited liability company, or in the  
12 case of acts or omissions occurring in the official capacity described in  
13 paragraph 3 of subdivision b of subsection 1, reasonably believed that the  
14 conduct was not opposed to the best interests of the limited liability company.  
15 If the person's acts or omissions complained of in the proceeding relate to  
16 conduct as a director, officer, trustee, employee, or agent of an employee  
17 benefit plan, the conduct is not considered to be opposed to the best interests  
18 of the limited liability company if the person reasonably believed that the  
19 conduct was in the best interests of the participants or beneficiaries of the  
20 employee benefit plan.
- 21 3. The termination of a proceeding by judgment, order, settlement, conviction, or  
22 upon a plea of nolo contendere or its equivalent does not, of itself, establish that  
23 the person did not meet the criteria set forth in subsection 2.
- 24 4. Subject to the provisions of subsection 5, if a person is made or threatened to be  
25 made a party to a proceeding, the person is entitled, upon written request to the  
26 limited liability company, to payment or reimbursement by the limited liability  
27 company of reasonable expenses, including attorney's fees and disbursements,  
28 incurred by the person in advance of the final disposition of the proceeding:
- 29 a. Upon receipt by the limited liability company of a written affirmation by the  
30 person of a good faith belief that the criteria for indemnification set forth in  
31 subsection 2 have been satisfied and a written undertaking by the person to

1                    repay all amounts so paid or reimbursed by the limited liability company, if it is  
2                    ultimately determined that the criteria for indemnification have not been  
3                    satisfied; and

4                    b.    After a determination that the facts then known to those making the  
5                    determination would not preclude indemnification under this section.

6                    The written undertaking required by subdivision a is an unlimited general obligation  
7                    of the person making it, but need not be secured and must be accepted without  
8                    reference to financial ability to make the repayment.

9                    5.    The articles of organization or operating agreement either may prohibit  
10                    indemnification or advances of expenses otherwise required by this section or may  
11                    impose conditions on indemnification or advances of expenses in addition to the  
12                    conditions contained in subsections 2 through 4 including, without limitation,  
13                    monetary limits on indemnification or advances of expenses, if the conditions apply  
14                    equally to all persons or to all persons within a given class. A prohibition or limit on  
15                    indemnification or advances may not apply to or affect the right of a person to  
16                    indemnification or advances of expenses with respect to any acts or omissions of  
17                    the person occurring before the effective date of a provision in the articles of  
18                    organization or the date of adoption of a provision in the operating agreement  
19                    establishing the prohibition or limit on indemnification or advances.

20                    6.    This section does not require, or limit the ability of, a limited liability company to  
21                    reimburse expenses, including attorney's fees and disbursements, incurred by a  
22                    person in connection with an appearance as a witness in a proceeding at a time  
23                    when the person has not been made or threatened to be made a party to a  
24                    proceeding.

25                    7.    All indemnification determinations must be made:

26                    a.    By the board of governors by a majority of a quorum. Governors who are, at  
27                    the time, parties to the proceeding are not counted for determining either a  
28                    majority or the presence of a quorum;

29                    b.    If a quorum under subdivision a cannot be obtained, by a majority of a  
30                    committee of the board of governors, consisting solely of two or more  
31                    governors not at the time parties to the proceeding, duly designated to act in



- 1                   the matter by a majority of the full board of governors including governors who  
2                   are parties;
- 3                   c. If a determination is not made under subdivision a or b, by special legal  
4                   counsel, selected either by a majority of the board of governors or a  
5                   committee by vote pursuant to subdivision a or b or, if the requisite quorum of  
6                   the full board of governors cannot be obtained and the committee cannot be  
7                   established, by a majority of the full board of governors including governors  
8                   who are parties;
- 9                   d. If a determination is not made under subdivisions a through c, by the  
10                  members, ~~excluding the votes of membership interests held by parties other~~  
11                  than the members who are a party to the proceeding; or
- 12                  e. If an adverse determination is made under subdivisions a through d or under  
13                  subsection 8, or if no determination is made under subdivisions a through d or  
14                  under subsection 8 within sixty days after the ~~termination of a proceeding or~~  
15                  ~~after a~~ later to occur of the termination of a proceeding; or a written request  
16                  for indemnification to the limited liability company; or a written request for an  
17                  advance of expenses, as the case may be, by a court in this state, which may  
18                  be the same court in which the proceeding involving the person's liability took  
19                  place, upon application of the person and any notice the court requires. The  
20                  person seeking indemnification or payment or reimbursement of expenses  
21                  pursuant to this clause has the burden of establishing that the person is  
22                  entitled to indemnification or payment or reimbursement of expenses.
- 23                  8. With respect to a person who is not, and was not at the time of the acts or  
24                  omissions complained of in the proceedings, a governor, manager, or person  
25                  possessing, directly or indirectly, the power to direct or cause the direction of the  
26                  management or policies of the limited liability company, the determination whether  
27                  indemnification of this person is required because the criteria set forth in  
28                  subsections 2 and 3 have been satisfied and whether this person is entitled to  
29                  payment or reimbursement of expenses in advance of the final disposition of a  
30                  proceeding as provided in subsection 4 may be made by an annually appointed  
31                  committee of the board of governors, having at least one member who is a

1 governor. The committee shall report at least annually to the board of governors  
2 concerning its actions.

3 9. A limited liability company may purchase and maintain insurance on behalf of a  
4 person in that person's official capacity against any liability asserted against and  
5 incurred by the person in or arising from that capacity, whether or not the limited  
6 liability company would have been required to indemnify the person against the  
7 liability under the provisions of this section.

8 10. A limited liability company that indemnifies or advances expenses to a person in  
9 accordance with this section in connection with a proceeding by or on behalf of the  
10 limited liability company shall report to the members in writing the amount of the  
11 indemnification or advance and to whom and on whose behalf it was paid not later  
12 than the next meeting of members as part of the annual financial statements  
13 furnished to members pursuant to section 10-32-52 covering the period when the  
14 indemnification or advance was paid or accrued under the accounting method of  
15 the limited liability company reflected in the financial statements.

16 11. Nothing in this section may be construed to limit the power of the limited liability  
17 company to indemnify other persons by contract or otherwise.

18 **SECTION 165. AMENDMENT.** Section 10-32-100 of the North Dakota Century Code  
19 is amended and reenacted as follows:

20 **10-32-100. Merger - Exchange - Transfer.**

- 21 1. With or without a business purpose, a limited liability company may merge:  
22 a. With another limited liability company or a domestic corporation pursuant to a  
23 plan of merger approved in the manner provided in sections 10-32-101  
24 through 10-32-106; and  
25 b. With any foreign corporation or foreign limited liability company pursuant to a  
26 plan of merger approved in the manner provided in section 10-32-107.

27 2. With respect to an exchange:

- 28 a. A limited liability company may acquire all of the ownership interests of one or  
29 more classes or series of another limited liability company or domestic  
30 corporation pursuant to a plan of exchange approved in the manner provided  
31 in sections 10-32-101 through 10-32-106.



1 organization or any other organization or, in whole or in part, for money  
2 or other property;

3 d. In the case of a merger, a statement of any amendments to the articles of  
4 organization or articles of incorporation, as the case may be, of the surviving  
5 organization proposed as part of the merger; and

6 e. Any other provisions with respect to the proposed merger that are considered  
7 necessary or desirable.

8 2. The procedure authorized by this section does not limit the power of a limited  
9 liability company to acquire all or part of the ownership interests of one or more  
10 classes or series of any other organization through a negotiated agreement with  
11 the owners or otherwise.

12 **SECTION 167. AMENDMENT.** Section 10-32-102 of the North Dakota Century Code  
13 is amended and reenacted as follows:

14 **10-32-102. Plan approval.**

15 1. A resolution containing the plan of merger must be approved by the affirmative  
16 vote of a majority of the board members present at a meeting of the governing  
17 board of each constituent organization and must then be submitted at a regular or  
18 special meeting to the ~~members~~ owners of each constituent organization ~~at a~~  
19 ~~regular or a special meeting~~ in the case of a plan of merger; and the constituent  
20 organization whose ownership interests will be acquired by the acquiring  
21 constituent organization in the exchange, in the case of an exchange. Written  
22 notice must be given to every owner of that constituent organization, whether or  
23 not entitled to vote at the meeting, not less than fourteen days nor more than sixty  
24 days before the meeting, in the manner provided in section 10-19.1-98 for notice of  
25 meetings of shareholders in the case of a domestic corporation and in the manner  
26 provided in section 10-32-40 for notice of meetings of members in the case of a  
27 limited liability company. The written notice must state that a purpose of the  
28 meeting is to consider the proposed plan of merger or exchange. A copy or short  
29 description of the plan of merger or exchange must be included in or enclosed with  
30 the notice.

- 1           2. At the meeting a vote of the owners must be taken on the proposed plan. The plan  
2 of merger is adopted when approved by the affirmative vote of the owners of a  
3 majority of the voting power of all ownership interests entitled to vote. Except as  
4 provided in subsection 3, a class or series of ownership interests of the constituent  
5 organization is entitled to vote as a class or series if any provision of the plan  
6 would, if contained in a proposed amendment to the articles of organization or  
7 articles of incorporation, as the case may be, entitle the class or series of  
8 ownership interests to vote as a class or series and, in the case of an exchange, if  
9 the class or series is included in the exchange.
- 10          3. A class or series of ownership interests of the constituent organization is not  
11 entitled to vote as a class or series solely because the plan of merger ~~or exchange~~  
12 effects a cancellation of the ownership interests of the class or series if the plan of  
13 merger ~~or exchange~~ effects a cancellation of all ownership interests of the  
14 constituent organization of all classes and series that are existing immediately  
15 before the merger ~~or exchange~~ and owners of ownership interests of that class or  
16 series are entitled to obtain payment for the fair value of their ownership interests  
17 under section 10-19.1-87 or 10-32-55, as the case may be, in the event of the  
18 merger ~~or exchange~~.
- 19          4. Notwithstanding subsections 1 and 2, submission of a plan of merger to a vote at a  
20 meeting of shareholders of a surviving corporation is not required if:
- 21           a. The articles of the corporation will not be amended in the transaction;
- 22           b. Each holder of shares of the corporation that were outstanding immediately  
23 before the effective ~~date~~ time of the transaction will hold the same number of  
24 shares with identical rights immediately after that ~~date~~ time;
- 25           c. The ~~number of~~ voting power of the outstanding shares of the corporation  
26 entitled to vote immediately after the merger, plus the ~~number of~~ voting power  
27 of the outstanding shares of the corporation entitled to vote issuable on  
28 conversion of ~~securities other than shares~~ or on the exercise of rights to  
29 purchase securities issued ~~by virtue of the terms of~~ in the transaction, will not  
30 exceed by more than twenty percent, the ~~number of~~ voting power of the

- 1                    outstanding shares of the corporation entitled to vote immediately before the  
2                    transaction; and
- 3                    d.    The number of participating shares of the corporation immediately after the  
4                    merger, plus the number of participating shares of the corporation issuable on  
5                    conversion, or on the exercise of rights to purchase, securities issued in the  
6                    transaction, will not exceed by more than twenty percent, the number of  
7                    participating shares of the corporation immediately before the transaction.  
8                    "Participating shares" are outstanding shares of the corporation that entitle  
9                    their holders to participate without limitation in distributions by the corporation.

10                   **SECTION 168. AMENDMENT.** Section 10-32-103 of the North Dakota Century Code  
11 is amended and reenacted as follows:

12                   **10-32-103. Articles of merger - Certificate.**

- 13                   1.    Upon receiving the approval required by section 10-32-102, articles of merger must  
14                   be prepared that contain:
- 15                   a.    The plan of merger; and
- 16                   b.    For each constituent organization either:
- 17                          (1)    A statement that the plan has been approved by a vote of the  
18                                  shareholders pursuant to subsection 2 of section 10-19.1-98 or the  
19                                  members pursuant to subsection 2 or 3 of section 10-32-102; or
- 20                          (2)    A statement that a vote of the shareholders is not required by virtue of  
21                                  subsection 3 of section 10-19.1-98 or that a vote of the members is not  
22                                  required by virtue of subsection 4 of section 10-32-102.
- 23                   2.    The articles of merger must be signed on behalf of each constituent organization  
24                   and filed with the secretary of state, together with the fees provided in section  
25                   10-32-150.
- 26                   3.    The secretary of state shall issue a certificate of merger to the surviving constituent  
27                   organization, or its legal representative. The certificate must contain the effective  
28                   date of merger.

29                   **SECTION 169. AMENDMENT.** Section 10-32-104 of the North Dakota Century Code  
30 is amended and reenacted as follows:

31                   **10-32-104. Merger of subsidiary into parent.**

- 1           1. A parent owning at least ninety percent of the outstanding ownership interests of  
2           each class and series of a subsidiary ~~may merge the subsidiary into itself without a~~  
3           ~~vote of the owners of either constituent organization.~~ directly, or indirectly through  
4           related corporations or limited liability companies:
- 5           a. May merge the subsidiary into itself; or into any other subsidiary at least  
6           ninety percent of the outstanding ownership interest of each class and series  
7           of which is owned by the parent directly, or indirectly through related  
8           corporations or limited liability companies, without a vote of the owners of  
9           itself or any subsidiary; or
- 10          b. May merge itself, or itself and one or more subsidiaries, into one of the  
11          subsidiaries under this section.
- 12          2. A resolution approved by the affirmative vote of a majority of the directors or  
13          ~~managers~~ governors of the parent present must set forth a plan of merger that  
14          contains:
- 15          a. The name of the subsidiary ~~and~~ or subsidiaries, the name of the parent, and  
16          the name of the surviving constituent organization; and
- 17          b. The manner and basis of converting the ownership interests of the subsidiary  
18          into ownership interests of the parent or of another organization or, in whole  
19          or in part, into money or other property;
- 20          c. If the parent is a constituent organization but is not the surviving constituent  
21          organization in the merger, a provision for the pro rata issuance of ownership  
22          interests of the surviving constituent organization to the owners of ownership  
23          interests of the parent for ownership interests of the parent; and
- 24          d. If the surviving constituent organization is a subsidiary, a statement of any  
25          amendments to the articles of the surviving constituent organization that will  
26          be part of the merger.
- 27          3. If the parent is a constituent organization but is not the surviving constituent  
28          organization in a merger, the resolution is not effective unless it is also approved  
29          by the affirmative vote of the holders of a majority of the voting power of all  
30          ownership interests of the parent entitled to vote at a regular or special meeting  
31          held in accordance with section 10-19.1-98 if the parent is a corporation or in

1 accordance with the laws under which it is incorporated or organized if the parent  
2 is a foreign corporation or foreign limited liability company.

3 ~~2.~~ 4. A copy of the plan of merger must be mailed to each ~~member~~ owner, other than  
4 the parent, of ~~the~~ each subsidiary that is a constituent organization to the merger.

5 ~~3.~~ 5. Articles of merger must be prepared that contain:

6 a. The plan of merger;

7 b. The number of outstanding ownership interests of each class and series of  
8 ~~the~~ each subsidiary and the number of ownership interests of each class and  
9 series owned by the parent directly or indirectly, through related constituent  
10 organizations; and

11 c. The date a copy of the plan of merger was mailed to the owners, other than  
12 the parent, of ~~the~~ each subsidiary that is a constituent organization in the  
13 merger, and

14 d. A statement that the plan of merger has been approved by the parent under  
15 this section.

16 ~~4.~~ 6. Within thirty days after a copy of the plan of merger is mailed to the owners of ~~the~~  
17 each subsidiary that is a constituent organization to the merger, or upon waiver of  
18 the mailing by the ~~holders~~ owners of all outstanding ownership interests, the  
19 articles of merger must be signed on behalf of the parent and filed with the  
20 secretary of state, together with the fees provided in section 10-32-150.

21 ~~5.~~ 7. The secretary of state shall issue a certificate of merger to the parent or its legal  
22 representative. The certificate must contain the effective date of merger.

23 8. If all of the ownership interests of one or more domestic subsidiaries that are a  
24 constituent organization to a merger under this section are not owned by the parent  
25 directly, or indirectly through related constituent organizations, immediately before  
26 the merger, the owners of each domestic subsidiary have dissenter's rights under  
27 section 10-19.1-87 or under section 10-32-54, without regard to subsection 3 of  
28 section 10-19.1-87 and section 10-19.1-88 or to subsection 2 of section 10-32-54  
29 or section 10-22-55. If the parent is a constituent organization but is not the  
30 surviving constituent organization in the merger, and the articles of incorporation or  
31 articles of organization of the surviving constituent organization immediately after



1           the merger differ from the articles of incorporation or articles of organization of the  
2           parent immediately before the merger in a manner that would entitle an owner of  
3           the parent to dissenter's rights under subsection 1 of section 10-19.1-87 or under  
4           subdivision a of subsection 1 of section 10-32-54 if the articles of incorporation or  
5           articles of organization of the surviving constituent organization constitute an  
6           amendment to the articles of incorporation or articles of organization of the parent,  
7           that owner of the parent has dissenter's rights as provided under sections  
8           10-19.1-87 and 10-19.1-88 or under sections 10-32-54 and 10-32-55. Except as  
9           provided in this subsection, sections 10-19.1-87 and 10-19.1-88 and sections  
10           10-32-54 and 10-32-55 do not apply to any merger affected under this section.

11           9. A merger among a parent and one or more subsidiaries or among two or more  
12           subsidiaries of a parent may be accomplished under sections 10-32-101 through  
13           10-32-103 instead of this section, in which case this section does not apply.

14           **SECTION 170. AMENDMENT.** Section 10-32-105 of the North Dakota Century Code  
15 is amended and reenacted as follows:

16           **10-32-105. Abandonment of plan of merger.**

- 17           1. After a plan of merger has been approved by the owners entitled to vote on the  
18           approval of the plan as provided in section 10-32-102, and before the effective date  
19           of the plan, it may be abandoned:
- 20           a. If the owners of ownership interests of each of the constituent organizations  
21           entitled to vote on the approval of the plan as provided in section 10-32-102  
22           have approved the abandonment at a meeting by the affirmative vote of the  
23           owners of a majority of the voting power of the ownership interests entitled to  
24           vote and, if the owners of a constituent organization are not entitled to vote on  
25           the approval of the plan under section 10-32-102, the governing board of that  
26           constituent organization has approved the abandonment by the affirmative  
27           vote of a majority of the board members present;
- 28           b. If the plan itself provides for abandonment and all conditions for abandonment  
29           set forth in the plan are met; or
- 30           c. Pursuant to subsection 2.

- 1           2. If articles of merger have not been filed with the secretary of state and the plan is  
2           to be abandoned, or if a plan of exchange is to be abandoned, a resolution  
3           abandoning the plan of merger or exchange may be approved by the affirmative  
4           vote of a majority of the board members present, subject to the contract rights of  
5           any other person under the plan.
- 6           3. If articles of merger have been filed with the secretary of state, but have not yet  
7           become effective, the constituent organizations, in the case of abandonment under  
8           subdivision a of subsection 1, the constituent organizations or any one of them, in  
9           the case of abandonment under subdivision b of subsection 1, or the abandoning  
10          organization in the case of abandonment under subsection 2, shall file with the  
11          secretary of state together with the fees provided in section 10-32-150, articles of  
12          abandonment that contain:
- 13           a. The names of the constituent organizations;
- 14           b. The provision of this section under which the plan is abandoned; and
- 15           c. If the plan is abandoned under subsection 2, the text of the resolution  
16           approved by the affirmative vote of a majority of the board members present  
17           abandoning the plan.
- 18          4. If the certificate of merger has been issued, the governing board shall surrender  
19          the certificate to the secretary of state upon filing the articles of abandonment.

20           **SECTION 171. AMENDMENT.** Section 10-32-106 of the North Dakota Century Code  
21 is amended and reenacted as follows:

22           **10-32-106. Effective date of merger or exchange and effect.**

- 23          1. A merger is effective when the articles of merger are filed with the secretary of  
24          state or on a later date specified in the articles of merger. An exchange is effective  
25          on the date specified in the plan of exchange.
- 26          2. When a merger becomes effective:
- 27           a. The constituent organizations become a single ~~entity~~ constituent organization,  
28           the surviving ~~limited liability company or corporation, as the case may be~~  
29           constituent organization;
- 30           b. The separate existence of all constituent organizations except the surviving  
31           constituent organization ceases;

- 1           c. As to any limited liability company that was a constituent organization and is  
2           not the surviving constituent organization, the articles of merger serve as the  
3           articles of termination and, unless previously filed, the notice of dissolution;
- 4           d. As to rights, privileges, immunities, powers, duties, and liabilities:
- 5           (1) If the surviving organization is a limited liability company, the surviving  
6           limited liability company has all the rights, privileges, immunities, and  
7           powers, and is subject to all the duties and liabilities of a limited liability  
8           company organized under this chapter; and
- 9           (2) If the surviving organization is a domestic corporation, the surviving  
10          domestic corporation has all the rights, privileges, immunities, and  
11          powers, and is subject to all the duties and liabilities of a domestic  
12          corporation;
- 13          e. The surviving constituent organization, whether a limited liability company or a  
14          domestic or foreign corporation, possesses all the rights, privileges,  
15          immunities, and franchises, of a public as well as of a private nature, of each  
16          of the constituent organizations.
- 17          (1) All property, real, personal, and mixed, and all debts due on any  
18          account, including subscriptions to shares and contribution agreements,  
19          as the case may be, and all other choses in action, and every other  
20          interest of or belonging to or due to each of the constituent  
21          organizations vests in the surviving constituent organization without any  
22          further act or deed.
- 23          (2) Confirmatory deeds, assignments, or similar instruments to accomplish  
24          that vesting may be signed and delivered at any time in the name of a  
25          constituent organization by its current officers or managers, as the case  
26          may be, or, if the organization no longer exists, by its last officers or  
27          managers, as the case may be.
- 28          (3) The title to any real estate or any interest in real estate vested in any of  
29          the constituent organizations does not revert nor in any way become  
30          impaired by reason of the merger;

- 1           f.    The surviving constituent organization is responsible and liable for all the  
2                    liabilities and obligations of each of the constituent organizations.  
3                (1)   A claim of or against or a pending proceeding by or against a  
4                    constituent organization may be prosecuted as if the merger had not  
5                    taken place, or the surviving organization may be substituted in the  
6                    place of the constituent organization.  
7                (2)   Neither the rights of creditors nor any liens upon the property of a  
8                    constituent organization are impaired by the merger; and  
9            g.    The articles of organization or articles of incorporation, as the case may be, of  
10                   the surviving organization are considered to be amended to the extent that  
11                   changes in its articles, if any, are contained in the plan of merger.  
12           3.    When a merger becomes effective, the ownership interests to be converted or  
13                   exchanged under the terms of the plan cease to exist in the case of a merger, or  
14                   are considered to be exchanged in the case of an exchange. The owners of those  
15                   ownership interests are entitled only to the securities, money, or other property into  
16                   which those ownership interests have been converted or for which those ownership  
17                   interests have been exchanged in accordance with the plan, subject to any  
18                   dissenters' rights under section 10-19.1-87 or 10-32-54, as the case may be.

19           **SECTION 172. AMENDMENT.** Section 10-32-107 of the North Dakota Century Code  
20 is amended and reenacted as follows:

21           **10-32-107. Merger or exchange with foreign ~~organization~~ limited liability**  
22 **company or foreign corporation.**

- 23           1.    A limited liability company may merge with or participate in an exchange with a  
24                   foreign corporation or a foreign limited liability company by following the  
25                   procedures set forth in this section, if:  
26                a.    With respect to a merger, the merger is permitted by the laws of the state  
27                    under which the foreign corporation or foreign limited liability company is  
28                    incorporated or organized; and  
29                b.    With respect to an exchange, the constituent organization whose ownership  
30                    interests will be acquired is either a limited liability company or a domestic  
31                    corporation, whether or not the exchange is permitted by the laws of the state

- 1                   under which the foreign corporation or foreign limited liability company is  
2                   incorporated or organized.
- 3           2.   Each limited liability company shall comply with the provisions of this section and  
4           sections 10-32-100 through 10-32-106 with respect to the merger or exchange of  
5           ownership interests of organizations and each foreign corporation or foreign limited  
6           liability company shall comply with the applicable provisions of the laws under  
7           which it was incorporated or organized or by which it is governed.
- 8           3.   If the surviving organization in a merger will be a domestic limited liability company,  
9           it shall comply with all the provisions of this chapter.
- 10          4.   If the surviving organization in a merger will be a foreign corporation or foreign  
11          limited liability company and will transact business in this state, it shall comply, as  
12          the case may be, with the provisions of chapter 10-22 with respect to foreign  
13          corporations or with the provisions of this chapter with respect to foreign limited  
14          liability companies. In every case the surviving foreign corporation or foreign  
15          limited liability company shall file with the secretary of state:
- 16               a.   An agreement that it may be served with process in this state in a proceeding  
17               for the enforcement of an obligation of a constituent organization and in a  
18               proceeding for the enforcement of the rights of a dissenting owner of an  
19               ownership interest of a constituent organization against the surviving foreign  
20               corporation or foreign limited liability company;
- 21               b.   An irrevocable appointment of the secretary of state as its agent to accept  
22               service of process in any proceeding, and an address to which process may  
23               be forwarded; and
- 24               c.   An agreement that it will promptly pay to the dissenting owners of an  
25               ownership interests of each constituent domestic limited liability company and  
26               constituent domestic corporation the amount, if any, to which they are entitled  
27               under section 10-19.1-88 or 10-32-55, as the case may be.

28           **SECTION 173. AMENDMENT.** Section 10-32-108 of the North Dakota Century Code  
29 is amended and reenacted as follows:

30           **10-32-108. Transfer of assets - When permitted.**

- 1           1. A limited liability company may, by affirmative vote of a majority of the governors  
2           present, ~~may sell, lease, transfer, or otherwise dispose of all or substantially all of~~  
3           ~~its property and assets in the usual and regular course of its business and grant a~~  
4           ~~mortgage of or security interest in and otherwise encumber and assign for~~  
5           ~~purposes of security all or substantially all of its property and assets whether or not~~  
6           ~~in the usual and regular course of its business~~, upon those terms and conditions  
7           and for those considerations, which may be money, securities, or other instruments  
8           for the payment of money or other property, as the board of governors considers  
9           expedient, ~~in which case no~~ and without member approval ~~is required~~;
- 10          a. Sell, lease, transfer, or otherwise dispose of all or substantially all of its  
11          property and assets in the usual and regular course of its business;
- 12          b. Grant a security interest in all or substantially all of its property and assets  
13          whether or not in the usual and regular course of its business; or
- 14          c. Transfer any or all of its property to a corporation all of the shares of which  
15          are owned by a limited liability company.
- 16          2. A limited liability company, by affirmative vote of a majority of the governors  
17          present, may sell, lease, transfer, or otherwise dispose of all or substantially all of  
18          its property and assets, including its goodwill, not in the usual and regular course of  
19          its business, upon those terms and conditions and for those considerations, which  
20          may be money, securities, or other instruments for the payment of money or other  
21          property, as the board of governors considers expedient, when approved at a  
22          regular or special meeting of the members by the affirmative vote of the owners of  
23          a majority of the voting power of the interests entitled to vote. Written notice of the  
24          meeting must be given to all members whether or not they are entitled to vote at  
25          the meeting. The written notice must state that a purpose of the meeting is to  
26          consider the sale, lease, transfer, or other disposition of all or substantially all of  
27          the property and assets of the limited liability company.
- 28          3. Confirmatory deeds, assignments, or similar instruments to evidence a sale, lease,  
29          transfer, or other disposition may be signed and delivered at any time in the name  
30          of the transferor by its current managers or authorized agents, or, if the limited  
31          liability company no longer exists, by its last managers.

- 1           4. The transferee is liable for the debts, obligations, and liabilities of the transferor  
2           only to the extent provided in the contract or agreement between the transferee  
3           and the transferor or to the extent provided by this chapter or other statutes of this  
4           state.

5           **SECTION 174. AMENDMENT.** Section 10-32-109 of the North Dakota Century Code  
6 is amended and reenacted as follows:

7           **10-32-109. Methods of dissolution.**

- 8           1. A limited liability company dissolves upon the occurrence of any of the following  
9           events:
- 10           a. When the period fixed in the articles of organization for the duration of the  
11           limited liability company expires;
  - 12           b. By order of a court pursuant to sections 10-32-119 and 10-32-122;
  - 13           c. By action of the organizers pursuant to section 10-32-110;
  - 14           d. By action of the members pursuant to section 10-32-111; ~~or~~
  - 15           e. ~~Upon~~ Except as otherwise provided in the articles of organization, upon the  
16           occurrence of an event that terminates the continued membership of a  
17           member in the limited liability company, including:
    - 18           (1) Death of any member;
    - 19           (2) Retirement of any member;
    - 20           (3) Resignation of any member;
    - 21           (4) Redemption of a member's complete membership interest;
    - 22           (5) Assignment of a member's governance rights under section 10-32-32  
23           which leaves the assignor with no governance rights;
    - 24           (6) A buyout of a member's membership interest under section 10-32-119  
25           that leaves that member with no governance rights;
    - 26           (7) Expulsion of any member;
    - 27           (8) Bankruptcy of any member;
    - 28           (9) Dissolution of any member;
    - 29           (10) A merger in which the limited liability company is not the surviving  
30           organization;

- 1                   (11) An exchange in which the limited liability company is not the acquiring  
2                   organization; or
- 3                   (12) The occurrence of any other event that terminates the continued  
4                   membership of a member in the limited liability company, but the limited  
5                   liability company is not dissolved and is not required to be wound up by  
6                   reason of any event that terminates the continued membership of a  
7                   member if:
- 8                   (a) Either there are at least two remaining members or a new  
9                   member is admitted as provided in section 10-32-06; and
- 10                   (b) The existence and business of the limited liability company is  
11                   continued either by the consent of all remaining members under  
12                   a right to consent stated in the articles of organization and the  
13                   consent is obtained no later than ninety days after the termination  
14                   of the continued membership, or under a separate right to  
15                   continue stated in the articles of organization; or
- 16                   f. When terminated by the secretary of state pursuant to section 10-32-149.
- 17                   2. A limited liability company dissolved by one of the dissolution events specified in  
18                   subsection 1 must be wound up and terminated under the following dissolution  
19                   provisions:
- 20                   a. When a limited liability company is dissolved under subdivision a of  
21                   subsection 1 by reason of the expiration of its limited period of duration, the  
22                   limited liability company must be wound up and terminated under sections  
23                   10-32-112 through 10-32-115 and sections 10-32-117, 10-32-118, and  
24                   10-32-131;
- 25                   b. When a limited liability company is dissolved under subdivision b of  
26                   subsection 1 by reason of a court order, the limited liability company must be  
27                   wound up and terminated under sections 10-32-119 through 10-32-126;
- 28                   c. When a limited liability company is dissolved under subdivision c of  
29                   subsection 1 by its organizers, the limited liability company must be wound up  
30                   and terminated under section 10-32-110 and sections 10-32-112 through  
31                   10-32-118;



- 1           d. When a limited liability company is dissolved under subdivision d of  
2           subsection 1 by its members, the limited liability company must be wound up  
3           and terminated under sections 10-32-111 through 10-32-118 and section  
4           10-32-131; and
- 5           e. When a limited liability company is dissolved under subdivision e of  
6           subsection 1 by reason of a termination of the continued membership of a  
7           member, the limited liability company must be wound up and terminated  
8           under sections 10-32-112 through 10-32-115 and sections 10-32-117,  
9           10-32-118, and 10-32-131.
- 10          3. Notwithstanding any provision of law, articles of organization, member-control  
11          agreement, operating agreement, other agreement, resolution, or action to the  
12          contrary, a limited liability company is not dissolved and is not required to be  
13          wound up upon the granting of a security interest in a member's membership  
14          interest, governance rights or financial rights, or upon the foreclosure or other  
15          enforcement of a security interest in a member's financial rights, or upon the  
16          secured party's assignment, acceptance, or retention of a member's financial rights  
17          in accordance with title 41.

18           **SECTION 175. AMENDMENT.** Section 10-32-110 of the North Dakota Century Code  
19 is amended and reenacted as follows:

20           **10-32-110. Voluntary dissolution and termination by organizers.** A limited liability  
21 company that has not accepted contributions may be dissolved and terminated by the  
22 organizers in the manner set forth in this section.

- 23          1. A majority of the organizers or governors shall sign articles of dissolution and  
24          termination containing:
- 25           a. The name of the limited liability company;
- 26           b. The date of organization;
- 27           c. A statement that contributions have not been accepted; and
- 28           d. A statement that no debts remain unpaid.
- 29          2. The articles of dissolution and termination must be filed with the secretary of state  
30          together with the fees provided in section 10-32-150.

- 1           3.    When the articles of dissolution and termination have been filed with the secretary
- 2                   of state, the limited liability company is terminated.
- 3           4.    The secretary of state shall issue to the terminated limited liability company or its
- 4                   legal representative a certificate of termination that contains:
- 5                   a.    The name of the limited liability company;
- 6                   b.    The date the articles of dissolution and termination were filed with the
- 7                           secretary of state; and
- 8                   c.    A statement that the limited liability company is terminated.

9           **SECTION 176. AMENDMENT.** Section 10-32-113 of the North Dakota Century Code  
10 is amended and reenacted as follows:

11           **10-32-113. Procedure in winding up.**

- 12           1.    If the business of the limited liability company is wound up and terminated by
- 13                   merging the dissolved limited liability company into a successor organization:
- 14                   a.    The procedures stated in sections 10-32-100 through 10-32-107 must be
- 15                           followed;
- 16                   b.    Sections 10-32-114 through 10-32-116 and sections 10-32-128 and
- 17                           10-32-129 do not apply; and
- 18                   c.    Once the merger is effective, a creditor or claimant of the terminated limited
- 19                           liability company, and all those claiming through or under the creditor or
- 20                           claimant, are barred from suing the terminated limited liability company on
- 21                           that claim or otherwise realizing upon or enforcing it against the terminated
- 22                           limited liability company, but the creditor, claimant, and those claiming under
- 23                           the creditor and claimant, may, if not otherwise barred by law, assert their
- 24                           claims against the surviving organization of the merger.
- 25           2.    If the business of the limited liability company is to be wound up and terminated
- 26                   other than by merging the dissolved limited liability company into a successor
- 27                           organization, the procedures stated in subsections 3 through 5 must be followed.
- 28           3.    When a notice of dissolution has been filed with the secretary of state, the board of
- 29                   governors, or the managers acting under the direction of the board of governors,
- 30                           shall proceed as soon as possible:

- 1           a. To give notice to creditors and claimants under section 10-32-114 or to
- 2                    proceed under section 10-32-115;
- 3           b. Subject to any business continuation agreement, to collect or make provision
- 4                    for the collection of all known debts due or owing to the limited liability
- 5                    company, including unperformed contribution agreements; and
- 6           c. Except as provided in sections 10-32-114, 10-32-115, and 10-32-128, to pay
- 7                    or make provision for the payment of all known debts, obligations, and
- 8                    liabilities of the limited liability company according to their priorities under
- 9                    section 10-32-131.
- 10          4. Notwithstanding section 10-32-108, when a notice of dissolution has been filed with
- 11                    the secretary of state, the governors may sell, lease, transfer, or otherwise dispose
- 12                    of all or substantially all of the property and assets of a dissolved limited liability
- 13                    company without a vote of the members.
- 14          5. All tangible or intangible property, including money, remaining after the discharge
- 15                    of, or after making adequate provision for the discharge of, the debts, obligations,
- 16                    and liabilities of the limited liability company must be distributed to the members in
- 17                    accordance with section 10-32-131.

18           **SECTION 177. AMENDMENT.** Section 10-32-114 of the North Dakota Century Code  
19 is amended and reenacted as follows:

20           **10-32-114. Winding-up procedure for limited liability companies that give notice**  
21 **to creditors and claimants.**

- 22           ~~4.~~ When a notice of dissolution has been filed with the secretary of state, and the
- 23                    business of the limited liability company is not to be wound up and terminated by
- 24                    merging the dissolved limited liability company into a successor organization under
- 25                    subsection 3 of section 10-32-112, then the limited liability company may give
- 26                    notice of the filing to each creditor of and claimant against the limited liability
- 27                    company known or unknown, present or future, and contingent or noncontingent.
- 28          1. If notice to creditors and claimants is given, it must be given by publishing the
- 29                    notice once each week for four successive weeks in an official newspaper as
- 30                    defined in chapter 46-06 in the county or counties where the registered office and
- 31                    the principal executive office of the limited liability company are located and by

1 giving written notice to known creditors and claimants pursuant to subsection 32 of  
2 section 10-32-02.

3 2. The notice to creditors and claimants must contain:

- 4 a. A statement that the limited liability company has dissolved and is in the  
5 process of winding up its affairs;
- 6 b. A statement that the limited liability company has filed with the secretary of  
7 state a notice of dissolution;
- 8 c. The date of filing the notice of dissolution;
- 9 d. The address of the office to which written claims against the limited liability  
10 company must be presented; and
- 11 e. The date by which all claims must be received, which must be the later of  
12 ninety days after published notice or, with respect to a particular known  
13 creditor or claimant, ninety days after the date on which written notice was  
14 given to that creditor or claimant. Published notice is considered given on the  
15 date of first publication for the purpose of determining this date.

16 3. If the business of the limited liability company is being continued under a business  
17 continuation agreement, the notice to creditors may also contain all of the  
18 following:

- 19 a. A statement that the business of the dissolved limited liability company is  
20 being continued by a successor organization;
- 21 b. The name and address of the successor organization;
- 22 c. An undertaking by the successor organization to assume all the liabilities of  
23 the dissolved limited liability company; and
- 24 d. A statement that creditors of the dissolved limited liability company do not  
25 need to file claims against the limited liability company in order to preserve  
26 their rights to enforce those claims against the successor organization.

27 Neither the existence of a business continuation agreement nor the giving of the  
28 information described in this subsection affects a creditor's or claimant's right to  
29 proceed against the dissolved limited liability company.

30 4. With respect to a limited liability company that gives notice to creditors and  
31 claimants:

- 1           a.    A The limited liability company ~~that gives notice to creditors and claimants~~  
2                    has thirty days from the receipt of each claim filed according to the  
3                    procedures set forth by the limited liability company on or before the date set  
4                    forth in the notice to accept or reject the claim by giving written notice to the  
5                    person submitting it. A claim not expressly rejected in this manner is  
6                    considered accepted.
- 7           b.    A creditor or claimant to whom notice is given and whose claim is rejected by  
8                    the limited liability company has sixty days from the date of rejection, or one  
9                    hundred eighty days from the date the limited liability company filed with the  
10                   secretary of state the notice of dissolution, whichever is longer, to pursue any  
11                   other remedies with respect to the claim.
- 12          c.    A creditor or claimant to whom notice is given who fails to file a claim  
13                   according to the procedures set forth by the limited liability company on or  
14                   before the date set forth in the notice is barred from suing the dissolved  
15                   limited liability company on that claim or otherwise realizing upon or enforcing  
16                   it against the dissolved limited liability company, except as provided in section  
17                   10-32-128. If the dissolved limited liability company gave the additional  
18                   information referred to in subsection 3, nothing in this section bars the creditor  
19                   or claimant from seeking to enforce its rights against the successor  
20                   organization.
- 21          d.    A creditor or claimant whose claim is rejected by the limited liability company  
22                   under subdivision b is barred from suing on that claim or otherwise realizing  
23                   upon or enforcing it whether against the dissolved limited liability company or  
24                   any successor organization, if the creditor or claimant does not initiate legal,  
25                   administrative, or arbitration proceedings with respect to the claim within the  
26                   time provided in subdivision b.
- 27          5.    Articles of termination for a limited liability company dissolving under this section  
28                   that has given notice to creditors and claimants under this section must be filed  
29                   with the secretary of state along with the fees provided in section 10-32-150 after:

- 1           a.    The ninety-day period in subdivision e of subsection 2 has expired and the  
2                    payment of claims of all creditors and claimants filing a claim within that  
3                    period has been made or provided for; or  
4           b.    The longest of the periods described in subdivision b of subsection 4 has  
5                    expired and there are no pending legal, administrative, or arbitration  
6                    proceedings by or against the limited liability company commenced within the  
7                    time provided in subdivision b of subsection 4.
- 8           6.    The articles of termination for a limited liability company that has given notice to  
9                    creditors and claimants under this section must state:
- 10           a.    The last date on which the notice was given and that the payment of all  
11                    creditors and claimants filing a claim within the ninety-day period in  
12                    subdivision e of subsection 2 has been made or provided for, or the date on  
13                    which the longest of the periods described in subdivision b of subsection 4  
14                    expired;
- 15           b.    That the remaining property, assets, and claims of the limited liability  
16                    company have been distributed in accordance with section 10-32-131, or that  
17                    adequate provision has been made for that distribution; and
- 18           c.    That there are no pending legal, administrative, or arbitration proceedings by  
19                    or against the limited liability company commenced within the time provided in  
20                    subdivision b of subsection 4 or that adequate provision has been made for  
21                    the satisfaction of any judgment, order, or decree that may be entered against  
22                    it in a pending proceeding.

23           **SECTION 178. AMENDMENT.** Section 10-32-115 of the North Dakota Century Code  
24 is amended and reenacted as follows:

25           **10-32-115. Winding-up procedure for limited liability companies that do not give**  
26 **notice to creditors and claimants.** When a notice of intent to dissolve has been filed with the  
27 secretary of state and the limited liability company elected not to give notice to creditors and  
28 claimants in the manner provided in section 10-32-114:

- 29           1.    Articles of termination for a limited liability company whose business is not to be  
30                    wound up and terminated by merging the dissolved limited liability company into a  
31                    successor organization under subsection 3 of section 10-32-112 and that has not

- 1 given notice to creditors and claimants in the manner provided in section  
2 10-32-114 must be filed with the secretary of state after:
- 3 a. The payment of claims of all known creditors and claimants has been made or  
4 provided for; or
- 5 b. At least two years have elapsed from the date of filing the notice of  
6 dissolution.
- 7 2. The articles of termination for a limited liability company that has not given notice  
8 to creditors and claimants in the manner provided under section 10-32-114 must  
9 state:
- 10 a. If articles of termination are being filed pursuant to subdivision a of  
11 subsection 1 that all known debts, obligations, and liabilities of the limited  
12 liability company have been paid and discharged or that adequate provision  
13 has been made for payment or discharge;
- 14 b. That the remaining property, assets, and claims of the limited liability  
15 company have been distributed in accordance with section 10-32-131 or that  
16 adequate provision has been made for that distribution; and
- 17 c. That there are no pending legal, administrative, or arbitration proceedings by  
18 or against the limited liability company or that adequate provision has been  
19 made for the satisfaction of any judgment, order, or decree that may be  
20 entered against it in a pending proceeding.
- 21 3. If the limited liability company has paid or provided for all known creditors or  
22 claimants at the time articles of termination are filed, a creditor or claimant who  
23 does not file a claim or pursue a remedy in a legal, administrative, or arbitration  
24 proceeding within two years after the date of filing the notice of dissolution is  
25 barred from suing on that claim or otherwise realizing upon or enforcing it.
- 26 4. If the limited liability company has not paid or provided for all known creditors and  
27 claimants at the time articles of termination are filed, a person who does not file a  
28 claim or pursue a remedy in a legal, administrative, or arbitration proceeding within  
29 two years after the date of filing the notice of dissolution is barred from suing on  
30 that claim or otherwise realizing upon or enforcing it, except as provided in section  
31 10-32-128.

1           **SECTION 179. AMENDMENT.** Section 10-32-117 of the North Dakota Century Code  
2 is amended and reenacted as follows:

3           **10-32-117. Filing of article of termination - Effective date of termination and**  
4 **certificate - Certificate of termination.**

5           1. An original of the articles of termination must be filed with the secretary of state. If  
6 the secretary of state finds the articles of termination conform to the filing  
7 requirements of the chapter and all fees have been paid under section 10-32-150,  
8 the secretary of state shall issue a certificate of termination.

9           2. When the articles of termination have been filed with the secretary of state, the  
10 limited liability company is terminated.

11       ~~2.~~ 3. The secretary of state shall issue to the dissolved limited liability company or its  
12 legal representative a certificate of termination that contains:

- 13           a. The name of the limited liability company;  
14           b. The date the articles of termination were filed with the secretary of state; and  
15           c. A statement that the limited liability company is terminated.

16           **SECTION 180. AMENDMENT.** Section 10-32-119 of the North Dakota Century Code  
17 is amended and reenacted as follows:

18           **10-32-119. Judicial intervention and equitable remedies, dissolution, and**  
19 **termination.**

20           1. A court may grant any equitable relief it considers just and reasonable in the  
21 circumstances or may dissolve, wind up, and terminate a limited liability company:

22           a. In a supervised voluntary winding up and termination pursuant to section  
23           10-32-118;

24           b. In an action by a member when it is established that:

25               (1) The governors or the persons having the authority otherwise vested in  
26               the board of governors are deadlocked in the management of the affairs  
27               of the limited liability company and the members are unable to break  
28               the deadlock;

29               (2) The governors or those in control of the limited liability company have  
30               acted fraudulently, illegally, or in a manner unfairly prejudicial toward  
31               one or more members in their capacities as members; or governors; of



- 1                   any limited liability company or as managers; or employees of a closely  
2                   held limited liability company;
- 3                   (3)   The members of the limited liability company are so divided in voting  
4                   power that, for a period that includes the time when two consecutive  
5                   regular meetings were held, they have failed to elect successors to  
6                   governors whose terms have expired or would have expired upon the  
7                   election and qualification of their successors;
- 8                   (4)   The limited liability company assets are being misapplied or wasted; or  
9                   (5)   An event of dissolution has occurred under subdivision a, d, or e of  
10                  subsection 1 of section 10-32-109 but the limited liability company is not  
11                  acting to wind up its affairs;
- 12                  c.   In an action by a creditor when:  
13                   (1)   The claim of the creditor has been reduced to judgment and an  
14                   execution on the judgment has been returned unsatisfied; or  
15                   (2)   The limited liability company has admitted in writing that the claim of the  
16                   creditor is due and owing and it is established that the limited liability  
17                   company is unable to pay its debts in the ordinary course of business;  
18                   or
- 19                  d.   In an action by the attorney general to dissolve the limited liability company in  
20                   accordance with section 10-32-122 when it is established that a decree of  
21                   termination is appropriate.
- 22                  2.   In determining whether to order relief under this section and in determining what  
23                   particular relief to order, the court shall take into consideration the financial  
24                   condition of the limited liability company but may not refuse to order any particular  
25                   form of relief solely on the grounds that the limited liability company has  
26                   accumulated or current operating profits.
- 27                  3.   In determining whether to order relief under this section and in determining what  
28                   particular relief to order, the court shall take into consideration the duty that all  
29                   members in a closely held limited liability company owe one another to act in an  
30                   honest, fair, and reasonable manner in the operation of the limited liability company  
31                   and the reasonable expectations of the members as they exist at the inception and

1           develop during the course of the members' relationship with the limited liability  
2           company and with each other.

3           4. For purposes of this section, any written agreements, including employment  
4           agreements and buy-sell agreements between or among one or more members  
5           and the limited liability company are presumed to reflect the parties reasonable  
6           expectations concerning matters dealt with in the agreements.

7           5. In determining what relief to order, the court shall take into account that any relief  
8           that results in the termination of a member's membership interest will cause  
9           dissolution of the limited liability company. If the court orders relief that results in  
10          dissolution of the limited liability company, the court shall make appropriate orders  
11          providing for the winding up and termination of the dissolved limited liability  
12          company.

13       ~~5.~~ 6. In deciding whether to order winding up through liquidation, the court shall consider  
14          whether lesser relief suggested by one or more parties, or provided in a business  
15          continuation agreement, such as any form of equitable relief, or a buyout or partial  
16          liquidation coupled with the continuation of the business of the dissolved limited  
17          liability company through a successor organization, would be adequate to  
18          permanently relieve the circumstances established under subdivision b or c of  
19          subsection 1. Lesser relief may be ordered in any case where it would be  
20          appropriate under all the facts and circumstances of the case.

21       ~~6.~~ 7. If the court finds that a party to a proceeding brought under this section has acted  
22          arbitrarily, vexatiously, or otherwise not in good faith, it may in its discretion award  
23          reasonable expenses, including attorneys' fees and disbursements, to any of the  
24          other parties.

25       ~~7.~~ 8. Proceedings under this section must be brought in a court within the county in  
26          which the registered office of the limited liability company is located. It is not  
27          necessary to make members parties to the action or proceeding unless relief is  
28          sought against them personally.

29           **SECTION 181. AMENDMENT.** Section 10-32-121 of the North Dakota Century Code  
30          is amended and reenacted as follows:

31           **10-32-121. Qualifications of receivers and powers.**

- 1           1. A receiver must be an individual or a domestic or foreign organization authorized to  
2           transact business or conduct activities in this state. A receiver shall give bond as  
3           directed by the court with the sureties required by the court.
- 4           2. A receiver may sue and defend in all courts as receiver of the limited liability  
5           company. The court appointing the receiver has exclusive jurisdiction of the limited  
6           liability company and its property.

7           **SECTION 182. AMENDMENT.** Section 10-32-122 of the North Dakota Century Code  
8 is amended and reenacted as follows:

9           **10-32-122. Action by attorney general.**

- 10          1. A limited liability company may be involuntarily dissolved, wound up, and  
11          terminated by a decree of a court in this state in an action filed by the attorney  
12          general when it is established that:
- 13           a. The articles of organization were procured through fraud;
- 14           b. The limited liability company was organized for a purpose not permitted by  
15           section 10-32-04;
- 16           c. The limited liability company failed to comply with the requirements essential  
17           to organization under this chapter;
- 18           d. The limited liability company has failed for thirty days to appoint and maintain  
19           a registered agent in this state; ~~or~~
- 20           e. The limited liability company has failed for thirty days after change of the  
21           registered office or registered agent to file in the office of the secretary of state  
22           a statement of such change; or
- 23           f. The limited liability company has acted, or failed to act, in a manner that  
24           constitutes surrender or abandonment of the limited liability company  
25           privileges or enterprise.
- 26          2. An action must not be commenced under this section until thirty days after notice to  
27          the limited liability company by the attorney general of the reason for the filing of  
28          the action. If the reason for filing the action is an act that the limited liability  
29          company has done, or omitted to do, and the act or omission may be corrected by  
30          an amendment of the articles of organization or the operating agreement or by  
31          performance of or abstention from the act, the attorney general shall give the

1           limited liability company thirty additional days in which to effect the correction  
2           before filing the action.

3           **SECTION 183. AMENDMENT.** Section 10-32-127 of the North Dakota Century Code  
4 is amended and reenacted as follows:

5           **10-32-127. Deposit with ~~state treasurer~~ administrator of abandoned property of**  
6 **amount due certain ~~members~~ persons.** Upon termination of a limited liability company, the  
7 portion of the assets distributable to a ~~member~~ person who is unknown or cannot be found, or  
8 who is under disability, if there is no person legally competent to receive ~~the distributive portion~~  
9 it, must be reduced to money and deposited with the ~~state treasurer~~ administrator of  
10 abandoned property for disposition pursuant to chapter 47-30.1. The amount deposited is  
11 appropriated to the ~~state treasurer~~ administrator of abandoned property and must be paid over  
12 to the ~~member~~ person or a legal representative, upon proof satisfactory to the ~~state treasurer~~  
13 administrator of abandoned property of a right to payment.

14           **SECTION 184.** Section 10-32-130.1 of the North Dakota Century Code is created and  
15 enacted as follows:

16           **10-32-130.1. Extension after duration expired.**

- 17           1. A limited liability company whose period of duration as provided in the articles has  
18 expired and which has continued to do business despite that expiration may  
19 reinstate its articles and extend the period of duration within one year after the date  
20 of expiration by filing an amendment to the articles as set forth in this section.
- 21           2. An amendment to the articles must be approved by the board of governors and  
22 must include:
- 23           a. The date the period of duration expired under the articles;  
24           b. The date to which the period of duration is extended; and  
25           c. A statement that the limited liability company has been in continuous  
26 operation since before the date of expiration of its original period of duration.
- 27           3. The amendment to the articles must be presented, after notice, to a meeting of the  
28 members. The amendment is adopted when approved by the members pursuant  
29 to section 10-32-16.
- 30           4. Articles of amendment, together with any fees and delinquent filings and reports,  
31 conforming to section 10-32-18 must be filed with the secretary of state.

1           **SECTION 185.** Section 10-32-130.2 of the North Dakota Century Code is created and  
2 enacted as follows:

3           **10-32-130.2. Effect of extension.** Filing with the secretary of state of articles of  
4 amendment extending the period of duration of a limited liability company:

- 5           1. Relates back to the date of expiration of the original period of duration of the limited  
6 liability company as provided in the articles;
- 7           2. Validates contracts or other acts within the authority of the articles, and the limited  
8 liability company is liable for those contracts or acts; and
- 9           3. Restores to the limited liability company all the assets and rights of the limited  
10 liability company to the extent they were held by the limited liability company before  
11 expiration of its original period of duration, except those sold or otherwise  
12 distributed after that time.

13           **SECTION 186. AMENDMENT.** Section 10-32-135 of the North Dakota Century Code  
14 is amended and reenacted as follows:

15           **10-32-135. Foreign limited liability company - Governing law.**

- 16           1. Subject to the constitution of this state, the laws of the jurisdiction under which a  
17 foreign limited liability company is organized govern its organization and internal  
18 affairs and the liability of its members. A foreign limited liability company may not  
19 be denied a certificate of authority to transact business in this state by reason of  
20 any difference between those laws and the laws of this state.
- 21           2. A foreign limited liability company holding a valid certificate of authority in this state  
22 has no greater rights and privileges than a domestic limited liability company. The  
23 certificate of authority does not authorize the foreign limited liability company to  
24 exercise any of its powers or purposes that a domestic limited liability company is  
25 forbidden by law to exercise in this state.

26           **SECTION 187. AMENDMENT.** Section 10-32-136 of the North Dakota Century Code  
27 is amended and reenacted as follows:

28           **10-32-136. Foreign limited liability company - Name.** A foreign limited liability  
29 company may apply for a certificate of authority under any name that would be available to a  
30 domestic limited liability company, whether or not the name is the name under which it is  
31 authorized in its jurisdiction of organization. A trade name must be registered as provided in

1 chapter 47-25 when applying for the certificate of authority under a name other than the name  
2 as authorized in the jurisdiction of origin.

3 **SECTION 188. AMENDMENT.** Section 10-32-137 of the North Dakota Century Code  
4 is amended and reenacted as follows:

5 **10-32-137. Foreign limited liability company - Admission of foreign limited**  
6 **liability company - Transacting business and obtaining - Obtaining licenses and permits.**

7 ~~No~~ A foreign limited liability company may ~~transact~~ not:

- 8 1. Transact business in this state or obtain any license or permit required by this state  
9 until it has procured a certificate of authority from the secretary of state. ~~No foreign~~  
10 ~~limited liability company may transact~~
- 11 2. Transact in this state any business that is prohibited to a domestic limited liability  
12 company organized under this chapter. ~~A foreign limited liability company may not~~  
13 ~~be~~
- 14 3. Be denied a certificate of authority because the laws of the state or country where  
15 the limited liability company is organized differ from the laws of this state. ~~Nothing~~  
16 ~~in this chapter authorizes this state to regulate the organization or internal affairs of~~  
17 ~~a foreign limited liability company.~~

18 **SECTION 189. AMENDMENT.** Section 10-32-138 of the North Dakota Century Code  
19 is amended and reenacted as follows:

20 **10-32-138. Foreign limited liability company - Application for certificate of**  
21 **authority.**

- 22 1. An applicant for the certificate shall file with the secretary of state a certificate of  
23 status from the filing office in the jurisdiction in which the foreign limited liability  
24 company is organized and an application executed by an authorized person and  
25 setting forth:
  - 26 a. The name of the foreign limited liability company and, if different, the name  
27 under which it proposes to transact business in this state;
  - 28 b. The jurisdiction of its organization;
  - 29 c. The name ~~and business address~~ of the proposed registered agent in this  
30 state, which agent must be ~~an individual resident of this state, a domestic~~

- 1                   ~~corporation, or a foreign corporation having a place of business in, and~~  
2                   ~~authorized to do business in, this state as defined in section 10-32-12;~~
- 3                   d.   The address of the ~~principal executive~~ proposed registered office of the  
4                   foreign limited liability company in this state; ~~and~~
- 5                   e.   The date the foreign limited liability company expires in the jurisdiction of its  
6                   organization;
- 7                   f.   The purpose the foreign limited liability company proposes to pursue in  
8                   transacting its business in this state;
- 9                   g.   The names and addresses of the governors and managers of the foreign  
10                  limited liability company; and
- 11                  h.   Any additional information deemed appropriate by the secretary of state to  
12                  determine whether the foreign limited liability company is entitled to a  
13                  certificate of authority to transact business in this state.
- 14                  2.   The application must be accompanied by payment of the fees provided in section  
15                  10-32-150 together with a certificate of good standing or a certificate of existence  
16                  duly authenticated by the organizing officer of the state or country where the limited  
17                  liability company is organized and the consent of the designated registered agent  
18                  for service of process to serve in that capacity.

19                  **SECTION 190. AMENDMENT.** Section 10-32-139 of the North Dakota Century Code  
20 is amended and reenacted as follows:

21                  **10-32-139. Foreign limited liability company - Issuance of certificate of authority.**

22 If the secretary of state finds that an application for a certificate of authority conforms to law and  
23 all fees have been paid, the secretary shall:

- 24                  1.   Endorse on the application the word "filed" and the date of the filing;  
25                  2.   File the application, the certificate of good standing or certificate of existence, and  
26                  the consent of the registered agent; and  
27                  3.   Issue to the limited liability company or its representative, a certificate of authority  
28                  to transact business in this state.

29                  **SECTION 191. AMENDMENT.** Section 10-32-140 of the North Dakota Century Code  
30 is amended and reenacted as follows:

1           **10-32-140. Foreign limited liability company - Amendments to the certificate of**  
2 **authority.** If any statement in the application for a certificate of authority by a foreign limited  
3 liability company was false when made or any arrangements or other facts described have  
4 changed, making the application inaccurate in any respect, the foreign limited liability company  
5 shall promptly file with the secretary of state an application for an amended certificate of  
6 authority executed by an authorized person correcting the statement and in the case of a  
7 change in its name, a certificate to that effect authenticated by the proper officer of the state or  
8 country under the laws of which the foreign limited liability company is organized. In the case of  
9 a termination or merger, a foreign limited liability company that is not the surviving organization  
10 need not file an application for an amended certificate of authority but shall promptly file with the  
11 secretary of state a certificate to that effect authenticated by the proper officer of the state or  
12 country under the laws of which the foreign limited liability company is organized.

13           **SECTION 192. AMENDMENT.** Section 10-32-141 of the North Dakota Century Code  
14 is amended and reenacted as follows:

15           **10-32-141. Foreign limited liability company - Registered agent and certain**  
16 **reports.** A foreign limited liability company authorized to transact business in this state shall:  
17           1. Appoint and continuously maintain a registered agent in the same manner as  
18           provided in section 10-32-12; ~~or~~ and  
19           2. File a report upon any change in the ~~name or business~~ address of ~~its~~ the  
20           registered ~~agent~~ office or upon any change in the name of its registered agent in  
21           the same manner as provided in subsection 3 of section 10-32-13.

22           **SECTION 193. AMENDMENT.** Section 10-32-142 of the North Dakota Century Code  
23 is amended and reenacted as follows:

24           **10-32-142. Foreign limited liability company - Merger of foreign limited liability**  
25 **company authorized to transact business in this state.** Whenever a foreign limited liability  
26 company authorized to transact business in this state is a party to a statutory merger permitted  
27 by the laws of the state or country under which it is organized, and the limited liability company  
28 is not the surviving organization, the surviving organization shall, within thirty days after the  
29 merger becomes effective, file with the secretary of state a certified statement of merger duly  
30 authenticated by the proper officer of the state or country where the statutory merger was  
31 effected. ~~It is not necessary for any~~ Any foreign organization, which is the surviving



1 organization in a merger and which will continue to transact business in this state, ~~to shall~~  
2 procure either a new or amended certificate of authority ~~to transact business in this state unless~~  
3 ~~the name of the organization is changed thereby or unless the organization desires to pursue in~~  
4 ~~this state purposes other than those which it is authorized to transact in this state.~~

5 **SECTION 194. AMENDMENT.** Section 10-32-143 of the North Dakota Century Code  
6 is amended and reenacted as follows:

7 **10-32-143. Foreign limited liability company - Certificate of withdrawal.**

- 8 1. A foreign limited liability company authorized to transact business in this state may  
9 withdraw from this state upon procuring from the secretary of state a certificate of  
10 withdrawal. In order to procure the certificate, the foreign limited liability company  
11 shall file with the secretary of state an application for withdrawal, together with the  
12 fees provided in section 10-32-150, which must set forth:
- 13 a. The name of the limited liability company and the state or country under the  
14 laws of which it is organized;
  - 15 b. That the limited liability company is not transacting business in this state;
  - 16 c. That the limited liability company surrenders its authority to transact business  
17 in this state;
  - 18 d. That the limited liability company revokes the authority of its registered agent  
19 in this state to accept service of process and consents to that service of  
20 process on the limited liability company by service upon the secretary of state  
21 in any action, suit, or proceeding based upon any cause of action arising in  
22 this state during the time the limited liability company was authorized to  
23 transact business in this state; and
  - 24 e. A post-office address to which a person may mail a copy of any process  
25 against the limited liability company.
- 26 2. The filing with the secretary of state of a certificate of termination, or a certificate of  
27 merger if the limited liability company is not the surviving organization, from the  
28 proper officer of the state or country under the laws of which the limited liability  
29 company is organized constitutes a valid application of withdrawal and the  
30 authority of the limited liability company to transact business in this state shall  
31 cease upon filing of the certificate.

1           **SECTION 195. AMENDMENT.** Section 10-32-144 of the North Dakota Century Code  
2 is amended and reenacted as follows:

3           **10-32-144. Foreign limited liability company - Revocation of certificate of**  
4 **authority.**

5           1. The certificate of authority of a foreign limited liability company to transact business  
6 in this state may be revoked by the secretary of state upon the occurrence of either  
7 of these events:

8           a. The foreign limited liability company has failed to appoint and maintain a  
9 registered agent as required by this chapter, file a report upon any change in  
10 the name or business address of the registered agent, or file in the office of  
11 the secretary of state any amendment to its application for a certificate of  
12 authority as specified in section 10-32-140; or

13           b. A misrepresentation has been made of any material matter in any application,  
14 report, affidavit, or other document submitted by the foreign limited liability  
15 company pursuant to this chapter.

16           2. No certificate of authority of a foreign limited liability company may be revoked by  
17 the secretary of state unless:

18           a. The secretary has given the foreign limited liability company not less than  
19 sixty days' notice by mail addressed to its registered office in this state or, if  
20 the foreign limited liability company fails to appoint and maintain a registered  
21 agent in this state, addressed to its principal executive office; and

22           b. During the sixty-day period, the foreign limited liability company has failed to  
23 file the report of change regarding the registered agent, to file any  
24 amendment, or to correct the misrepresentation.

25           3. Upon the expiration of sixty days after the mailing of the notice, the authority of the  
26 foreign limited liability company to transact business in this state ceases. The  
27 secretary of state shall issue a certificate of revocation and shall mail the certificate  
28 to the principal executive office of the foreign limited liability company.

29           **SECTION 196. AMENDMENT.** Section 10-32-145 of the North Dakota Century Code  
30 is amended and reenacted as follows:

1           **10-32-145. Foreign limited liability company - Transaction of business without**  
2 **certificate of authority.**

- 3           1. A foreign limited liability company transacting business in this state may not  
4 maintain any action, suit, or proceeding in any court of this state until it possesses  
5 a certificate of authority.
- 6           2. The failure of a foreign limited liability company to obtain a certificate of authority  
7 does not impair the validity of any contract or act of the foreign limited liability  
8 company or prevent the foreign limited liability company from defending any action,  
9 suit, or proceeding in any court of this state.
- 10          3. A foreign limited liability company, by transacting business in this state without a  
11 certificate of authority, appoints the secretary of state as its agent upon whom any  
12 notice, process, or demand may be served.
- 13          4. A foreign limited liability company that transacts business in this state without a  
14 valid certificate of authority is liable to the state for the years or parts of years  
15 during which it transacted business in this state without the certificate in an amount  
16 equal to all fees that would have been imposed by this chapter upon that limited  
17 liability company had it duly obtained the certificate, filed all reports required by this  
18 chapter, and paid all penalties imposed by this chapter. The attorney general shall  
19 bring proceedings to recover all amounts due this state under the provisions of this  
20 section.
- 21          5. A foreign limited liability company that transacts business in this state without a  
22 valid certificate of authority is subject to a civil penalty, payable to the state, not to  
23 exceed five thousand dollars. Each governor or, in the absence of governors, each  
24 member or agent who authorizes, directs, or participates in the transaction of  
25 business in this state on behalf of a foreign limited liability company that does not  
26 have a certificate is subject to a civil penalty, payable to the state, not to exceed  
27 one thousand dollars.
- 28          6. The civil penalties set forth in subsection 5 may be recovered in an action brought  
29 within the district court of Burleigh County by the attorney general. Upon a finding  
30 by the court that a foreign limited liability company or any of its members,  
31 governors, or agents have transacted business in this state in violation of this

1 chapter, the court shall issue, in addition to the imposition of a civil penalty, an  
2 injunction restraining the further transaction of the business of the foreign limited  
3 liability company and the further exercise of any limited liability company's rights  
4 and privileges in this state. The foreign limited liability company must be enjoined  
5 from transacting business in this state until all civil penalties plus any interest and  
6 court costs that the court may assess have been paid and until the foreign limited  
7 liability company has otherwise complied with the provisions of this chapter.

8 7. A member of a foreign limited liability company is not liable for the debts and  
9 obligations of the limited liability company solely by reason of the company's  
10 having transacted business in this state without a valid certificate of authority.

11 **SECTION 197. AMENDMENT.** Section 10-32-146 of the North Dakota Century Code  
12 is amended and reenacted as follows:

13 **10-32-146. Foreign limited liability company - Transactions not constituting**  
14 **transacting business.**

15 1. The following activities of a foreign limited liability company, among others, do not  
16 constitute transacting business within the meaning of this chapter:

- 17 a. Maintaining, defending, or settling any proceeding;
- 18 b. Holding meetings of its members or carrying on any other activities  
19 concerning its internal affairs;
- 20 c. Maintaining bank accounts;
- 21 d. Maintaining offices or agencies for the transfer, exchange, and registration of  
22 the foreign limited liability company's own securities or maintaining trustees or  
23 depositories with respect to those securities;
- 24 e. Selling through independent contractors;
- 25 f. Soliciting or obtaining orders, whether by mail or through employees or agents  
26 or otherwise, if the orders require acceptance outside this state before they  
27 become contracts;
- 28 g. Creating or acquiring indebtedness, mortgages, and security interests in real  
29 or personal property;
- 30 h. Securing or collecting debts or enforcing mortgages and security interests in  
31 property securing the debts;

- 1 i. Holding, protecting, renting, maintaining, and operating real or personal  
2 property in this state so acquired;
- 3 j. Selling or transferring title to property in this state to any person; or  
4 k. Conducting an isolated transaction that is completed within thirty days and  
5 that is not one in the course of repeated transactions of a like manner.
- 6 2. The term "transacting business" as used in this section has no effect on personal  
7 jurisdiction under the North Dakota Rules of Civil Procedure.
- 8 3. For purposes of this section, any foreign limited liability company that owns  
9 income-producing real or tangible personal property in this state, other than  
10 property exempted under subsection 1, will be considered transacting business in  
11 this state.
- 12 4. The list of activities in subsection 1 is not exhaustive. This section does not apply  
13 in determining the contracts or activities that may subject a foreign limited liability  
14 company to service of process or taxation in this state or to regulation under any  
15 other law of this state.

16 **SECTION 198. AMENDMENT.** Section 10-32-147 of the North Dakota Century Code  
17 is amended and reenacted as follows:

18 **10-32-147. Foreign limited liability company - Action by attorney general.** The  
19 attorney general may bring an action to restrain a foreign limited liability company from  
20 transacting business in this state in violation of this chapter.

21 **SECTION 199. AMENDMENT.** Section 10-32-148 of the North Dakota Century Code  
22 is amended and reenacted as follows:

23 **10-32-148. Service of process on a foreign limited liability company.** Service of  
24 process on a foreign limited liability company must be as provided in section 10-32-132. When  
25 the certificate of authority of a foreign limited liability company is suspended or revoked, the  
26 secretary of state is an agent of the foreign limited liability company for service of process,  
27 notice, or demand.

28 **SECTION 200. AMENDMENT.** Section 10-32-149 of the North Dakota Century Code  
29 is amended and reenacted as follows:

30 **10-32-149. Secretary of state - Annual report of limited liability company and**  
31 **foreign limited liability company.**

- 1           1. Each limited liability company, and each foreign limited liability company authorized  
2           to transact business in this state, shall file, within the time prescribed by  
3           subsection 3, an annual report setting forth:
- 4           a. The name of the limited liability company or foreign limited liability company  
5           and the state or country under the laws of which it is organized.
- 6           b. The address of the registered office of the limited liability company or foreign  
7           limited liability company in this state, the name of its registered agent in this  
8           state at that address, and the address of its principal executive office.
- 9           c. A brief statement of the character of the business in which the limited liability  
10          company or foreign limited liability company is actually engaged in this state.
- 11          d. The names and respective addresses of the managers and governors of the  
12          limited liability company or foreign limited liability company or the name or  
13          names and respective address or addresses of ~~at least two~~ the managing  
14          member or members of the limited liability company or foreign limited liability  
15          company.
- 16          2. The annual report must be submitted on forms prescribed by the secretary of state.  
17          The information provided must be given as of the date of the execution of the  
18          report. The annual report must be signed as prescribed in subsection 46 of section  
19          10-32-02, ~~or if~~ the articles, operating agreement, or a resolution approved by the  
20          affirmative vote of the required proportion or number of the governors or members  
21          entitled to vote. If the limited liability company or foreign limited liability company is  
22          in the hands of a receiver or trustee, it must be signed on behalf of the limited  
23          liability company or foreign limited liability company by the receiver or trustee. The  
24          secretary of state may destroy all annual reports provided for in this section after  
25          they have been on file for six years.
- 26          3. The annual report of a limited liability company or foreign limited liability company  
27          must be delivered to the secretary of state before November sixteenth of each  
28          year, except that the first annual report of a limited liability company or foreign  
29          limited liability company must be delivered before November sixteenth of the year  
30          following the calendar year in which the certificate of organization or certificate of  
31          authority was issued by the secretary of state.

- 1           a. An annual report in a sealed envelope postmarked by the United States postal  
2           service before November sixteenth, or an annual report in a sealed packet  
3           with a verified shipment date by any other carrier service before November  
4           sixteenth, is in compliance with this requirement.
- 5           b. The secretary of state must file the report if the report conforms to the  
6           requirements of subsection 2.
- 7           (1) If the report does not conform, it must be returned to the limited liability  
8           company or foreign limited liability company for any necessary  
9           corrections.
- 10          (2) If the report is filed before the deadlines prescribed in this subsection,  
11          penalties for the failure to file a report within the time provided do not  
12          apply; if a the report is corrected to conform to the requirements of  
13          subsection 2 and returned to the secretary of state within thirty days  
14          after the annual report was returned by the secretary of state for  
15          correction.
- 16          c. The secretary of state may extend the annual filing date of any limited liability  
17          company or foreign limited liability company, if a written application for an  
18          extension is delivered before November sixteenth.
- 19          4. ~~Each limited liability company or foreign limited liability company that fails or~~  
20          ~~refuses to file its annual report for any year within the time prescribed by~~  
21          ~~subsection 3 must pay an additional fee of fifty dollars. A limited liability company~~  
22          ~~that fails to file its annual report, along with the statutory filing and penalty fees,~~  
23          ~~within six months after November fifteenth, ceases to exist and is considered~~  
24          ~~involuntarily terminated by operation of law. The secretary of state shall revoke the~~  
25          ~~certificate of authority to transact business of any foreign limited liability company~~  
26          ~~which fails to file its annual report, along with the statutory filing and penalty fees~~  
27          ~~within six months after November fifteenth. The secretary of state's determination~~  
28          ~~that a certificate of authority must be revoked under this section is final.~~
- 29          5. After the date established under subsection 3, the secretary of state shall notify  
30          any limited liability company or foreign limited liability company failing to file its  
31          annual report that its certificate of organization or certificate of authority is not in

- 1 good standing and that it may be terminated or revoked pursuant to subsection 4  
2 5.
- 3 a. The secretary of state must mail notice of termination or revocation to the last  
4 registered agent at the last registered office of record.
- 5 b. If the limited liability company or foreign limited liability company files its  
6 annual report after the notice is mailed, together with the annual report filing  
7 fee and late filing penalty fee as prescribed by section 10-32-150 and the late  
8 filing penalty fee as prescribed by subsection 4, the secretary of state will  
9 restore its certificate of organization or certificate of authority to good  
10 standing.
- 11 ~~6.~~ 5. A limited liability company that does not file its annual report, along with the  
12 statutory filing and penalty fees, within six months after the date established in  
13 subsection 3, ceases to exist and is considered involuntarily terminated by  
14 operation of law.
- 15 a. The secretary of state shall note the termination of the limited liability  
16 company's certificate of organization on the records of the secretary of state  
17 and shall give notice of the action to the terminated limited liability company.
- 18 b. Notice by the secretary of state must be mailed to the foreign limited liability  
19 company's last registered agent at the last registered office of record.
- 20 ~~7.~~ 6. A foreign limited liability company that does not file its annual report, along with the  
21 statutory filing and penalty fees, within six months after the date established by  
22 subsection 3, forfeits its authority to transact business in ~~North Dakota~~ this state.
- 23 a. The secretary of state shall note the revocation of the foreign limited liability  
24 company's certificate of authority on the records of the secretary of state and  
25 shall give notice of the action to the foreign limited liability company.
- 26 b. Notice by the secretary of state must be mailed to the foreign limited liability  
27 company's last registered agent at the last registered office of record.
- 28 c. The secretary of state's decision that a certificate of authority must be revoked  
29 under this subsection is final.
- 30 ~~8.~~ 7. A limited liability company that was terminated for failure to file an annual report, or  
31 a foreign limited liability company whose authority was forfeited by failure to file an



1 annual report, may be reinstated by filing a past-due report, together with the  
2 statutory filing and penalty fees for an annual report and a ~~one hundred twenty-five~~  
3 ~~dollar fee~~ reinstatement fee as prescribed in section 10-32-150. The fees must be  
4 paid and the report filed within one year following ~~November fifteenth for the~~  
5 ~~past due report~~ the involuntary dissolution or revocation. Reinstatement under this  
6 ~~section subsection~~ does not affect the rights or liability for the time from the  
7 termination or revocation to the reinstatement.

8 **SECTION 201. AMENDMENT.** Section 10-32-150 of the North Dakota Century Code  
9 is amended and reenacted as follows:

10 **10-32-150. Secretary of state - Fees and charges.**

- 11 1. The secretary of state shall charge and collect for:
- 12 a. Filing articles of organization and issuing a certificate of organization, one
  - 13 hundred twenty-five dollars.
  - 14 b. Filing articles of amendment, fifty dollars.
  - 15 c. Filing restated articles of organization, one hundred twenty-five dollars.
  - 16 d. Filing articles of merger and issuing a certificate of merger, fifty dollars.
  - 17 e. Filing abandonment of merger or exchange, fifty dollars.
  - 18 f. Filing an application to reserve a name, ten dollars.
  - 19 g. Filing a notice of transfer of a reserved name, ten dollars.
  - 20 h. Filing a cancellation of reserved name, ten dollars.
  - 21 i. Filing a consent to use of name, ten dollars.
  - 22 j. Filing a statement of change of address of registered office or change of
  - 23 registered agent or both, ten dollars.
  - 24 k. Filing a statement of change of address of registered office by registered
  - 25 agent, ten dollars for each limited liability company affected by such change.
  - 26 l. Filing a registered agent's consent to serve in such capacity, ten dollars.
  - 27 m. Filing a resignation as registered agent, ten dollars.
  - 28 n. Filing a resolution for the establishment of a class or series of membership
  - 29 interest, fifty dollars.
  - 30 o. Filing a notice of dissolution, ten dollars.

- 1 p. Filing a statement of revocation of voluntary dissolution proceedings, ten  
2 dollars.
- 3 q. Filing articles of dissolution and termination, twenty dollars.
- 4 r. Filing an application of a foreign limited liability company for a certificate of  
5 authority to transact business in this state and issuing a certificate of authority,  
6 one hundred twenty-five dollars.
- 7 s. Filing an amendment to the certificate of authority by a foreign limited liability  
8 company, fifty dollars.
- 9 t. Filing a certificate of fact stating a merger of a foreign limited liability company  
10 holding a certificate of authority to transact business in this state, twenty  
11 dollars.
- 12 u. Filing an application for withdrawal of a foreign limited liability company and  
13 issuing a certificate of withdrawal, twenty dollars.
- 14 v. Filing an annual report of a limited liability company or foreign limited liability  
15 company, fifty dollars; ~~any other statement or report of either, ten dollars.~~ The  
16 secretary of state shall charge and collect additional fees for late filing of the  
17 annual report as follows:
- 18 (1) After the date prescribed in subsection 3 of section 10-32-149, fifty  
19 dollars; and
- 20 (2) After the termination of the limited liability company, or the revocation of  
21 the certificate of authority of a foreign limited liability company, the  
22 reinstatement fee of one hundred twenty-five dollars.
- 23 w. Filing any process, notice, or demand for service, ~~twenty~~ twenty-five dollars.
- 24 x. Filing any other statement or report of a limited liability company or foreign  
25 limited liability company, ten dollars.
- 26 2. The secretary of state shall charge and collect for:
- 27 a. Furnishing a copy of any document, instrument, or paper relating to a limited  
28 liability company or a foreign limited liability company, one dollar for every four  
29 pages, or fraction thereof.
- 30 b. A certificate certifying a copy or reciting facts related to a limited liability  
31 company or a foreign limited liability company, twenty dollars.

- 1           c. Each page of any document or form sent by electronic transmission, one  
2           dollar.

3           **SECTION 202. AMENDMENT.** Section 10-32-152 of the North Dakota Century Code  
4 is amended and reenacted as follows:

5           **10-32-152. Secretary of state - Powers - Enforcement - Appeal.**

- 6           1. The secretary of state has the power and authority reasonably necessary to  
7           efficiently administer this chapter and to perform the duties imposed thereby.
- 8           2. The secretary of state may propound to any limited liability company, domestic or  
9           foreign, subject to the provisions of this chapter and to any manager or governor  
10          thereof, such interrogatories as may be reasonably necessary and proper to  
11          ascertain whether such limited liability company has complied with all provisions of  
12          this chapter applicable to such limited liability company.
- 13          a. Such interrogatories must be answered within thirty days after mailing, or  
14          within such additional time as must be fixed by the secretary of state. The  
15          answers to such interrogatories must be full and complete and must be made  
16          in writing and under oath.
- 17          b. If such interrogatories be directed:
- 18               (1) To an individual, they must be answered by that individual; or  
19               (2) To a limited liability company, they must be answered by the president,  
20               vice president, secretary, or assistant secretary of the limited liability  
21               company.
- 22          c. The secretary of state need not file any document to which such  
23          interrogatories relate until such interrogatories have been answered, and not  
24          then if the answers disclose that such document is not in conformity with the  
25          provisions of this chapter.
- 26          d. The secretary of state shall certify to the attorney general, for such action as  
27          the attorney general may deem appropriate, all interrogatories and answers  
28          thereto, which disclose a violation of any of the provisions of this chapter.
- 29          e. Each manager or governor of a limited liability company, domestic or foreign,  
30          who fails or refuses within the time provided by subdivision a of subsection 2

- 1 to answer truthfully and fully all interrogatories propounded to that person by  
2 the secretary of state is guilty of an infraction.
- 3 f. Interrogatories propounded by the secretary of state and the answers thereto  
4 are not open to public inspection. The secretary of state may not disclose any  
5 facts or information obtained from such interrogatories or answers except  
6 insofar as may be permitted by law or insofar as is required for evidence in  
7 any criminal proceedings or other action by this state.
- 8 3. If the secretary of state rejects any document required by this chapter to be  
9 approved by the secretary of state before the same may be filed, then the  
10 secretary of state shall, ~~within ten days after receipt of the document,~~ give written  
11 notice of the rejection to the person who delivered the document, specifying the  
12 reasons for rejection.
- 13 a. From such rejection such person may appeal to the district court of the county  
14 in which the registered office of such limited liability company is, or is  
15 proposed to be, situated by filing with the clerk of such court a petition setting  
16 forth a copy of the document sought to be filed and a copy of the written  
17 rejection of the document by the secretary of state.
- 18 b. The matter must be tried de novo by the court. The court shall either sustain  
19 the action of the secretary of state or direct the secretary of state to take such  
20 action as the court may deem proper.
- 21 4. If the secretary of state revokes the certificate of authority to transact business in  
22 this state of any foreign limited liability company, pursuant to the provisions of  
23 section 10-32-144, such foreign limited liability company may appeal to district  
24 court of the county where the registered office of such limited liability company in  
25 this state is situated by filing with the clerk of such court a petition setting forth a  
26 copy of its certificate of authority to transact business in this state and a copy of the  
27 notice of revocation given by the secretary of state. The matter must be tried  
28 de novo by the court. The court shall either sustain the action of the secretary of  
29 state or direct the secretary of state to take such action as the court may deem  
30 proper.

1           5. Appeals from all final orders and judgments entered by the district court under this  
2           section in review of any ruling or decision of the secretary of state may be taken as  
3           in other civil actions.

4           **SECTION 203. AMENDMENT.** Section 10-32-153 of the North Dakota Century Code  
5 is amended and reenacted as follows:

6           **10-32-153. Secretary of state - Certificates and certified copies to be received in**  
7 **evidence.**

- 8           1. All certificates issued by the secretary of state and all copies of documents filed in  
9           accordance with this chapter, when certified by the secretary of state, must be  
10          taken and received in all courts, public offices, and official bodies as prima facie  
11          evidence of the facts therein stated.
- 12          2. A certificate by the secretary of state under the great seal of this state, as to the  
13          existence or nonexistence of the facts relating to limited liability companies which  
14          would not appear from a certified copy of any of the foregoing documents or  
15          certificates, must be taken and received in all courts, public offices, and official  
16          bodies as prima facie evidence of the existence or nonexistence of the facts stated  
17          therein.

18          **SECTION 204. AMENDMENT.** Section 10-32-154 of the North Dakota Century Code  
19 is amended and reenacted as follows:

20          **10-32-154. Secretary of state - Forms ~~to be furnished by the secretary of state~~.** All  
21 reports required by this chapter to be filed in the office of the secretary of state must be made  
22 on forms which must be prescribed and furnished by the secretary of state. Forms for all other  
23 documents to be filed in the office of the secretary of state ~~must~~ may be furnished by the  
24 secretary of state upon request. However, the use of such documents, unless otherwise  
25 specifically required by law, is not mandatory.

26          **SECTION 205. AMENDMENT.** Section 10-32-155 of the North Dakota Century Code  
27 is amended and reenacted as follows:

28          **10-32-155. Miscellaneous - Foreign trade zones.**

- 29          1. As used in this section, unless the context otherwise requires:
- 30           a. "Act of Congress" means the Act of Congress approved June 18, 1934,  
31           entitled an act to provide for the establishment, operation and maintenance of

1 foreign trade zones and ports of entry of the United States, to expedite and  
2 encourage foreign commerce and for other purposes, as amended, and  
3 commonly known as the Foreign Trade Zone Act of 1934.

4 b. "Private organization" means a limited liability company authorized under this  
5 chapter or corporation authorized under chapter 10-19.1, one of the purposes  
6 of which is to establish, operate, and maintain a foreign trade zone by itself or  
7 in conjunction with a public corporation.

8 c. "Public corporation" means:

9 (1) This state;

10 (2) Any political subdivision of this state;

11 (3) Any municipality of this state;

12 (4) Any public agency:

13 (a) Of this state;

14 (b) Of any political subdivision of this state; or

15 (c) Any municipality of this state; or

16 (5) Any other corporate instrumentality of this state.

17 2. Any private organization or public organization has the power to apply to the proper  
18 authorities of the United States for a grant of the privilege of establishing,  
19 operating, and maintaining foreign trade zones and foreign trade subzones and to  
20 do all things necessary and proper to carry into effect the establishment, operation,  
21 and maintenance of such zones, all in accordance with the Act of Congress and  
22 other applicable laws and rules.

23 **SECTION 206.** Section 10-32-156 of the North Dakota Century Code is created and  
24 enacted as follows:

25 **10-32-156. Miscellaneous - Audit reports and audit of limited liability companies**

26 **receiving state subsidies for production of alcohol or methanol for combination with**

27 **gasoline.** Any limited liability company that produces agricultural ethyl alcohol or methanol

28 within this state and which receives a production subsidy from the state, whether in the form of

29 reduced taxes or otherwise, shall submit an annual audit report, prepared by a certified public

30 accountant based on an audit of all records and accounts of the limited liability company, to the

31 legislative audit and fiscal review committee. The audit must be submitted within ninety days of

1 the close of the limited liability company's taxable year. Upon request of the legislative audit  
2 and fiscal review committee, the state auditor shall conduct an audit of the records and  
3 accounts of any limited liability company required to submit an annual report under this section.

4 **SECTION 207. AMENDMENT.** Section 45-10.1-01 of the North Dakota Century Code  
5 is amended and reenacted as follows:

6 **45-10.1-01. (101) Definitions.** As used in this chapter, unless the context otherwise  
7 requires:

8 1. "Address" means:

9 a. In the case of a registered office or principal executive office, the mailing  
10 address, including the zip code, of the actual office location which may not be  
11 only a post-office box; and

12 b. In all other cases, the mailing address, including a zip code.

13 2. "Certificate of limited partnership" means the certificate referred to in section  
14 45-10.1-08, and the certificate as amended or restated.

15 ~~2.~~ 3. "Contribution" means any cash, property, services rendered, or a promissory note  
16 or other binding obligation to contribute cash or property or to perform services,  
17 which a partner contributes to a limited partnership in his capacity as a partner.

18 ~~3.~~ 4. "Event of withdrawal of a general partner" means an event that causes a person to  
19 cease to be a general partner as provided in section 45-10.1-26.

20 5. "Filed with the secretary of state" means:

21 a. That either:

22 (1) A signed original or a legible facsimile copy of a signed original of a  
23 request for reserved name which is the same size as the original  
24 document; or

25 (2) A signed original of all other documents meeting the applicable  
26 requirements of this chapter together with the fees provided in section  
27 45-22-23 has been delivered to the secretary of state and has been  
28 determined by the secretary of state to conform to law.

29 b. That the secretary of state shall then:

30 (1) Endorse on the original the word "filed" and the month, day, and year;  
31 and

- 1                   (2) Record the document in the office of the secretary of state.
- 2       4. ~~6.~~ "Foreign limited partnership" means a partnership formed under the laws of any  
3                   state other than this state and having as partners one or more general partners  
4                   and one or more limited partners.
- 5       5. ~~7.~~ "General partner" means a person who has been admitted to a limited partnership  
6                   as a general partner in accordance with the partnership agreement and named in  
7                   the certificate of limited partnership as a general partner.
- 8       6. ~~8.~~ "Limited partner" means a person who has been admitted to a limited partnership  
9                   as a limited partner in accordance with the partnership agreement.
- 10       7. ~~9.~~ "Limited partnership" and "domestic limited partnership" means a partnership  
11                  formed by two or more persons under the laws of this state and having one or  
12                  more general partners and one or more limited partners.
- 13       10. "Notice":
- 14           a. Is given to a limited partnership or to a partner of the limited partnership when  
15                  in writing and mailed or delivered to the limited partnership or the partner at  
16                  the registered office or principal executive office of the limited partnership.
- 17           b. In all other cases, is given to a person:
- 18                  (1) When mailed to the person at an address designated by the person or  
19                        at the last known address of the person;
- 20                  (2) When handed to the person; or
- 21                  (3) When left at the office of the person with a clerk or other person in  
22                        charge of the office; or
- 23                        (a) If there is no one in charge, when left in a conspicuous place in  
24                            the office; or
- 25                        (b) If the office is closed or the person to be notified has no office,  
26                            when left at the dwelling house or usual place of abode of the  
27                            person with some person of suitable age and discretion residing  
28                            there.
- 29           c. Is given when deposited in the United States mail with sufficient postage  
30                  affixed.
- 31           d. Is deemed received when it is given.



- 1     ~~8.~~ 11. "Partner" means a general or limited partner.
- 2     ~~9.~~ 12. "Partnership agreement" means any valid agreement, written or oral, of the  
3             partners as to the affairs of a limited partnership and the conduct of its business.
- 4     ~~40.~~ 13. "Partnership interest" means a partner's share of the profits and losses of a limited  
5             partnership and the right to receive distributions of partnership assets.
- 6     ~~41.~~ "Person" ~~means a natural person, partnership, limited partnership, trust, estate,~~  
7             ~~association, corporation, or limited liability company.~~
- 8     14. "Principal executive office" means:  
9             a. An office from which the limited partnership conducts business; or  
10            b. If the limited partnership has no office from which it conducts business, then  
11            the registered office of the limited partnership.
- 12    15. "Signed" means that the signature of a person has been placed on a document, as  
13            provided in subsection 39 of section 41-01-11, and:  
14            a. With respect to a document required by this chapter to be filed with the  
15            secretary of state, means that the document has been signed by a person  
16            authorized to do so by this chapter or by a resolution approved by the  
17            affirmative vote of the required proportion or number of partners; and  
18            b. With respect to a document that is not required by this chapter to be filed with  
19            the secretary of state, means that the signature may be a facsimile affixed,  
20            engraved, printed, placed, stamped with indelible ink, or in any other manner  
21            reproduced on the document.
- 22    ~~42.~~ 16. "State" means a state, territory, or possession of the United States, the District of  
23             Columbia, or the Commonwealth of Puerto Rico.

24            **SECTION 208. AMENDMENT.** Section 45-10.1-02 of the North Dakota Century Code  
25 is amended and reenacted as follows:

26            **45-10.1-02. (102) Name Limited partnership name.**

- 27            1. The name of each limited partnership as set forth in its certificate of limited  
28            partnership:  
29            a. Must be in the English language or in another language expressed in English  
30            letters or characters.



- 1                   (1) The name, whether foreign and authorized to do business in this state,  
2                                   or domestic, unless there is filed with the articles a document in  
3                                   compliance with subsection 2 of this section, of:  
4                                   (a) Another limited partnership;  
5                                   (b) A corporation;  
6                                   (c) A limited liability company; or  
7                                   (d) A limited liability partnership; or  
8                   (2) A name the right to which is, at the time of organization, reserved in the  
9                                   manner provided in section 10-19.1-14, 10-32-11, 10-33-11,  
10                                  45-10.1-03, or 45-22-05;  
11                   (3) A fictitious name registered in the manner provided in chapter 45-11; or  
12                   (4) A trade name registered in the manner provided in chapter 47-25.  
13           2. The secretary of state shall determine whether a limited partnership name is  
14                                  deceptively similar to another name for purposes of this chapter.  
15           3. If the secretary of state determines a limited partnership name is deceptively  
16                                  similar to another name for purposes of this chapter, then the limited partnership  
17                                  name may not be used unless there is filed with the articles:  
18                                  a. The written consent of the holder of the registered trade name or the holder of  
19                                        the rights to the name to which the proposed name has been determined to  
20                                        be deceptively similar; or  
21                                  b. A certified copy of a judgment of a court in this state establishing the prior  
22                                        right of the applicant to the use of the name in this state.  
23           4. Subsection 3 does not affect the right of a domestic limited partnership existing on  
24                                  the effective date of this chapter, or a foreign limited partnership authorized to do  
25                                  business in this state on that date to continue the use of its name.  
26           5. This section and section 45-10.1-03 do not:  
27                                  a. Abrogate or limit:  
28                                        (1) The law of unfair competition or unfair practices;  
29                                        (2) Chapter 47-25;

- 1                   (3) The laws of the United States with respect to the right to acquire and  
2                   protect copyrights, trade names, trademarks, service names, service  
3                   marks; or
- 4                   (4) Any other rights to the exclusive use of names or symbols; or
- 5                   b. Derogate the common law or the principles of equity.
- 6                   6. A limited partnership that is merged with another domestic or foreign organization,  
7                   or that is organized by the reorganization of one or more domestic or foreign  
8                   organizations, or that acquires by sale, lease, or other disposition to or exchange  
9                   with a domestic organization all or substantially all of the assets of another  
10                   domestic or foreign organization including its name, may have the same name as  
11                   that used in this state by any of the other organizations, if the other organization:
- 12                   a. Was incorporated, organized, formed, or registered under the laws of this  
13                   state;
- 14                   b. Is authorized to transact business or conduct activities in this state;
- 15                   c. Holds a reserved name in the manner provided in section 10-19.1-14,  
16                   10-32-11, 10-33-11, 45-10.1-03, or 45-22-05;
- 17                   d. Holds a fictitious name registered in the manner provided in chapter 45-11; or
- 18                   e. Holds a trade name registered in the manner provided in chapter 47-25.
- 19                   7. The use of a name by a limited partnership in violation of this section does not  
20                   affect or vitiate its limited partnership existence. However, a court in this state  
21                   may, upon application of the state or of an interested or affected person, enjoin the  
22                   limited partnership from doing business under a name assumed in violation of this  
23                   section, although its certificate of limited partnership may have been filed with the  
24                   secretary of state.

25                   **SECTION 209. AMENDMENT.** Section 45-10.1-03 of the North Dakota Century Code  
26 is amended and reenacted as follows:

27                   **45-10.1-03. (103) ~~Reservation of~~ Reserved name.**

- 28                   1. The exclusive right to the use of a limited partnership name otherwise permitted by  
29                   section 45-10.1-02 may be reserved by:
- 30                   a. ~~Any person intending to organize a limited partnership under this chapter and~~  
31                   ~~to adopt that name.~~

- 1           b. ~~Any domestic limited partnership or any foreign limited partnership registered~~  
2           ~~in this state which, in either case, intends to adopt that name.~~
- 3           e. ~~Any foreign limited partnership intending to register in this state and adopt that~~  
4           ~~name.~~
- 5           d. ~~Any person intending to organize a foreign limited partnership and intending~~  
6           ~~to have it register in this state and adopt that name~~ any person.
- 7           2. The reservation must be made by filing with the secretary of state ~~an application,~~  
8           ~~executed by the applicant, to reserve a specified name. If the secretary of state~~  
9           ~~finds that the name is available for use by a domestic or foreign limited partnership,~~  
10           ~~the secretary of state shall reserve the name for the exclusive use of the applicant~~  
11           ~~for a period of one hundred twenty days~~ a request that the name be reserved,  
12           together with the fees provided in section 45-10.1-15:
- 13           a. If the name is available for use by the applicant, the secretary of state shall  
14           reserve the name for the exclusive use of the applicant for a period of twelve  
15           months.
- 16           b. The reservation may be renewed for successive twelve-month periods.
- 17           3. The right to the exclusive use of a reserved limited partnership name reserved  
18           pursuant to this section may be transferred to any other another person by or on  
19           behalf of the applicant for whom the name was reserved by filing in the office of the  
20           ~~secretary of state a notice of the transfer, executed by the applicant for whom the~~  
21           ~~name was reserved~~ and specifying the name and address of the transferee,  
22           together with fees provided in section 45-10.1-15.
- 23           4. The right to the exclusive use of a corporate name reserved pursuant to this  
24           section may be canceled by or on behalf of the applicant for whom the name was  
25           reserved by filing with the secretary of state a notice of cancellation, together with  
26           the fees provided in section 45-10.1-15.
- 27           5. The secretary of state may accept for filing a legible facsimile copy of the signed  
28           original of any request for reserved name.
- 29           6. The secretary of state may destroy all reserved name requests and index thereof  
30           one year after expiration.

1           **SECTION 210. AMENDMENT.** Section 45-10.1-04 of the North Dakota Century Code  
2 is amended and reenacted as follows:

3           **45-10.1-04. (104) Specified Registered office and - Registered agent.** ~~Each limited~~  
4 ~~partnership shall continuously maintain in this state:~~

5           1. ~~An office, which may but need not be a place of its business in this state, at which~~  
6 ~~shall be kept the records required by section 45-10.1-05 to be maintained. A~~  
7 ~~limited partnership shall continuously maintain a registered office in this state. A~~  
8 ~~registered office need not be the same as the principal place of business or the~~  
9 ~~principal executive office of the limited partnership.~~

10          2. ~~An agent for service of process on the limited partnership, which agent must be an~~  
11 ~~individual resident of this state, a domestic corporation, a domestic limited liability~~  
12 ~~company, a foreign corporation, or a foreign limited liability company authorized to~~  
13 ~~do business in this state. The limited partnership shall appoint and continuously~~  
14 ~~maintain a registered agent who may be:~~

15           a. ~~An individual residing in this state;~~

16           b. ~~A domestic corporation;~~

17           c. ~~A domestic limited liability company; or~~

18           d. ~~A foreign corporation or foreign limited liability company authorized to transact~~  
19 ~~business in this state.~~

20          3. ~~The registered agent shall maintain a business office identical to its registered~~  
21 ~~office.~~

22           **SECTION 211. AMENDMENT.** Section 45-10.1-07.1 of the 1995 Supplement to the  
23 North Dakota Century Code is amended and reenacted as follows:

24           **45-10.1-07.1. Registration of general partner.** A general partner must be registered  
25 separately with the secretary of state at the time of filing a certificate of limited partnership or  
26 the registration of foreign limited partnership whenever that general partner is either a domestic  
27 or foreign:

28           1. Corporation;

29           2. Limited liability company;

30           3. Limited liability partnership;

31           4. Limited partnership;

- 1       4. ~~5.~~ General partnership using a fictitious name; or  
2       5. ~~6.~~ Any other organization that has a registration responsibility with the secretary of  
3             state.

4             **SECTION 212. AMENDMENT.** Section 45-10.1-08 of the North Dakota Century Code  
5 is amended and reenacted as follows:

6             **45-10.1-08. (201) Certificate of limited partnership.**

- 7             1. In order to form a limited partnership, a certificate of limited partnership must be  
8                 executed and filed in the office of the secretary of state. The certificate must set  
9                 forth:  
10                a. The name of the limited partnership.  
11                b. The general character of its business.  
12                c. The address of the office and the name and address of the agent for service  
13                 of process required to be maintained by section 45-10.1-04.  
14                d. The name and address of the principal place of business of each general  
15                 partner.  
16                e. ~~The latest date upon which the limited partnership is to dissolve.~~  
17                f. Any other matters the general partners determine to include therein.  
18             2. A limited partnership is formed at the time of the filing of the certificate of limited  
19                 partnership in the office of the secretary of state or at any later time specified in the  
20                 certificate of limited partnership if, in either case, there has been substantial  
21                 compliance with the requirements of this section.

22             **SECTION 213. AMENDMENT.** Section 45-10.1-51 of the North Dakota Century Code  
23 is amended and reenacted as follows:

24             **45-10.1-51. (901) Foreign limited partnership - Law governing.** Subject to the  
25 Constitution of North Dakota, the laws of the state under which a foreign limited partnership is  
26 organized govern its organization and internal affairs and the liability of its limited partners, and  
27 a foreign limited partnership may not be denied registration by reason of any difference  
28 between those laws and the laws of this state.

29             **SECTION 214. AMENDMENT.** Section 45-10.1-52 of the North Dakota Century Code  
30 is amended and reenacted as follows:

1           **45-10.1-52. (902) Foreign limited partnership - Registration.** Before transacting  
2 business in this state, a foreign limited partnership shall register with the secretary of state. In  
3 order to register, a foreign limited partnership shall submit to the secretary of state, on forms  
4 prescribed and furnished by the secretary of state, an application for registration as a foreign  
5 limited partnership, signed and sworn to by a general partner and setting forth all of the  
6 following:

- 7           1. The name of the foreign limited partnership and, if different, the name under which  
8           it proposes to register and transact business in this state.
- 9           2. The state and date of its formation.
- 10          3. The general character of the business it proposes to transact in this state.
- 11          4. The name and address of any agent for service of process on the foreign limited  
12          partnership whom the foreign limited partnership elects to appoint; the agent must  
13          be an individual resident of this state, a domestic corporation, a domestic limited  
14          liability company, a foreign corporation, or a foreign limited liability company having  
15          a place of business in, and authorized to do business in, this state.
- 16          5. A statement that the secretary of state is appointed the agent of the foreign limited  
17          partnership for service of process if the agent's authority has been revoked or if the  
18          agent cannot be found or served with the exercise of reasonable diligence.
- 19          6. The address of the principal office of the foreign limited partnership.
- 20          7. The name and address of the principal place of business of each general partner.
- 21          8. The address of the office at which is kept a list of the names and addresses of the  
22          limited partners and their capital contributions, together with an undertaking by the  
23          foreign limited partnership to keep those records until the foreign limited  
24          partnership's registration in this state is canceled or withdrawn.

25 The application must be accompanied by a certificate of identification, existence, and status of  
26 a foreign limited partnership, duly certified by the proper officer of the state or country under the  
27 laws of which it is organized.

28           **SECTION 215. AMENDMENT.** Section 45-10.1-53 of the North Dakota Century Code  
29 is amended and reenacted as follows:



1           **45-10.1-53. (903) Foreign limited partnership - Filing of registration.** If the  
2 secretary of state finds that an application for registration conforms to law and all requisite fees  
3 have been paid, the secretary of state shall:

- 4           1. Endorse on the application the word "Filed", and the month, day, and year of the  
5           filing.
- 6           2. File the application in the office of the secretary of state.

7           **SECTION 216. AMENDMENT.** Section 45-10.1-54 of the North Dakota Century Code  
8 is amended and reenacted as follows:

9           **45-10.1-54. (904) Foreign limited partnership - Name.** A foreign limited partnership  
10 may register with the secretary of state under any name, whether or not it is the name under  
11 which it is registered in its state of organization, that includes without abbreviation the words  
12 "limited partnership" and that could be registered by a domestic limited partnership.

13           **SECTION 217. AMENDMENT.** Section 45-10.1-55 of the North Dakota Century Code  
14 is amended and reenacted as follows:

15           **45-10.1-55. (905) Foreign limited partnership - Changes and amendments.**

- 16           1. If any statement in the application for registration of a foreign limited partnership  
17           was false when made or any arrangements or other facts described have changed,  
18           making the application inaccurate in any respect, the foreign limited partnership  
19           shall promptly file in the office of the secretary of state a certificate, signed and  
20           sworn to by a general partner, correcting the statement.
- 21           2. A foreign limited partnership that amends its name and is the owner of a  
22           trademark, or uses a fictitious name registered with the secretary of state, or is a  
23           general partner of another limited partnership on file with the secretary of state,  
24           must effect a change of name in each of such registrations simultaneously with the  
25           filing of the certificate amending the registration of foreign limited partnership.
- 26           3. A foreign limited partnership must file a certificate of amendment, signed and  
27           sworn to by a general partner, whenever a general partner that is a corporation  
28           files an amendment changing its corporate name, or when it files an application for  
29           an amended certificate of authority. This certificate of amendment must be filed  
30           simultaneously with the amendment to the articles of incorporation or application  
31           for amended certificate of authority.

1           4. A foreign limited partnership must notify the secretary of state in writing whenever  
2           a general partner changes the address of its principal place of business. A  
3           corporate annual report filed by the secretary of state that reflects a change of  
4           address of a general partner may serve as such notice. This notice is not subject  
5           to the amendment fee prescribed in 45-10.1-15.

6           **SECTION 218. AMENDMENT.** Section 45-10.1-56 of the North Dakota Century Code  
7 is amended and reenacted as follows:

8           **45-10.1-56. (906) Foreign limited partnership - Cancellation of registration.** A  
9 foreign limited partnership may cancel its registration by filing with the secretary of state a  
10 certificate of cancellation signed and sworn to by a general partner. A cancellation does not  
11 terminate the authority of the secretary of state to accept service of process on the foreign  
12 limited partnership with respect to claims for relief arising out of the transactions of business in  
13 this state.

14           **SECTION 219. AMENDMENT.** Section 45-10.1-57 of the North Dakota Century Code  
15 is amended and reenacted as follows:

16           **45-10.1-57. (907) Foreign limited partnership - Transaction of business without**  
17 **registration.**

- 18           1. A foreign limited partnership transacting business in this state may not maintain  
19           any action or proceeding in any court of this state until it has registered in this  
20           state.
- 21           2. The failure of a foreign limited partnership to register in this state does not impair  
22           the validity of any contract or act of the foreign limited partnership or prevent the  
23           foreign limited partnership from defending any action or proceeding in any court of  
24           this state.
- 25           3. A limited partner of a foreign limited partnership is not liable as a general partner of  
26           the foreign limited partnership solely by reason of having transacted business in  
27           this state without registration.
- 28           4. A foreign limited partnership, by transacting business in this state without  
29           registration, appoints the secretary of state as its agent for service of process with  
30           respect to claims for relief arising out of the transaction of business in this state.

- 1           5. Without excluding other activities which may constitute transacting business in this  
2           state, a foreign limited partnership shall not be considered to be transacting  
3           business in this state, for the purposes of this chapter only, by reason of carrying  
4           on in this state any one or more of the following activities:
- 5           a. Maintaining or defending any action or suit or any administrative or arbitration  
6           proceeding, or effecting the settlement thereof or the settlement of claims or  
7           disputes.
  - 8           b. Holding meetings of its partners or carrying on other activities concerning its  
9           internal affairs.
  - 10          c. Maintaining bank accounts.
  - 11          d. Maintaining offices or agencies for the transfer, exchange, and registration of  
12          its securities, or appointing and maintaining trustees or depositaries with  
13          relation to its securities.
  - 14          e. Effecting sales through independent contractors.
  - 15          f. Soliciting or procuring orders, whether by mail or through employees or  
16          agents or otherwise, where such orders require acceptance without this state  
17          before becoming binding contracts.
  - 18          g. Creating evidences of debt, mortgages, or liens on real or personal property.
  - 19          h. Securing or collecting debts or enforcing any rights in property securing the  
20          same.
  - 21          i. Transacting any business in interstate commerce.
  - 22          j. Conducting an isolated transaction completed within a period of thirty days  
23          and not in the course of a number of repeated transactions of like nature.

24           This subsection does not establish a standard for activities which may or may not  
25           subject a foreign limited partnership to taxation or service of process.

26           **SECTION 220. AMENDMENT.** Section 45-10.1-58 of the North Dakota Century Code  
27           is amended and reenacted as follows:

28           **45-10.1-58. (908) Foreign limited partnership - Action by secretary of state.** The  
29           secretary of state may revoke the registration of a foreign limited partnership for transacting  
30           business in this state in violation of sections 45-10.1-52 through 45-10.1-58, or that has failed to  
31           file a renewal statement as required by section 45-10.1-14. The secretary of state may not

1 revoke the registration of a foreign limited partnership unless the secretary of state has given  
2 the foreign limited partnership not less than sixty days' notice by mail addressed to its  
3 registered office in this state and the principal office of record, and the foreign limited  
4 partnership has failed to remedy the deficiency prior to revocation.

5 **SECTION 221. AMENDMENT.** Section 45-22-01 of the 1995 Supplement to the North  
6 Dakota Century Code is amended and reenacted as follows:

7 **45-22-01. Definitions.** In this chapter, unless the context otherwise requires:

8 1. "Address" means ~~mailing address. In the case of a registered office or principal~~  
9 ~~executive office, the term means the office address, which may not be a post office~~  
10 ~~box;~~

11 a. In the case of a registered office or principal executive office, the mailing  
12 address, including the zip code, of the actual office location which may not be  
13 only a post-office box; and

14 b. In all other cases, the mailing address, including a zip code.

15 2. "Domestic limited liability partnership" means a general partnership that is  
16 organized under the laws of this state with a registration or a renewal registration in  
17 effect and which is not a foreign limited liability partnership.

18 3. "Filed with the secretary of state" means ~~that a signed original of a document,~~  
19 ~~together with the fees provided in section 45-22-23, has been delivered to the~~  
20 ~~secretary of state and has been determined by the secretary of state to conform to~~  
21 ~~law;~~

22 a. That either:

23 (1) A signed original or a legible facsimile copy of a signed original of a  
24 request for reserved name which is the same size as the original  
25 document; or

26 (2) A signed original of all other documents meeting the applicable  
27 requirements of this chapter, together with the fees provided in section  
28 45-22-23, has been delivered to the secretary of state and has been  
29 determined by the secretary of state to conform to law.

30 b. That the secretary of state shall then:

- 1                   (1) Endorse on the original the word "filed" and the month, day, and year;  
2                                 and  
3                   (2) Record the document in the office of the secretary of state.
- 4           4. "Foreign limited liability partnership" means a limited liability partnership:  
5           a. Which is organized under laws other than the laws of this state for a purpose  
6                         or purposes for which a limited liability partnership may be organized under  
7                         this chapter;  
8           b. With a registration or renewal registration in effect; and  
9           c. ~~Which continuously maintains its limited liability partnership status~~ In good  
10                         standing in its jurisdiction of origin ~~during all periods of registration and~~  
11                         renewal registration.
- 12           5. "General partnership" means an association of two or more persons to carry on as  
13                         coowners of a business for profit formed under North Dakota law, predecessor law,  
14                         or comparable law of another jurisdiction.
- 15           6. "Jurisdiction of origin" refers to the jurisdiction in which the limited liability  
16                         partnership status of the foreign limited partnership was created.
- 17           ~~7.~~ 7. "Limited liability partnership" ~~and "partnership" mean either:~~  
18                         a. ~~A means a domestic limited liability partnership; or~~  
19                         b. ~~A foreign limited liability partnership.~~
- 20           ~~7.~~ 8. "Managing ~~partners~~ partner" means one of the partners charged with the  
21                         management in this state of the limited liability partnership or foreign limited liability  
22                         partnership and if no partners are so specifically designated, then all partners.
- 23           ~~8.~~ 9. "Notice" ~~is:~~  
24                         a. Is given to a limited liability partnership or to a partner of the partnership when  
25                         in writing and mailed or delivered to the partnership or the partner at the  
26                         registered office or principal executive office of the partnership; and  
27                         a. b. In all other cases, ~~"notice"~~ is given to a person:  
28                                 (1) When mailed to the person at an address designated by the person or  
29                                 at the last known address of the person; or  
30                                 (2) When handed to the person; or

- 1                   (3) When left at the office of the person with a clerk or other person in  
2 charge of the office; or
- 3                   (a) If there is no one in charge, when left in a conspicuous place in  
4 the office; or
- 5                   (b) If the office is closed or the person to be notified has no office,  
6 when left at the dwelling house or usual place of abode of the  
7 person with some person of suitable age and discretion then  
8 residing therein.
- 9       ~~b.~~ c. ~~Notice by mail is~~ is given when deposited in the United States mail with  
10 sufficient postage affixed.
- 11       ~~e.~~ d. ~~Notice is~~ is deemed received when it is given.
- 12   ~~9.~~ 10. "Originally registered" and "original registration" refers to the ~~jurisdiction in which~~  
13 ~~the limited liability partnership status of the foreign limited liability partnership was~~  
14 ~~created~~ document establishing the limited liability partnership status of the foreign  
15 limited liability partnership in its jurisdiction of origin.
- 16   ~~10.~~ 11. "Principal executive office" means ~~an~~  
17 a. An office where from which the limited liability partnership conducts business;  
18 or
- 19       b. If the limited liability partnership has no office from which it conducts business,  
20 then the ~~term means the~~ registered office of the partnership.
- 21   ~~11.~~ 12. "Register" means the act of filing with the secretary of state which causes:  
22       a. A domestic limited liability partnership to be created; or  
23       b. A foreign limited liability partnership to be authorized to transact business in  
24 this state.
- 25   ~~12.~~ 13. "Registered office" means the place in this state designated as the registered office  
26 of the limited liability partnership.
- 27   ~~13.~~ 14. "Registration" means the document which, when filed with the secretary of state,  
28 causes:  
29       a. A domestic limited liability partnership to be created; or  
30       b. A foreign limited liability partnership to be authorized to do business in this  
31 state.



- 1           b. The limited liability partnership or foreign limited liability partnership may file a  
2           renewal registration that complies with this section no earlier than sixty days  
3           before the expiration of the one-year period.
- 4           (1) A ~~limited liability partnership~~ registration may be renewed for  
5           successive one-year periods.
- 6           (2) A proper renewal registration extends the registration of a limited  
7           liability partnership or foreign limited liability partnership for another  
8           one-year period, measured from the end of the previous one-year  
9           period.
- 10          (3) Unless a renewal registration is properly filed with the secretary of  
11          state, the registration shall be subject to revocation by the secretary of  
12          state as provided in section 45-22-16.
- 13          3. A registration or renewal registration must contain:
- 14          a. With respect to a domestic limited liability partnership:
- 15               (1) The name of the domestic limited liability partnership.
- 16               (2) The nature of the business to be transacted in this state.
- 17               (3) The address of the principal executive office of the domestic limited  
18               liability partnership.
- 19               (4) The address of the registered office of the domestic limited liability  
20               partnership and the name of its registered agent at that address.
- 21               (5) The name and address of each managing partner.
- 22               (6) An acknowledgment that the status of limited liability partnership will  
23               automatically expire, unless the partnership files a proper renewal  
24               registration.
- 25               (7) An acknowledgment that other jurisdictions, including other jurisdictions  
26               that have limited liability partnership statutes, may not provide any  
27               limited liability shield or may not provide as broad a limited liability  
28               shield as does this chapter.
- 29          b. With respect to a foreign limited liability partnership:
- 30               (1) The name of the foreign limited liability partnership and, if different, the  
31               name under which it proposes to transact business in this state.



- 1                   (2)    The jurisdiction of its original registration.
- 2                   (3)    The date on which the foreign limited liability partnership expires in the
- 3                                    jurisdiction of its origin.
- 4                   (4)    The nature of the business to be transacted in this state.
- 5                   (5)    The address of the principal executive office of the foreign limited
- 6                                    liability partnership.
- 7                   (6)    The address of the registered office of the foreign limited liability
- 8                                    partnership and the name of its registered agent at that address.
- 9                   (7)    The name and address of each managing partner.
- 10                  (8)    An acknowledgment that the status of limited liability partnership in this
- 11                                    state will automatically expire:
- 12                                    (a)    Unless the foreign limited liability partnership files a proper
- 13    renewal registration; and
- 14                                    (b)    Unless the foreign limited liability partnership continuously
- 15    maintains its limited liability partnership status in its jurisdiction of
- 16    origin.
- 17                  c.    The registration must be accompanied by payment of the fees provided in
- 18                                    section 45-22-22 together with a certificate of good standing or certificate of
- 19                                    existence authenticated by the registering officer of the state or country where
- 20                                    the foreign limited liability partnership is originally registered and the consent
- 21                                    of the designated registered agent for service of process to serve in that
- 22                                    capacity.
- 23                  4.    An original of the registration or renewal registration must be filed with the
- 24                                    secretary of state.
- 25                   a.    If the secretary of state finds that the registration or renewal registration
- 26                                    conforms to law and that the fees provided in section 45-22-22 have been
- 27                                    paid, the secretary of state shall endorse on the original the word "filed" and
- 28                                    the day, month, and year of the filing and shall file the original in the office of
- 29                                    the secretary of state.
- 30                   b.    If any statement in the registration or renewal registration was false when
- 31                                    made or becomes inaccurate after the registration or renewal registration is

1 filed, making the registration or renewal registration false or inaccurate in any  
2 respect:

3 (1) The limited liability partnership or foreign limited liability partnership  
4 shall file promptly with the secretary of state an amended or corrected  
5 registration or renewal registration or reflect the changes on its next  
6 renewal registration; and

7 (2) With respect to foreign limited liability partnerships:

8 (a) In the case of a change in its name, a certificate to that effect  
9 authenticated by the proper officer of the state or country under  
10 the laws of which the foreign limited liability partnership is  
11 originally registered; or

12 (b) In the case of a termination or merger:

13 [1] A foreign limited liability partnership that is not the surviving  
14 organization need not file an amended registration but,  
15 within thirty days after the merger or termination becomes  
16 effective, shall file with the secretary of state a certificate to  
17 that effect authenticated by the proper officer of the state or  
18 country under the laws of which the foreign limited liability  
19 partnership is originally registered.

20 [2] It is not necessary for any foreign limited liability  
21 partnership, which is the surviving organization in a  
22 merger, to procure either a new or amended registration  
23 unless the name of the foreign limited liability partnership is  
24 changed or unless the foreign limited liability partnership  
25 desires to pursue in this state purposes other than those  
26 which it is authorized to transact in this state.

27 c. With respect to renewals:

28 (1) A renewal registration received by the secretary of state in a sealed  
29 envelope postmarked by the United States postal service on or before  
30 the lapse, or a renewal registration in a sealed packet with a verified  
31 shipment date by any other carrier service on or before the lapse, and

- 1 properly addressed to the secretary of state is deemed to be in  
2 compliance with the requirement for timely delivery. When a lapse falls  
3 on a Saturday, Sunday, or other holiday as defined in section 1-03-01,  
4 a postmark or verified shipment date on the next business day is in  
5 compliance with this requirement.
- 6 (2) The secretary of state must file the renewal registration if the renewal  
7 registration conforms to the requirements of this section.
- 8 (3) If the renewal registration does not conform, the registration must be  
9 returned to the limited liability partnership or foreign limited liability  
10 partnership for any necessary corrections. If the corrected renewal  
11 registration is filed after the lapse date, but within thirty days after it is  
12 returned for correction, the penalties for failure to file the renewal  
13 registration within the time required do not apply.
- 14 (4) Each limited liability partnership or foreign limited liability partnership  
15 that fails or refuses to file its renewal registration on or before the lapse  
16 date of a registration, must pay an additional late renewal fee as  
17 provided in section 45-22-22.
- 18 d. The secretary of state may destroy any registrations and renewal registrations  
19 which have been on file for seven years.
- 20 5. A managing partner must be separately registered with the secretary of state at the  
21 time of the registration of a limited liability partnership whenever that managing  
22 partner is either a domestic or foreign:
- 23 a. Corporation;  
24 b. Limited liability company;  
25 c. Limited partnership;  
26 d. Limited liability partnership; or  
27 e. General partnership using a fictitious name.
- 28 6. With respect to a domestic limited liability partnership:  
29 a. A general partnership's decision to file a registration is an ordinary matter that  
30 may be decided by a majority of the partners.

1           b. The decision to withdraw or not renew a registration may be undertaken only  
2           with the consent of all of the partners.

3           7. A general partnership that registers as a limited liability partnership is not deemed  
4           to have dissolved as a result of the registration.

5           8. If a limited liability partnership or foreign limited liability partnership dissolves  
6           without winding up its business or changes its jurisdiction of origin, a partnership  
7           which is a successor to such limited liability partnership or foreign limited liability  
8           partnership and which intends to be a limited liability partnership or foreign limited  
9           liability partnership shall not be required to file a new registration or renewal and  
10           shall be deemed to have filed any documents required or permitted under this  
11           section which were filed by the predecessor partnership.

12           **SECTION 223. AMENDMENT.** Section 45-22-04 of the 1995 Supplement to the North  
13           Dakota Century Code is amended and reenacted as follows:

14           **45-22-04. Limited liability partnership - Name.**

15           1. The name of a limited liability partnership:

16           a. Must be in the English language or in any other language, expressed in  
17           English letters or characters.

18           b. Must contain the words "limited liability partnership" or either the abbreviation  
19           "L.L.P." or the abbreviation "LLP", either of which abbreviations can be used  
20           interchangeably for all purposes authorized by this chapter, including real  
21           estate matters, contracts, and filings with the secretary of state, or any other  
22           words or abbreviations as may be authorized or required under the laws of the  
23           jurisdiction of original registration.

24           c. May not contain a word or phrase that indicates or implies that it may not be  
25           formed under this chapter.

26           d. May not contain a word or phrase that indicates or implies that it is formed for  
27           a purpose other than one or more business purposes for which a partnership  
28           may be formed under North Dakota law.

29           ~~e. May not be the same as, or deceptively similar to, the name of a domestic or~~  
30           ~~foreign corporation, limited liability company, limited partnership or limited~~  
31           ~~liability partnership, whether for profit or non-profit, authorized to do business~~

1                   in this state, or a name the right to which is, at the time of formation, reserved  
2                   in the manner provided in section 45-22-05 or is a fictitious name registered  
3                   with the office of the secretary of state in the manner provided in chapter  
4                   45-11 or is a trade name registered with the office of the secretary of state in  
5                   the manner provided in chapter 47-25, unless there is filed with the  
6                   registration:

- 7                   (1)    ~~The written consent of the domestic or foreign corporation, limited~~  
8                   ~~liability company, limited partnership, limited liability partnership or~~  
9                   ~~partnership authorized to do business in the state having a deceptively~~  
10                  ~~similar name or the holder of a reserved name or registered trade name~~  
11                  ~~to use the deceptively similar name; or~~  
12                  (2)    ~~A certified copy of a judgment of a court in this state establishing the~~  
13                  ~~prior right of the applicant to the use of the name in this state.~~

14                  e.    May not be the same as, or deceptively similar to:

15                  (1)    The name, whether foreign and authorized to do business in this state,  
16                  or domestic, unless there is filed with the registration a document which  
17                  complies with subsection 2 of this section, or:

18                  (a)    Another limited liability partnership;

19                  (b)    A corporation;

20                  (c)    A limited liability company; or

21                  (d)    A limited partnership; or

22                  (2)    A name, the right to which is at the time of registration reserved in the  
23                  manner provided in section 10-19.1-14, 10-32-11, 10-33-11,  
24                  45-10.1-03, or 45-22-05;

25                  (3)    A fictitious name registered in the manner provided in chapter 45-11; or

26                  (4)    A trade name registered in the manner provided in chapter 47-25.

27                  f.    Need not be filed as provided in chapter 45-11 except when transacting  
28                  business under a name other than the name as registered under this chapter.

29                  2.    The secretary of state shall determine whether a name is "~~deceptively similar~~"  
30                  deceptively similar to another name for purposes of this section.

- 1           3. If the secretary of state determines that a limited liability partnership name is  
2           deceptively similar to another name for purposes of this chapter, then the limited  
3           liability partnership name may not be used unless there is filed with the registration:
- 4           a. The written consent of the holder of the rights to the name to which the  
5           proposed name has been determined to be deceptively similar; or
- 6           b. A certified copy of a judgment of a court in this state establishing the prior  
7           right of the applicant to the use of the name in this state.
- 8           4. This section and section 45-22-05 do not:
- 9           a. Abrogate or limit:
- 10           (1) The law of unfair competition or unfair practices;
- 11           (2) Chapter 47-25;
- 12           (3) The laws of the United States with respect to the right to acquire and  
13           protect copyrights, trade names, trademarks, service names, and  
14           service marks; or
- 15           (4) Any other rights to the exclusive use of names or symbols.
- 16           b. Derogate the common law or principles of equity.
- 17           5. A limited liability partnership that is merged with another domestic or foreign  
18           organization, that is registered by the reorganization of one or more domestic or  
19           foreign organizations, or that acquires by sale, lease, or other disposition to or  
20           exchange with a domestic organization all or substantially all of the assets of  
21           another domestic or foreign organization including its name, may have the same  
22           name as that used in this state by any of the other organizations, if the other  
23           organization:
- 24           a. Was incorporated, organized, formed, or registered under the laws of this  
25           state;
- 26           b. Is authorized to transact business or conduct activities in this state;
- 27           c. Holds a reserved name in the manner provided in section 10-19.1-14,  
28           10-32-11, 10-33-11, 45-10.1-03, or 45-22-05;
- 29           d. Holds a fictitious name registered in the manner provided in chapter 45-11; or  
30           e. Holds a trade name registered in the manner provided in chapter 47-25.

1       4- 6. The use of a name by a limited liability partnership in violation of this section does  
2                   not affect or vitiate its limited liability partnership existence. However, a court of  
3                   this state may, upon application of the state or of an interested or affected person,  
4                   enjoin the limited liability partnership from doing business under a name assumed  
5                   in violation of this section, even though its registration may have been filed with the  
6                   secretary of state.

7       ~~5-~~ 7. With respect to foreign limited liability partnerships:

8           a. A foreign limited liability partnership may register under any name that would  
9                   be available to a domestic limited liability partnership, whether or not the  
10                  name is the same under which it is authorized in its jurisdiction of original  
11                  registration.

12          b. A fictitious name certificate must be filed as provided in chapter 45-11 only  
13                  when registering under a name other than the name as authorized in the  
14                  jurisdiction of original registration.

15           **SECTION 224. AMENDMENT.** Section 45-22-05 of the 1995 Supplement to the North  
16   Dakota Century Code is amended and reenacted as follows:

17           **45-22-05. Reserved name.**

18          1. The exclusive right to the use of a limited liability partnership or foreign limited  
19                  liability partnership name otherwise permitted by section 45-22-04 may be  
20                  reserved by any person.

21          2. The reservation is made by filing with the secretary of state a request that the  
22                  name be reserved together with the fees provided in section 45-22-22.

23           a. If the name is available for use by the applicant, the secretary of state shall  
24                  reserve the name for the exclusive use of the applicant for a period of twelve  
25                  months.

26           b. The reservation may be renewed for successive twelve-month periods.

27          3. The right to the exclusive use of limited liability partnership or foreign limited  
28                  liability partnership name reserved pursuant to this section may be transferred to  
29                  another person by or on behalf of the applicant for whom the name was reserved  
30                  by filing with the secretary of state a notice of the transfer and specifying the name  
31                  and address of the transferee together with the fees provided in section 45-22-22.

1           4.    The right to the exclusive use of a limited liability partnership or foreign limited  
2               liability partnership name reserved pursuant to this section may be canceled by or  
3               on behalf of the applicant for whom the name was reserved by filing with the  
4               secretary of state a notice of cancellation together with the fees provided in section  
5               45-22-22.

6           5.    The secretary of state may accept for filing a legible facsimile copy of the signed  
7               original of any request for reserved name.

8           6.    The secretary of state may destroy all reserved name requests and index thereof  
9               one year after expiration.

10           **SECTION 225. AMENDMENT.** Section 45-22-06 of the 1995 Supplement to the North  
11   Dakota Century Code is amended and reenacted as follows:

12           **45-22-06. Failure to use required name.** If a person purports to enter into a contract  
13   or other undertaking on behalf of a limited liability partnership and with intent to defraud does  
14   not disclose to the other party that part of the limited liability partnership's name that complies  
15   with subsection 1 of section 45-22-04, then that person is personally liable on the contract or  
16   undertaking, unless that person can show in making the contract or accepting the undertaking  
17   that the other party had knowledge or notice that the partnership was a limited liability  
18   partnership, or did not rely on the partnership being an ordinary general partnership. Any  
19   partner of a limited liability partnership who with intent to defraud consents to a person not  
20   making the disclosure described in this section is also personally liable on the contract or  
21   undertaking, unless that partner can make the showing described in this section.

22           **SECTION 226. AMENDMENT.** Section 45-22-07 of the 1995 Supplement to the North  
23   Dakota Century Code is amended and reenacted as follows:

24           **45-22-07. Unauthorized assumption of limited liability partnership powers -**  
25   **Liability.** A person who assumes to act as a limited liability partnership ~~without a~~ knowing that  
26   no registration or renewal registration is in effect is jointly and severally liable for all debts and  
27   liabilities incurred or arising as a result.

28           **SECTION 227. AMENDMENT.** Section 45-22-08 of the 1995 Supplement to the North  
29   Dakota Century Code is amended and reenacted as follows:

30           **45-22-08. Limited liability partnership shield.** A partner of a limited liability  
31   partnership is not, merely on account of this status, personally liable for anything chargeable to



1 the partnership under sections 45-15-05 and 45-15-06, or for any other debts or obligations of  
2 the limited liability partnership, if the charge, debt, or obligation arose or accrued while the  
3 partnership had a registration or renewal registration in effect. A registration or renewal  
4 registration remains in effect until revoked by the secretary of state pursuant to section  
5 45-22-16. This section does not limit or impair the right of the limited liability partnership or its  
6 partners to make claims against any particular partner on the grounds that the particular  
7 partner:

- 8 4. ~~Has~~ has, in its capacity as a partner, breached a duty to the limited liability  
9 partnership or to the other partners; ~~or~~
- 10 2. ~~Is obligated to contribute so that partners share losses of capital according to~~  
11 ~~section 45-16-01 and share the liabilities stated in subsections 2 and 3 of section~~  
12 ~~45-20-07.~~

13 **SECTION 228. AMENDMENT.** Section 45-22-11 of the 1995 Supplement to the North  
14 Dakota Century Code is amended and reenacted as follows:

15 **45-22-11. Registered office and agent.**

- 16 1. A limited liability partnership or foreign limited liability partnership shall  
17 continuously ~~shall~~ maintain a registered office in this state. A registered office  
18 need not be the same as the principal place of business or the principal executive  
19 office of the limited liability partnership or foreign limited liability partnership.
- 20 2. A limited liability partnership or foreign limited liability partnership shall designate  
21 appoint and continuously maintain a registered agent in its registration who may  
22 be.
  - 23 a. ~~The registered agent may be an~~ An individual residing in this state; ~~a;~~
  - 24 b. A domestic corporation, a domestic limited liability company, or a domestic  
25 limited liability partnership; ~~i~~ or ~~a~~
  - 26 c. A foreign corporation, foreign limited liability company, or foreign limited  
27 liability partnership authorized to transact business in this state.
  - 28 b. ~~The registered agent must maintain a business office that is identical with the~~  
29 ~~registered office.~~
- 30 e. 3. Proof of the registered agent's consent to serve in that capacity must be filed with  
31 the secretary of state, together with the fees provided in section 45-22-22.

1           **SECTION 229. AMENDMENT.** Section 45-22-12 of the 1995 Supplement to the North  
2 Dakota Century Code is amended and reenacted as follows:

3           **45-22-12. Change of registered office or agent.**

- 4           1. A limited liability partnership or foreign limited liability partnership may change its  
5 registered office, change its registered agent, or state a change in the name of its  
6 registered agent, by filing with the secretary of state, along with the fees provided  
7 in section 45-22-22, a statement containing:
- 8           a. The name of the limited liability partnership or foreign limited liability  
9           partnership.
  - 10           b. If the address of its registered office is to be changed, the new address of its  
11           registered office.
  - 12           c. If its registered agent is to be designated or changed, the name of its new  
13           registered agent.
  - 14           d. If the name of its registered agent is to be changed, the name of its registered  
15           agent as changed.
  - 16           e. A statement that the address of its registered office and the address of the  
17           business office of its registered agent, as changed, will be identical.
  - 18           f. A statement that the change of registered office or registered agent was  
19           authorized by resolution of the partnership.
- 20           2. A registered agent may resign by filing with the secretary of state a written notice of  
21 resignation, including a statement that a signed copy of the notice has been given  
22 to the limited liability partnership or foreign limited liability partnership at its  
23 principal executive office, or to a legal representative of the limited liability  
24 partnership or foreign limited liability partnership. The appointment of the agent  
25 terminates thirty days after the notice is filed with the secretary of state.
- 26           3. If the business address or name of a registered agent changes, the agent shall  
27 change the address of the registered office or name of the registered agent, ~~as the~~  
28 ~~ease may be,~~ of each limited liability partnership or foreign limited liability  
29 partnership represented by that agent by filing with the secretary of state a  
30 statement for each limited liability partnership or foreign limited liability partnership  
31 as required in subsection 1, except that it need be signed only by the registered

1 agent, need not be responsive to subdivision c or f of subsection 1, and must state  
2 that a copy of the statement has been mailed to each of those limited liability  
3 partnerships or foreign limited liability partnerships or to the legal representative of  
4 each of those limited liability partnerships or foreign limited liability partnerships.

5 4. The fee prescribed in section 45-22-22 for the change of registered office must be  
6 refunded when, in the opinion of the secretary of state, the change of address of  
7 registered office results from rezoning or postal reassignment.

8 **SECTION 230. AMENDMENT.** Section 45-22-13 of the 1995 Supplement to the North  
9 Dakota Century Code is amended and reenacted as follows:

10 **45-22-13. Voluntary withdrawal of status.**

- 11 1. A partnership may end its status as a limited liability partnership or foreign limited  
12 liability partnership at any time by filing a withdrawal statement with the secretary  
13 of state.
- 14 2. The withdrawal statement must contain:
- 15 a. With respect to a domestic limited liability partnership:
- 16 (1) The name of the domestic limited liability partnership.
- 17 (2) A statement that the domestic limited liability partnership is withdrawing  
18 its current registration.
- 19 (3) An acknowledgment by the domestic limited liability partnership that the  
20 withdrawal ends its limited liability partnership status.
- 21 b. With respect to a foreign limited liability partnership:
- 22 (1) The name of the foreign limited liability partnership.
- 23 (2) The jurisdiction of ~~its original registration~~ origin.
- 24 (3) A statement ~~that~~ the foreign limited liability partnership is not  
25 transacting business in this state as a foreign limited liability  
26 partnership.
- 27 (4) A statement that the foreign limited liability partnership surrenders its  
28 authority to transact business in this state as a foreign limited liability  
29 partnership and is withdrawing its current registration.

- 1                   (5) An acknowledgment by the foreign limited liability partnership that the  
2                   withdrawal ends its foreign limited liability partnership status in this  
3                   state.
- 4                   (6) A statement ~~that~~ the foreign limited liability partnership revokes the  
5                   authority of its registered agent in this state to accept service of process  
6                   and consents that service of process based upon any cause of action  
7                   arising in this state during the time the foreign limited liability  
8                   partnership was authorized to transact business in this state may be  
9                   made on the foreign limited liability partnership by service upon the  
10                  secretary of state.
- 11                  (7) A post-office address to which a person may mail a copy of any process  
12                  against the foreign limited liability partnership.
- 13                  3. The withdrawal statement may state a delayed withdrawal date, if that date is  
14                  before the expiration date of the current registration. If the withdrawal statement  
15                  does not state an effective date, then the statement is effective when filed.
- 16                  4. If the foreign limited liability partnership is not the surviving organization in a  
17                  merger or termination, then the filing with the secretary of state of a certificate to  
18                  that effect authenticated by the proper officer of the state or country under the laws  
19                  of which the foreign limited liability partnership is originally registered constitutes a  
20                  valid withdrawal statement.

21                  **SECTION 231. AMENDMENT.** Section 45-22-14 of the 1995 Supplement to the North  
22                  Dakota Century Code is amended and reenacted as follows:

23                  **45-22-14. Filing after dissolution.**

- 24                  1. A dissolved limited liability partnership or a foreign limited liability partnership that  
25                  is winding up its affairs may continue its status as a limited liability partnership or  
26                  foreign limited liability partnership through termination either by:
- 27                  a. Continuing to file annual renewal registrations until termination; or  
28                  b. Filing a final renewal registration that, in addition to providing the information  
29                  required by subsection 3 of section 45-22-03:
- 30                  (1) States ~~that~~ the partnership is dissolved and is winding up its affairs.  
31                  (2) Identifies the cause of the dissolution.

- 1                   (3) States ~~that~~ the renewal registration is the final renewal registration and  
2                   will remain in effect until termination.
- 3           2. A final renewal registration that complies with subdivision b of subsection 1 must  
4           not contain the statement required in:
- 5           a. Paragraph 6 of subdivision a of subsection 3 of section 45-22-03 in the case  
6           of a domestic limited liability partnership; or
- 7           b. Paragraph 8 of subdivision b of subsection 3 of section 45-22-03 in the case  
8           of a foreign limited liability partnership.
- 9           3. When the dissolved limited liability partnership or foreign limited liability partnership  
10           has wound up its affairs, it shall file with the secretary of state a termination notice,  
11           together with the fees provided in section 45-22-22. The termination notice must:
- 12           a. Contain:
- 13                 (1) The name of the limited liability partnership or foreign limited liability  
14                 partnership.
- 15                 (2) A statement ~~that~~ the limited liability partnership or foreign limited liability  
16                 partnership has dissolved and wound up its affairs.
- 17                 (3) A statement ~~that~~ the limited liability partnership or foreign limited liability  
18                 partnership is terminated.
- 19           b. Be signed by one former managing partner who has not wrongfully dissolved  
20           the partnership or, in the case of a foreign limited liability partnership, by a  
21           managing partner.

22           **SECTION 232. AMENDMENT.** Section 45-22-16 of the 1995 Supplement to the North  
23           Dakota Century Code is amended and reenacted as follows:

24           **45-22-16. Revocation of registration.**

- 25           1. The registration of a limited liability partnership or foreign limited liability  
26           partnership may be revoked by the secretary of state upon the occurrence of any  
27           of these events:
- 28           a. The limited liability partnership or foreign limited liability partnership has failed:
- 29                 (1) To appoint and maintain a registered agent as required by this chapter;
- 30                 (2) To file a report upon any change in the name or business address of  
31                 the registered agent;

- 1                   (3) To file any required amendment to its registration; or
- 2                   (4) To file a renewal registration as provided in subsection 2 of section
- 3                   45-22-04.
- 4                   b. A An intentional misrepresentation ~~or mistake~~ has been made in any material
- 5                   matter in any registration, report, affidavit, or other document submitted by the
- 6                   limited liability partnership or foreign limited liability partnership pursuant to
- 7                   this chapter.
- 8                   2. The secretary of state may not revoke the registration of a limited liability
- 9                   partnership or foreign limited liability partnership unless:
- 10                  a. The secretary of state has given the limited liability partnership or foreign
- 11                  limited liability partnership at least sixty days' notice of the reason for the
- 12                  pending revocation by mail addressed to its registered office or, if the limited
- 13                  liability partnership or foreign limited liability partnership fails to appoint and
- 14                  maintain a registered agent in this state, then addressed to its principal
- 15                  executive office; and
- 16                  b. During the sixty-day period, the limited liability partnership or foreign limited
- 17                  liability partnership has failed:
- 18                   (1) To appoint and maintain a registered agent as required by this chapter;
- 19                   (2) To file the report of change regarding the name or business address of
- 20                   the registered agent;
- 21                   (3) To file the required amendment to its registration;
- 22                   (4) To file a renewal registration as provided in subsection 2 of section
- 23                   45-22-04; or
- 24                   (5) To correct the misrepresentation ~~or mistake~~.
- 25                  3. Upon the expiration of the sixty-day period without the limited liability partnership or
- 26                  foreign limited liability partnership having cured the reason for the pending
- 27                  revocation set forth in the notice, the registration is revoked. The secretary of state
- 28                  shall note the revocation in the records of the secretary of state and shall give
- 29                  notice of the revocation to the limited liability partnership or foreign limited liability
- 30                  partnership. Notice by the secretary of state must be mailed to the last registered
- 31                  agent at the last registered office of record. If the limited liability partnership or

1           foreign limited liability partnership failed to appoint and maintain a registered office  
2           in this state, then to its principal executive office.

3           **SECTION 233. AMENDMENT.** Section 45-22-17 of the 1995 Supplement to the North  
4 Dakota Century Code is amended and reenacted as follows:

5           **45-22-17. Service of process on a limited liability partnership or foreign limited**  
6 **liability partnership.**

- 7           1. A process, notice, or demand required or permitted by law to be served on a  
8           limited liability partnership or foreign limited liability partnership may be served  
9           either on the registered agent ~~of the limited liability partnership~~ or on any  
10          responsible person found at the registered office ~~of the limited liability partnership~~  
11          or on the secretary of state as provided in this section.
- 12          2. If neither the registered agent nor a responsible person can be found at the  
13          registered office and if a responsible person affiliated with the limited liability  
14          partnership or foreign limited liability partnership cannot be found at the principal  
15          place of business in this state, the secretary of state is the agent of the limited  
16          liability partnership or foreign limited liability partnership on whom the process,  
17          notice, or demand may be served.
- 18          a. The return of the sheriff, or affidavit of a person not a party, that no registered  
19          agent or responsible person may be found at either the registered office or at  
20          the principal place of business ~~of the limited liability partnership~~ in this state is  
21          conclusive evidence that the limited liability partnership or foreign limited  
22          liability partnership has no registered agent or responsible person at its  
23          registered office or at its principal place of business in this state.
- 24          b. Service on the secretary of state of any process, notice, or demand is deemed  
25          personal service on the limited liability partnership or foreign limited liability  
26          partnership and may be made by filing with the secretary of state one original  
27          and two copies of the process, notice, or demand together with the fees  
28          provided in section 45-22-22.
- 29          c. The secretary of state immediately shall forward, by certified mail addressed  
30          to the limited liability partnership or foreign limited liability partnership at its

1 registered office or at its principal place of business in this state, a copy of the  
2 process, notice, or demand.

3 d. Service on the secretary of state is returnable in not less than thirty days,  
4 notwithstanding a shorter period specified in the process, notice, or demand.

5 3. The secretary of state shall maintain a record of every process, notice, and  
6 demand served on the secretary of state under this section, including the date of  
7 service and the action taken with reference to it.

8 4. This section does not limit the right of a person to serve process, notice, or  
9 demand required or permitted by law to be served on a limited liability partnership  
10 or foreign limited liability partnership in any other manner permitted by law.

11 **SECTION 234. AMENDMENT.** Section 45-22-18 of the 1995 Supplement to the North  
12 Dakota Century Code is amended and reenacted as follows:

13 **45-22-18. Foreign limited liability partnership governing law.** The laws of the  
14 jurisdiction under which a foreign limited liability partnership is originally registered govern its  
15 organization ~~and its~~, internal affairs, and the liability of partners for the debts, obligations, and  
16 liabilities of or chargeable to the partnership or another partner or partners. A foreign limited  
17 liability partnership may not be denied registration to transact business in this state by reason of  
18 any difference between those laws and the laws of this state. A foreign limited liability  
19 partnership holding a valid registration in this state has the same, but no greater, rights and  
20 privileges as a domestic limited liability partnership. The registration does not authorize the  
21 foreign limited liability partnership to exercise any of its powers for purposes that a domestic  
22 limited liability partnership is forbidden by law to exercise in this state.

23 **SECTION 235. AMENDMENT.** Section 45-22-20 of the 1995 Supplement to the North  
24 Dakota Century Code is amended and reenacted as follows:

25 **45-22-20. Transaction of business by a foreign limited liability partnership**  
26 **without registration.**

27 1. A foreign limited liability partnership transacting business in this state may not  
28 maintain any cause of action in any court of this state until the partnership has  
29 registered with the secretary of state.

30 2. The failure of a foreign limited liability partnership to register with the secretary of  
31 state does not impair the validity of any contract or act of the foreign limited liability



1 partnership or prevent the foreign limited liability partnership from defending any  
2 claim for relief in any court of this state. A partner of a foreign limited liability  
3 partnership is not liable for the debts, obligations, or liabilities of or chargeable to  
4 the foreign limited liability partnership or another partner or partners solely by  
5 reason of the foreign limited liability partnership's failure to register with the  
6 secretary of state.

7 3. A foreign limited liability partnership, by transacting business in this state without  
8 having registered with the secretary of state, appoints the secretary of state as its  
9 agent upon whom any notice, process, or demand may be served.

10 4. ~~All persons who assume to act as a foreign limited liability partnership without~~  
11 ~~registration are jointly and severally liable for all debts and liabilities incurred or~~  
12 ~~arising in this state as a result.~~

13 **SECTION 236. AMENDMENT.** Section 45-22-22 of the 1995 Supplement to the North  
14 Dakota Century Code is amended and reenacted as follows:

15 **45-22-22. Fees and charges.**

- 16 1. The secretary of state shall charge and collect for:
- 17 a. Filing a registration as a domestic limited liability partnership, twenty-five  
18 dollars. When there are more than two managing partners, an additional  
19 three dollars must be paid for each additional managing partner not to exceed  
20 two hundred fifty dollars.
  - 21 b. Filing a renewal registration, twenty-five dollars.
  - 22 c. Late filing of a renewal registration after the lapse of a registration, twenty  
23 dollars. This fee is in addition to the renewal registration fee.
  - 24 d. Filing a statement of correction, or amended registration, twenty-five dollars.
  - 25 e. Filing an application to reserve a name, ten dollars.
  - 26 f. Filing a notice of transfer of a reserved name, ten dollars.
  - 27 g. Filing a cancellation of reserved name, ten dollars.
  - 28 h. Filing a consent to use of name, ten dollars.
  - 29 i. Filing a statement of change of address of registered office or change of  
30 registered agent or both, ten dollars.

- 1 j. Filing a statement of change of address of registered office by registered
- 2 agent, ten dollars for each limited liability partnership or foreign limited liability
- 3 partnership affected by such change.
- 4 k. Filing a registered agent's consent to serve in such capacity, ten dollars.
- 5 l. Filing a resignation as registered agent, ten dollars.
- 6 m. Filing a notice of withdrawal, ten dollars.
- 7 n. Filing a certificate of fact stating a merger of a foreign limited liability
- 8 partnership registered with the secretary of state, fifty dollars.
- 9 o. Filing any other statement of a limited liability partnership, ten dollars.
- 10 p. Filing any process, notice, or demand for service, twenty-five dollars.
- 11 q. Filing a registration as a foreign limited liability partnership, fifty dollars.
- 12 2. The secretary of state shall charge and collect for:
  - 13 a. Furnishing a copy of any document, instrument, or paper relating to a limited
  - 14 liability partnership or foreign limited liability partnership, one dollar for every
  - 15 four pages, or fraction thereof.
  - 16 b. A certificate certifying a copy or reciting facts related to a limited liability
  - 17 partnership or foreign limited liability partnership, twenty dollars.
  - 18 c. Each page of any document or form sent by electronic transmission, one
  - 19 dollar.

20 **SECTION 237. AMENDMENT.** Section 45-22-23 of the 1995 Supplement to the North  
21 Dakota Century Code is amended and reenacted as follows:

22 **45-22-23. Powers - Enforcement - Penalty - Appeal.**

- 23 1. The secretary of state shall administer this chapter.
- 24 2. The secretary of state may propound to any limited liability partnership or foreign
- 25 limited liability partnership subject to this chapter and to any partner, any
- 26 interrogatory reasonably necessary and proper to ascertain whether the
- 27 partnership has complied with this chapter.
  - 28 a. Any interrogatory must be answered within thirty days after mailing, or within
  - 29 any additional time fixed by the secretary of state. The answers to the
  - 30 interrogatory must be full and complete and be made in writing and under
  - 31 oath.

- 1           b. If an interrogatory is directed:
- 2           (1) To an individual, it must be answered by that individual; or
- 3           (2) To a limited liability partnership or foreign limited liability partnership, it
- 4           must be answered by a managing partner.
- 5           c. The secretary of state need not file any document to which an interrogatory
- 6           relates until the interrogatory has been answered, and not then if the answers
- 7           disclose that such document is not in conformity with this chapter.
- 8           d. The secretary of state shall certify to the attorney general, for any action the
- 9           attorney general determines appropriate, any interrogatory and answers
- 10          which disclose a violation of this chapter.
- 11          e. Each managing partner of a limited liability partnership or foreign limited
- 12          liability partnership who fails or refuses within the time provided by this section
- 13          to answer truthfully and fully every interrogatory propounded to that person by
- 14          the secretary of state is guilty of an infraction.
- 15          f. Any interrogatory propounded by the secretary of state and the answers are
- 16          not open to public inspection under section 44-04-18. The secretary of state
- 17          may not disclose any facts or information obtained from an interrogatory
- 18          except insofar as may be permitted by law or insofar as is required for
- 19          evidence in any criminal proceedings or other action by this state.
- 20          3. If the secretary of state rejects any document required by this chapter to be
- 21          approved by the secretary of state before the document may be filed, the secretary
- 22          of state, within ten days after receipt of the document, shall give written notice of
- 23          the rejection to the person who delivered the document, specifying the reasons for
- 24          rejection. That person may appeal to the district court of the county in which the
- 25          registered office of the limited liability partnership or foreign limited liability
- 26          partnership is, or is proposed to be, situated by filing with the clerk of such court a
- 27          petition setting forth a copy of the document sought to be filed and a copy of the
- 28          written rejection of the document by the secretary of state. The court shall try the
- 29          matter de novo. The court shall either sustain the action of the secretary of state or
- 30          direct the secretary of state to take any action the court determines proper.

1           4. If the secretary of state revokes the registration of any foreign limited liability  
2           partnership; pursuant to section 45-22-16, the partnership may appeal to district  
3           court of the county where the registered office of the partnership in this state is  
4           situated by filing with the clerk of such court a petition setting forth a copy of its  
5           registration and a copy of the notice of revocation given by the secretary of state.  
6           The court shall try the matter de novo. The court shall either sustain the action of  
7           the secretary of state or direct the secretary of state to take any action the court  
8           determines proper.

9           **SECTION 238. AMENDMENT.** Section 45-22-24 of the 1995 Supplement to the North  
10          Dakota Century Code is amended and reenacted as follows:

11          **45-22-24. Certificates and certified copies to be received in evidence.**

- 12          1. All copies of documents filed in accordance with this chapter, when certified by the  
13          secretary of state, must be taken and received in all courts, public offices, and  
14          official bodies as prima facie evidence of the facts stated.
- 15          2. A certificate by the secretary of state under the great seal of this state, as to the  
16          existence or nonexistence of the facts relating to limited liability partnerships or  
17          foreign limited liability partnerships which would not appear from a certified copy of  
18          any of the foregoing documents or certificates, must be taken and received in all  
19          courts, public offices, and official bodies as prima facie evidence of the existence  
20          or nonexistence of the facts stated.

21          **SECTION 239. AMENDMENT.** Section 45-22-25 of the 1995 Supplement to the North  
22          Dakota Century Code is amended and reenacted as follows:

23          **45-22-25. Forms to be furnished by the secretary of state.** All renewal registrations  
24          must be made on forms prescribed ~~and furnished~~ by the secretary of state. Upon request, the  
25          secretary of state ~~shall~~ may furnish forms for all other documents to be filed in the office of the  
26          secretary of state. However, the use of these documents, unless otherwise specifically required  
27          by law, is not mandatory.

28          **SECTION 240. AMENDMENT.** Section 45-22-26 of the 1995 Supplement to the North  
29          Dakota Century Code is amended and reenacted as follows:

30          **45-22-26. Audit reports and audit of limited liability partnerships receiving state**  
31          **subsidies for production of alcohol or methanol for combination with gasoline.** Any

1 limited liability partnership or foreign limited liability partnership that produces agricultural ethyl  
2 alcohol or methanol within this state and which receives a production subsidy from the state,  
3 whether in the form of reduced taxes or otherwise, shall submit an annual audit report, prepared  
4 by a certified public accountant based on an audit of all records and accounts of the limited  
5 liability partnership or foreign limited liability partnership, to the legislative audit and fiscal  
6 review committee. The audit must be submitted within ninety days of the close of the taxable  
7 year of the limited liability partnership or foreign limited liability partnership. Upon request of the  
8 legislative audit and fiscal review committee, the state auditor shall conduct an audit of the  
9 records and accounts of any limited liability partnership or foreign limited liability partnership  
10 required to submit an annual report under this section.

11 **SECTION 241. AMENDMENT.** Section 45-22-27 of the 1995 Supplement to the North  
12 Dakota Century Code is amended and reenacted as follows:

13 **45-22-27. Foreign trade zones.**

- 14 1. As used in this section, unless the context otherwise requires:
- 15 a. "Act of Congress" means the Act of Congress approved June 18, 1934,  
16 entitled an act to provide for the establishment, operation, and maintenance of  
17 foreign trade zones and ports of entry of the United States, to expedite and  
18 encourage foreign commerce and for other purposes, as amended, and  
19 commonly known as the Foreign Trade Zone Act of 1934 [48 Stat. 998; 19  
20 U.S.C. 81a et seq.], as amended.
- 21 b. "Private limited liability partnership" means a limited liability partnership or  
22 foreign limited liability partnership, one of the purposes of which is to  
23 establish, operate, and maintain a foreign trade zone by itself or in conjunction  
24 with a public corporation.
- 25 c. "Public corporation" means this state, any political subdivision of this state,  
26 any public agency of this state or any political subdivision of this state, or any  
27 corporate instrumentality of this state.
- 28 2. Any private limited liability partnership or public corporation may apply to the  
29 proper authorities of the United States for a grant of the privilege of establishing,  
30 operating, and maintaining foreign trade zones and foreign trade subzones and to  
31 do all things necessary and proper to carry into effect the establishment, operation,

1 and maintenance of such zones, in accordance with the Act of Congress and other  
2 applicable laws and rules.

3 **SECTION 242. AMENDMENT.** Section 57-38-07.1 of the North Dakota Century Code  
4 is amended and reenacted as follows:

5 **57-38-07.1. Taxation of two or more member limited liability companies.** For  
6 purposes of this chapter, a limited liability company having two or more members that is formed  
7 under either the laws of this state or under similar laws of another state, and that is considered  
8 to be a partnership for federal income tax purposes, is considered to be a partnership and the  
9 members must be considered to be partners. A limited liability company having two or more  
10 members that is not treated as a partnership for federal income tax purposes must be treated  
11 as a corporation for state tax purposes.

12 **SECTION 243.** Section 57-38-07.2 of the North Dakota Century Code is created and  
13 enacted as follows:

14 **57-38-07.2. Taxation of single-member limited liability companies.** For purposes of  
15 this chapter, a limited liability company having a single member that is formed under either the  
16 laws of this state or under similar laws of another state and that is considered to be a  
17 corporation for federal income tax purposes, is considered to be a corporation for state tax  
18 purposes. A limited liability company having a single member that is not treated as a  
19 corporation for federal income tax purposes is disregarded as an entity separate from its owner  
20 for state tax purposes.

21 **SECTION 244. AMENDMENT.** Section 57-38.1-17.2 of the North Dakota Century  
22 Code is amended and reenacted as follows:

23 **57-38.1-17.2. Taxation of two or more member limited liability companies.** For  
24 purposes of this chapter, a limited liability company having two or more members that is formed  
25 under either the laws of this state or under similar laws of another state, and that is considered  
26 to be a partnership for federal income tax purposes, is considered to be a partnership and the  
27 members must be considered to be partners. A limited liability company having two or more  
28 members that is not treated as a partnership for federal income tax purposes must be treated  
29 as a corporation for state tax purposes.

30 **SECTION 245.** Section 57-38.1-17.3 of the North Dakota Century Code is created and  
31 enacted as follows:

1           **57-38.1-17.3. Taxation of single-member limited liability companies.** For purposes  
2 of this chapter, a limited liability company having a single member that is formed under either  
3 the laws of this state or under similar laws of another state and that is considered to be a  
4 corporation for federal income tax purposes, is considered to be a corporation for state tax  
5 purposes. A limited liability company having a single member that is not treated as a  
6 corporation for federal income tax purposes is disregarded as an entity separate from its owner  
7 for state tax purposes.

8           **SECTION 246. REPEAL.** Sections 10-19.1-54, 10-19.1-73.1, 10-19.1-77, 10-19.1-78,  
9 10-19.1-79, 10-19.1-80, chapters 10-22, 10-23, sections 10-32-41, 10-32-45, 10-32-46,  
10 10-32-90, and 10-32-151 of the North Dakota Century Code are repealed.