

**SECOND ENGROSSMENT  
with House Amendments**Fifty-fifth  
Legislative Assembly  
of North Dakota**REENGROSSED 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,

Fifty-fifth  
Legislative Assembly

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, 45-20-01, 45-22-01, 45-22-03, 45-22-04, 45-22-05,  
9 45-22-06, 45-22-07, 45-22-08, 45-22-11, 45-22-12, 45-22-13, 45-22-14, 45-22-16, 45-22-17,  
10 45-22-18, 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,  
11 and 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, events causing dissolution  
14 and winding up of partnership business, limited liability partnerships, income tax, and the  
15 Uniform Division of Income Tax Act; to repeal sections 10-19.1-54, 10-19.1-73.1, 10-19.1-77,  
16 10-19.1-78, 10-19.1-79, 10-19.1-80, chapters 10-22, 10-23, sections 10-32-41, 10-32-45,  
17 10-32-46, 10-32-90, and 10-32-151 of the North Dakota Century Code, relating to the North  
18 Dakota Business Corporation Act - General Provisions, the North Dakota Business Corporation  
19 Act - Foreign Corporations, the North Dakota Business Corporation Act - Administration,  
20 Reports, Fees, Effect, and the Limited Liability Company Act; and to provide 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  
2                    in 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.

- 1    ~~42.~~ 13. "Division" or "combination" means dividing or combining shares of a class or  
2                    series, whether issued or unissued, into a greater or lesser number of shares of  
3                    the same class or series.
- 4    ~~43.~~ 14. "Filed with the secretary of state" means that either a signed original or a legible  
5                    facsimile copy of a signed original of a request for reserved name; or a signed  
6                    original of a document all other documents meeting the applicable requirements of  
7                    this chapter, together with the fees provided in ~~chapter 10-23~~ section 10-19.1-147,  
8                    has been delivered to the secretary of state and has been determined by the  
9                    secretary of state to conform to law. The secretary of state shall then endorse on  
10                   the original the word "filed" and the month, day, and year, and record the  
11                   document in the office of the secretary of state.
- 12   ~~44.~~ 15. "Foreign corporation" means a corporation organized for profit which is  
13                   incorporated under laws other than the laws of this state for a purpose ~~or purposes~~  
14                   for which a corporation may be incorporated under this chapter.
- 15   ~~45.~~ 16. "Foreign limited liability company" means a limited liability company organized for  
16                   profit that is organized under laws other than the laws of this state for a purpose for  
17                   which a limited liability company may be organized under chapter 10-32.
- 18   ~~46.~~ 17. "Good faith" means honesty in fact in the conduct of ~~the~~ an act or transaction  
19                   ~~concerned~~.
- 20   ~~47.~~ 18. "Intentionally" means that the person referred to either has a purpose to do or fail  
21                   to do the act or cause the result specified or believes that the act or failure to act, if  
22                   successful, will cause that result. A person "intentionally" violates a statute if the  
23                   person intentionally does the act or causes the result prohibited by the statute, or if  
24                   the person intentionally fails to do the act or cause the result required by the  
25                   statute, even though the person may not know of the existence or constitutionality  
26                   of the statute or the scope or meaning of the terms used in the statute.
- 27   ~~48.~~ 19. ~~A person "knows"~~ "Knows" or has "knowledge" ~~of a fact when~~ means the person  
28                   has actual knowledge of ~~it~~ a fact. A person does not "know" or have "knowledge"  
29                   of a fact merely because the person has reason to know of the fact.
- 30   ~~49.~~ 20. "Legal representative" means a person empowered to act for another person,  
31                   including an agent, manager, officer, partner, or associate of; an organization; a

1 trustee of a trust; a personal representative; ~~an executor of a will; an administrator~~  
2 ~~of an estate~~; a trustee in bankruptcy; and a receiver, guardian, custodian, or  
3 conservator ~~of the person or estate of a person~~.

4 ~~20.~~ 21. "Limited liability company" means a limited liability company, other than a foreign  
5 limited liability company, organized under chapter 10-32.

6 22. "Nonprofit corporation" means a corporation, whether domestic or foreign,  
7 incorporated under or governed by chapter 10-33.

8 ~~24.~~ 23. "Notice" is given by a shareholder of a corporation to the corporation or an officer  
9 of the corporation when in writing and mailed or delivered to the corporation or the  
10 officer at the registered office or principal executive office of the corporation.

11 a. In all other cases, "notice" is given to a person:

12 (1) When mailed to the person at an address designated by the person or  
13 at the last known address of the person; or

14 (2) When handed to the person; or

15 (3) When left at the office of the person with a clerk or other person in  
16 charge of the office; or

17 (a) If there is no one in charge, when left in a conspicuous place in  
18 the office; or

19 (b) If the office is closed or the person to be notified has no office,  
20 when left at the dwelling house or usual place of abode of the  
21 person with some person of suitable age and discretion then  
22 residing ~~therein~~ there.

23 b. Notice ~~by mail~~ is given by mail when deposited in the United States mail with  
24 sufficient postage affixed.

25 c. Notice is deemed received when it is given.

26 ~~22.~~ 24. "Officer" means ~~a person~~ an individual who is eighteen years of age or more who  
27 is elected, appointed, or otherwise designated as an officer by the board, and any  
28 other person, or deemed elected as an officer pursuant to section 10-19.1-56.

29 ~~23.~~ 25. "Organization" means a, whether domestic or foreign, a corporation incorporated  
30 in or authorized to do business in this state under this or another chapter of this  
31 code, limited liability company, partnership, limited partnership, limited liability

1 partnership, joint venture, association, business trust, estate, trust, enterprise, and  
2 any other legal or commercial entity.

3 ~~24.~~ 26. "Outstanding shares" means all shares duly issued and not reacquired by a  
4 corporation.

5 ~~25.~~ 27. "Owners" means:

6 a. Shareholders in the case of a corporation; and

7 b. Members in the case of a limited liability company or a nonprofit corporation.

8 ~~26.~~ 28. "Ownership interests" means:

9 a. Shares in the case of a corporation; and

10 b. Membership interests in the case of a nonprofit corporation or limited liability  
11 company; and

12 c. Similar interests in other organizations.

13 ~~27.~~ 29. "Parent" of a specified corporation means a corporation or limited liability company  
14 that directly, or indirectly through related corporations or limited liability companies,  
15 owns more than fifty percent of the voting power of the shares entitled to vote for  
16 directors of the specified corporation.

17 ~~28.~~ 30. "Principal executive office" means an office where the elected or appointed  
18 president of a corporation has an office. ~~If, or if the corporation has no elected or~~  
19 ~~appointed president "principal executive office" means, then~~ the registered office of  
20 the corporation.

21 ~~29.~~ "Related organization" of a specified corporation means:

22 a. ~~A parent or subsidiary of the specified corporation;~~

23 b. ~~Another subsidiary of a parent of the specified corporation;~~

24 e. ~~A limited liability company owning, directly or indirectly, more than fifty~~  
25 ~~percent of the voting power of the shares entitled to vote for directors of the~~  
26 ~~specified corporation;~~

27 d. ~~A limited liability company having more than fifty percent of the voting power~~  
28 ~~of its membership interests entitled to vote for governors owned directly or~~  
29 ~~indirectly by the specified corporation;~~



- 1 e. ~~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 either:~~
- 4 (1) ~~A parent of the specified corporation; or~~  
5 (2) ~~A limited liability company owning, directly or indirectly, more than fifty~~  
6 ~~percent of the voting power of the shares entitled to vote for directors of~~  
7 ~~the specified corporation; or.~~
- 8 f. ~~A corporation having more than fifty percent of the voting power of its shares~~  
9 ~~entitled to vote for directors owned directly or indirectly by a limited liability~~  
10 ~~company owning, directly or indirectly, more than fifty percent of the voting~~  
11 ~~power of the shares entitled to vote for directors of the specified corporation.~~
- 12 31. "Registered office" means the place in this state designated in the articles as the  
13 registered office of the corporation.
- 14 32. "Related organization" means an organization that controls, is controlled by, or is  
15 under common control with another organization with control existing if an  
16 organization:
- 17 a. Owens, directly or indirectly, at least fifty percent of the shares, membership  
18 interests, or other ownership interests of another organization;
- 19 b. Has the right, directly or indirectly, to elect, appoint, or remove fifty percent or  
20 more of the voting members of the governing body of another organization; or
- 21 c. Has the power, directly or indirectly, to direct or cause the direction of the  
22 management and policies of another organization, whether through the  
23 ownership of voting interests, by contract, or otherwise.
- 24 ~~30.~~ 33. "Security" has the meaning given it in subsection 13 of section 10-04-02.
- 25 ~~31.~~ 34. "Series" means a category of shares, within a class of shares authorized or issued  
26 by a corporation by or pursuant to its articles, that have some of the same rights  
27 and preferences as other shares within the same class, but that differ in  
28 designation or one or more rights and preferences from another category of shares  
29 within that class.
- 30 ~~32.~~ 35. "Share" means one of the units, however designated, into which the shareholders'  
31 proprietary interests in a corporation are divided.

- 1    ~~33.~~ 36.    "Shareholder" means a person registered on the books or records of a corporation  
2                    or its transfer agent or registrar as the owner of whole or fractional shares of the  
3                    corporation.
- 4    ~~34.~~ 37.    "Signed" means that the signature of a person has been placed on a document, as  
5                    provided in subsection 39 of section 41-01-11, and, ~~with:~~
- 6                    a.    With respect to a document required by this chapter to be filed with the  
7                    secretary of state, means that the document has been signed by a person  
8                    authorized to do so by this chapter, the articles or bylaws, or a resolution  
9                    approved by the affirmative vote of the required proportion or number of the  
10                   directors or the holders of the required proportion or number of the voting  
11                   power of the shares present and entitled to vote. ~~A signature on;~~ and
- 12                   b.    With respect to a document not required by this chapter to be filed with the  
13                   secretary of state, the signature may be a facsimile affixed, engraved, printed,  
14                   placed, stamped with indelible ink, or in any other manner reproduced on the  
15                   document.
- 16    ~~35.~~ 38.    "Subscriber" means a person who subscribes for shares in a corporation, whether  
17                   before or after incorporation.
- 18    ~~36.~~ 39.    "Subsidiary" of a specified corporation means:
- 19                   a.    A corporation having more than fifty percent of the voting power of its shares  
20                   entitled to vote for directors owned directly, or indirectly through related  
21                   corporations or limited liability companies, by the specified corporation; or  
22                   b.    A limited liability company having more than fifty percent of the voting power  
23                   of its membership interests entitled to vote for governors owned directly, or  
24                   indirectly through related limited liability companies or corporations, by the  
25                   specified limited liability company.
- 26    ~~37.~~ 40.    "Surviving corporation" means the domestic or foreign corporation resulting from a  
27                   merger.
- 28    ~~38.~~ 41.    "Vote" includes authorization by written action.
- 29    ~~39.~~ 42.    "Written action" means a written document signed by all of the persons required to  
30                   take the action ~~described. The term also means,~~ or the counterparts of a written  
31                   document signed by any of the persons taking the action described. Each

1            counterpart constitutes the action of the person signing it, and all the counterparts,  
2            taken together, constitute one written action by all of the persons signing them.

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

5            **10-19.1-10. Articles.**

- 6            1. The articles of incorporation must contain:
- 7            a. The name of the corporation.
- 8            b. The address of the registered office of the corporation and the name of its  
9            registered agent, at that address.
- 10           c. The aggregate number of shares that the corporation has authority to issue.
- 11           d. The name and address of each incorporator.
- 12           e. The effective date of ~~the corporation~~ incorporation if a later date than that on  
13           which the certificate of incorporation is issued by the secretary of state. ~~A~~  
14           ~~later effective date, which~~ may not be later than ninety days after the date on  
15           which the certificate of incorporation is issued.
- 16           2. The articles of incorporation may not contain:
- 17           a. Any provision limiting the right of cumulative voting as guaranteed by section  
18           6 of article XII of the Constitution of North Dakota.
- 19           b. Any provision authorizing the issuance of stocks or bonds in violation of  
20           section 9 of article XII of the Constitution of North Dakota.
- 21           3. The following provisions govern a corporation unless modified in the articles:
- 22           a. A corporation has general business purposes as provided in section  
23           10-19.1-08.
- 24           b. A corporation has perpetual existence and certain powers as provided in  
25           section 10-19.1-26.
- 26           c. The power to adopt, amend, or repeal the bylaws is vested in the board as  
27           provided in section 10-19.1-31.
- 28           d. The affirmative vote of a majority of directors present is required for an action  
29           of the board as provided in section 10-19.1-46.
- 30           e. A written action by the board taken without a meeting must be signed by all  
31           directors as provided in section 10-19.1-47.

- 1 f. The board may authorize the issuance of securities and rights to purchase  
2 securities as provided in subsection 1 of section 10-19.1-61.
- 3 g. All shares are common shares entitled to vote and are of one class and one  
4 series as provided in subdivisions a and b of subsection 2 of section  
5 10-19.1-61.
- 6 h. All shares have equal rights and preferences in all matters not otherwise  
7 provided for by the board as provided in subdivisions a and b of subsection 2  
8 of section 10-19.1-61.
- 9 i. The par value of shares is fixed at one cent per share for certain purposes  
10 and may be fixed by the board for certain other purposes as provided in  
11 subdivisions a and b of subsection 2 of section 10-19.1-61.
- 12 j. The board or the shareholders may issue shares for any consideration or for  
13 no consideration to effectuate share dividends or splits and determine the  
14 value of nonmonetary consideration as provided in subsection 1 of section  
15 10-19.1-63.
- 16 k. Shares of a class or series may not be issued to holders of shares of another  
17 class or series to effectuate share dividends or splits, unless authorized by a  
18 majority of the voting power of the shares of the same class or series as the  
19 shares to be issued as provided in subsection 1 of section 10-19.1-63.
- 20 l. A corporation may issue rights to purchase securities whose terms,  
21 provisions, and conditions are fixed by the board as provided in section  
22 10-19.1-64.
- 23 m. The affirmative vote of the holders of a majority of the voting power of the  
24 shares present and entitled to vote at a duly held meeting is required for an  
25 action of the shareholders, except where this chapter requires the affirmative  
26 vote of a majority of the voting power of all shares entitled to vote as provided  
27 in subsection 1 of section 10-19.1-74.
- 28 n. Shares of a corporation acquired by the corporation may be reissued as  
29 provided in subsection 1 of section 10-19.1-93.
- 30 o. An exchange need not be approved by shareholders of the acquiring  
31 corporation unless the outstanding shares entitled to vote of that corporation

- 1                   will be increased by more than twenty percent immediately after the exchange  
2                   as provided in subdivision c of subsection 3 of section 10-19.1-98.
- 3           p.   An exchange need not be approved by shareholders of the acquiring  
4           corporation unless the outstanding participating shares of that corporation will  
5           be increased by more than twenty percent immediately after the exchange as  
6           provided in subdivision d of subsection 3 of section 10-19.1-98.
- 7           q.   Each share has one vote unless otherwise provided in the terms of the share  
8           as provided in subsection 3 of section 10-19.1-77.
- 9           r.   The board may effect share dividends, divisions, and combinations under  
10           certain circumstances without shareholder approval as provided in section  
11           10-19.1-61.1.
- 12       4.   The following provisions govern a corporation unless modified either in the articles  
13           or in the bylaws:
- 14           a.   ~~Directors serve~~ A director serves for an indefinite term that expires upon the  
15           election and qualification of a successor as provided in section 10-19.1-35.
- 16           b.   The compensation of directors is fixed by the board as provided in section  
17           10-19.1-37.
- 18           c.   The method provided in section 10-19.1-41 or 10-19.1-41.1 must be used for  
19           removal of directors.
- 20           d.   The method provided in section 10-19.1-42 must be used for filling board  
21           vacancies.
- 22           e.   If the board fails to select a place for a board meeting, it must be held at the  
23           principal executive office as provided in subsection 1 of section 10-19.1-43.
- 24           f.   ~~The~~ A director may call a board meeting, and the notice of ~~a board~~ the  
25           meeting need not state the purpose of the meeting as provided in  
26           subsection 3 of section 10-19.1-43.
- 27           g.   A majority of the board is a quorum for a board meeting as provided in section  
28           10-19.1-45.
- 29           h.   A committee must consist of one or more persons, who need not be directors,  
30           appointed by affirmative vote of a majority of the directors present as provided  
31           in subsection 2 of section 10-19.1-48.

- 1 i. The board may establish a special litigation committee as provided in section  
2 10-19.1-48.
- 3 j. Officers may delegate some or all of their duties and powers, if not prohibited  
4 by the board from doing so as provided in section 10-19.1-59.
- 5 k. Regular meetings of shareholders need not be held, unless demanded by a  
6 shareholder under certain conditions as provided in section 10-19.1-71.
- 7 l. No fewer than ten nor more than fifty days' notice is required for a meeting of  
8 shareholders as provided in subsection 3 of section 10-19.1-73.
- 9 m. The number of shares required for a quorum at a shareholders' meeting is a  
10 majority of the voting power of the shares entitled to vote at the meeting as  
11 provided in section 10-19.1-76.
- 12 n. The board may fix a date up to fifty days before the date of a shareholders'  
13 meeting as the date for the determination of the holders of shares entitled to  
14 notice of and entitled to vote at the meeting as provided in subsection 1 of  
15 section 10-19.1-77.
- 16 o. Indemnification of certain persons is required as provided in section  
17 10-19.1-91.
- 18 p. The board may authorize, and the corporation may make, distributions not  
19 prohibited, limited, or restricted by an agreement as provided in subsection 1  
20 of section 10-19.1-92.
- 21 5. The following provisions relating to the management of the business or the  
22 regulation of the affairs of a corporation may be included either in the articles or,  
23 except for naming members of the first board fixing a greater than majority director  
24 or shareholder vote or giving or prescribing the manner of giving voting rights to  
25 persons other than shareholders otherwise than pursuant to the articles, or  
26 eliminating or limiting a director's personal liability, in the bylaws:
- 27 a. The members of the first board may be named in the articles as provided in  
28 subsection 1 of section 10-19.1-32.
- 29 b. A manner for increasing or decreasing the number of directors as provided in  
30 section 10-19.1-33.

Fifty-fifth  
Legislative Assembly

- 1 c. Additional qualifications for directors may be imposed as provided in section  
2 10-19.1-34.
- 3 d. Directors may be classified as provided in section 10-19.1-38.
- 4 e. The day or date, time, and place of board meetings may be fixed as provided  
5 in subsection 1 of section 10-19.1-43.
- 6 f. Absent directors may be permitted to give written consent or opposition to a  
7 proposal as provided in section 10-19.1-44.
- 8 g. A larger than majority vote may be required for board action as provided in  
9 section 10-19.1-46.
- 10 h. Authority to sign and deliver certain documents may be delegated to an  
11 officer or agent of the corporation other than the president as provided in  
12 section 10-19.1-53.
- 13 i. Additional officers may be designated as provided in section ~~10-19.1-54~~  
14 10-19.1-52.
- 15 j. Additional powers, rights, duties, and responsibilities may be given to officers  
16 as provided in section 10-19.1-53.
- 17 k. A method for filling vacant offices may be specified as provided in subsection  
18 3 of section 10-19.1-58.
- 19 l. A certain officer or agent may be authorized to sign share certificates as  
20 provided in subsection 1 of section 10-19.1-66.
- 21 m. The transfer or registration of transfer of securities may be restricted as  
22 provided in section 10-19.1-70.
- 23 n. The day or date, time, and place of regular shareholder meetings may be  
24 fixed as provided in subsection 3 of section 10-19.1-71.
- 25 o. Certain persons may be authorized to call special meetings of shareholders  
26 as provided in subsection 1 of section 10-19.1-72.
- 27 p. Notices of shareholder meetings may be required to contain certain  
28 information as provided in subsection 4 of section 10-19.1-73.
- 29 q. A larger than majority vote may be required for shareholder action as  
30 provided in section 10-19.1-74.

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

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

16         **10-19.1-13. Corporate name.**

- 17         1.    The corporate name:
- 18             a.    Must be in the English language or in any other language expressed in  
19                   English letters or characters.
- 20             b.    Must contain the word "company", "corporation", "incorporated", or "limited",  
21                   or ~~must contain~~ an abbreviation of one or more of these words, ~~or the word~~  
22                   "company" or the abbreviation "Co."  
23             c.    May not contain a word or phrase that indicates or implies that it is  
24                   ~~incorporated for a purpose other than one or more business purposes for~~  
25                   ~~which a corporation~~ may not be incorporated under this chapter.
- 26             d.    ~~May not be the same as, or deceptively similar to, the name of a domestic or~~  
27                   ~~foreign corporation, limited liability company, or limited partnership, whether~~  
28                   ~~profit or nonprofit, authorized to do business in this state, or a name the right~~  
29                   ~~to which is, at the time of incorporation, reserved in the manner provided in~~  
30                   ~~section 10-19.1-14 or is a fictitious name registered with the office of the~~  
31                   ~~secretary of state in the manner provided in chapter 45-11 or is a trade name~~



- 1                   ~~registered with the office of the secretary of state in the manner provided in~~  
2                   ~~chapter 47-25, unless there is filed with the articles:~~
- 3                   (1) ~~The written consent of the domestic or foreign corporation, limited~~  
4                   ~~liability company, limited partnership, or partnership authorized to do~~  
5                   ~~business in this state having a deceptively similar name or the holder of~~  
6                   ~~a reserved name or registered trade name to use the deceptively~~  
7                   ~~similar name; or~~
- 8                   (2) ~~A certified copy of a judgment of a court in this state establishing the~~  
9                   ~~prior right of the applicant to the use of the name in this state.~~

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

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

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

30                   2. The secretary of state shall determine whether a corporate name is "deceptively  
31                   similar" to another name for purposes of this chapter.

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

- 1           6. A corporation whose period of existence has expired or that is involuntarily  
2           dissolved by the secretary of state pursuant to section ~~40-23-02.2~~ 10-19.1-146  
3           may reacquire the right to use that name by refiling articles of incorporation  
4           pursuant to section 10-19.1-11, unless the name has been adopted for use or  
5           reserved by another person, in which case the filing will be rejected unless the  
6           filing is accompanied by a written consent or judgment ~~pursuant to subdivision d of~~  
7           ~~subsection 4.~~ A corporation that cannot reacquire the use of its corporate name  
8           shall adopt a new corporate name that complies with the provisions of this  
9           section-:
- 10           a. By refiling articles of incorporation pursuant to section 10-19.1-11;  
11           b. By amending pursuant to section 10-19.1-127; or  
12           c. By reinstating pursuant to section 10-19.1-146,  
13           unless the name has been adopted for use or reserved by another person, in  
14           which case the filing will be rejected unless the filing is accompanied by a written  
15           consent or judgment pursuant to subsection 2. A corporation that cannot reacquire  
16           the use of its corporate name shall adopt a new corporate name which complies  
17           with the provisions of this section.
- 18           7. If the secretary of state determines that a corporate name is "deceptively similar"  
19           to another name for purposes of this chapter, then the corporate name may not be  
20           used unless there is filed with the articles:
- 21           a. The written consent of the holder of the rights to the name to which the  
22           proposed name has been determined to be deceptively similar; or  
23           b. A certified copy of a judgment of a court in this state establishing the prior  
24           right of the applicant to the use of the name in this state.
- 25           This subsection does not affect the right of a domestic corporation existing on the  
26           effective date of this Act, or a foreign corporation authorized to do business in this  
27           state on that date to continue the use of its name.

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

30           **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  
29           a signed written notice of resignation, including a statement that a signed copy of  
30           the 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  
12 following 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  
10                   against certain expenses and liabilities only as provided in section 10-19.1-91 and  
11                   may 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 must set forth the ~~provision or provisions~~ proposed for  
31           adoption, amendment, or repeal,~~the~~

- 1           **b.** The limitations and procedures for submitting, considering, and adopting the  
2                     resolution are the same as provided in subsections 2, 3, and 4 of section  
3                     10-19.1-19, for amendment of the articles.
- 4           **c.** The provisions of this subsection regarding shareholder proposed  
5                     amendments shall not apply to a corporation registered or reporting under the  
6                     federal securities laws, to the extent that those provisions are in conflict with  
7                     the federal securities laws or rules ~~promulgated thereunder~~, in which case the  
8                     federal securities laws or rules ~~promulgated thereunder~~ shall govern.
- 9           **d.** The articles or bylaws may impose different or additional requirements for the  
10                    shareholders to adopt, amend, or repeal the bylaws.

11           **SECTION 12. AMENDMENT.** Section 10-19.1-35 of the North Dakota Century Code is  
12 amended and reenacted as follows:

13           **10-19.1-35. Terms.**

- 14           **1.** With respect to length of terms:
- 15                   **a.** Unless fixed terms are provided for in the articles or bylaws, a director serves  
16                   for an indefinite term that expires at the next regular meeting of the  
17                   shareholders.
- 18                   (1) A fixed term of a director, other than an ex officio director, may not  
19                   exceed five years. ~~A~~
- 20                   (2) An ex officio director serves as long as the director holds the office or  
21                   position designated in the articles or bylaws.
- 22                   **b.** Unless the articles or bylaws provide otherwise, a director holds office until  
23                   expiration of the term for which the director was elected or appointed and until  
24                   a successor is elected and has qualified, or until the earlier death, resignation,  
25                   removal, or disqualification of the director.
- 26                   **c.** A decrease in the number of directors or term of office does not shorten an  
27                   incumbent director's term.
- 28                   **d.** Except as provided in the articles or bylaws, the term of a director filling a  
29                   vacancy expires at the end of the unexpired term that the director is filling.

- 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,  
4           to the vote of the holders of the outstanding shares of that class and not to the vote  
5           of 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  
28           meeting by ~~that this~~ means ~~constitutes~~ is personal presence ~~in person~~ at the  
29           meeting.
- 30           3. Unless the articles or bylaws provide for a different time period, a director may call  
31           a board meeting by giving at least ten days' notice or, in the case of organizational

1 meetings pursuant to subsection 2 of section 10-19.1-30, at least three days'  
2 notice, to all directors of the date, time, and place of the meeting. The notice need  
3 not state the purpose of the meeting unless the articles or bylaws require it.

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

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

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

17 **10-19.1-47. Action without meeting.**

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

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

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

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

31 **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  
27          a 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, is not void or voidable

1 because the director ~~or directors~~ or the other ~~organizations~~ ~~are parties~~  
2 individual or organization is a party or because the director ~~or directors~~ ~~are~~ is  
3 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  
5 one 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  
22 from 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  
27 some 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  
20 to 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  
6                   receipt 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  
15                  must 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  
30                  at 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  
12           two 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. ~~If~~ 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  
29                   provided in the articles or bylaws, before the date of a meeting of shareholders as  
30                   the date for the determination of the holders of shares entitled to notice of and

- 1           entitled to vote at the meeting. When a date is fixed, only shareholders on that  
2           date are 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  
9           days 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  
23           quorum.  
24           2. Except as provided in subdivision b, a quorum is necessary for the transaction of  
25           business at a meeting of shareholders.  
26           a. If a quorum is not present, a meeting may be adjourned from time to time for  
27           that reason.  
28           b. If a quorum has been present at a meeting and shareholders have withdrawn  
29           from the meeting so that less than a quorum remains, the shareholders still  
30           present may continue to transact business until adjournment.

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

3           **10-19.1-76.1. Voting of shares by organizations and legal representatives.**

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

1           7. A shareholder whose shares are pledged may vote those shares until the shares  
2           are registered in the name of the pledgee. If the corporation pledges its own  
3           shares under subsection 1 of section 10-19.1-93, the corporation may not vote the  
4           shares at a meeting or otherwise.

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

7           **10-19.1-76.2. Proxies.**

8           1. At or before the meeting the appointment is to be effective a shareholder may cast  
9           or authorize the casting of a vote by filing a written appointment of a proxy with an  
10           officer authorized to tabulate votes.

11           a. A written appointment of a proxy may be signed by the shareholder or  
12           authorized by the shareholder by transmission of a telegraph, cablegram, or  
13           other means of electronic transmission, provided the corporation has no  
14           reason to believe the telegram, cablegram, or other electronic transmission  
15           was not authorized by the shareholder.

16           b. Any reproduction of the writing or transmission may be substituted or used in  
17           lieu of the original writing or transmission for any purpose for which the  
18           original transmission could be used, if the copy, facsimile, telecommunication,  
19           or other reproduction is a complete and legible reproduction of the entire  
20           original writing or transmission.

21           c. An appointment of a proxy for shares held jointly by two or more shareholders  
22           is valid if signed by any one of them, unless the corporation receives from any  
23           one of those shareholders written notice either denying the authority of that  
24           person to appoint a proxy or appointing a different proxy.

25           2. The appointment of a proxy is valid for eleven months, unless a longer period is  
26           expressly provided in the appointment. No appointment is irrevocable unless the  
27           appointment is coupled with an interest, including a security interest, in the shares  
28           or in the corporation. A shareholder who revokes a proxy is not liable in any way  
29           for damages, restitution, or other claim.

30           3. An appointment may be revoked at will, unless the appointment is coupled with an  
31           interest, in which case it may not be revoked except in accordance with the terms

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



1           section 10-19.1-74, only with respect to those items of business for which the  
2           proxy has authority to vote. A proxy who is given authority by a shareholder who  
3           abstains with respect to an item of business is considered to have authority to vote  
4           on the item of business for purposes of this subsection.

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

7           **10-19.1-76.3. Acceptance of shareholder act by the corporation.**

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

- 1           e. Two or more persons hold the shares as cotenants or fiduciaries and the  
2           name signed purports to be the name of at least one of the coholders and the  
3           person signing appears to be acting on behalf of all the coholders.
- 4           3. The corporation may reject a vote, consent, waiver, or proxy appointment if the  
5           officer or agent authorized to tabulate votes, acting in good faith, has reasonable  
6           basis for doubt about the validity of the signature on it or about the signatory's  
7           authority to sign for the shareholder.
- 8           4. The corporation or its officer or agent who accepts or rejects a vote, consent,  
9           waiver, or proxy appointment in good faith and in accordance with the standards of  
10           this section is not liable in damages to the shareholder for the consequences of the  
11           acceptance or rejection.
- 12           5. Corporate action based on the acceptance or rejection of a vote, consent, waiver,  
13           or proxy appointment under this section is valid unless a court of competent  
14           jurisdiction determines otherwise.

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

17           **10-19.1-81. Voting trusts.**

- 18           1. Shares in a corporation may be transferred to a trustee pursuant to written  
19           agreement, for the purpose of conferring on the trustee the right to vote and  
20           otherwise represent the beneficial owner of those shares for a period not  
21           exceeding ten years, except that if the agreement is made in connection with an  
22           indebtedness of the corporation, the voting trust may extend until the indebtedness  
23           is discharged. Unless otherwise specified in the agreement, the voting trust may  
24           be terminated at any time by the beneficial owners of a majority of the voting  
25           power of the shares held by the trustee. A signed original of the agreement must  
26           be filed with the corporation.
- 27           2. Unless otherwise provided in the trust agreement, if there are two or more  
28           trustees, the manner of voting is determined as provided in subsection 5 of section  
29           ~~10-19.1-77~~ 10-19.1-73.2.

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

1           **10-19.1-82. Shareholder voting agreements.** A written agreement solely among  
2 persons who are then shareholders or subscribers for shares to be issued, relating to the voting  
3 of their shares, is valid and specifically enforceable by and against the parties to the  
4 agreement. The agreement may override the provisions of section ~~10-19.1-80~~ 10-19.1-76.2  
5 regarding proxies and is not subject to the provisions of section ~~10-19.1-84~~ 10-19.1-73.2  
6 regarding voting trusts.

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

9           **10-19.1-83. Shareholder control agreements.**

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

1 obtain a copy of the agreement from the corporation at the expense of the  
2 corporation.

3 4. ~~The effect of an agreement authorized by this section is to relieve the board and~~  
4 ~~the director or directors in their capacities as directors of, and to impose upon the~~  
5 ~~parties to the agreement, the liability for acts or omissions imposed by law upon~~  
6 ~~directors to the extent that and so long as the discretion or powers of the directors~~  
7 ~~in the management of the business and affairs of the corporation are exercised by~~  
8 ~~the shareholders under a provision in the agreement. If an agreement authorized~~  
9 ~~by this section takes away from any person any of the authority and responsibility~~  
10 ~~which that person would otherwise possess under this chapter, the effect of the~~  
11 ~~agreement is also:~~

12 a. To relieve that person of liability imposed by law for acts and omissions in the  
13 possession or exercise of that authority and responsibility; and  
14 b. To impose that liability on the person or persons possessing the authority and  
15 responsibility under the agreement.

16 5. A shareholder is not liable pursuant to ~~this subsection 4~~ by virtue of a shareholder  
17 vote, if the shareholder had no right to vote on the action.

18 ~~5.~~ 6. This section does not apply to, limit, or restrict agreements otherwise valid, nor is  
19 the procedure set forth in this section the exclusive method of agreement among  
20 shareholders or between the shareholders and the corporation with respect to any  
21 of the matters described in this section.

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

24 **10-19.1-85. Financial statements.**

25 1. A corporation shall, upon the written request of a shareholder, prepare annual  
26 financial statements within one hundred eighty days after the close of the  
27 corporation's fiscal year. ~~The financial statements shall include~~ including at least a  
28 balance sheet as of the end of ~~each~~ the fiscal year and a statement of income for  
29 the fiscal year, ~~which must be~~ prepared on the basis of accounting methods  
30 reasonable in the circumstances ~~and~~. The financial statements may be  
31 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  
5           be accompanied by a statement of the treasurer or other person in charge of  
6           the 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~~  
19           ~~course of its business~~, but not including a transaction permitted without  
20           shareholder approval in subsection 1 of section 10-19.1-104, or a disposition  
21           in dissolution described in subsection 2 of section 10-19.1-109 or a  
22           disposition pursuant to an order of a court, or a disposition for cash on terms  
23           requiring that all or substantially all of the net proceeds of disposition be  
24           distributed to the shareholders in accordance with their respective interests  
25           within one year 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  
15 at 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  
31 approved 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  
31 threatened to be made a party to a proceeding by reason of the former or present

- 1 official capacity of the person against judgments, penalties, fines including excise  
2 taxes 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  
24          in 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  
24 request 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  
12                   at 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  
24 is 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  
12 distribution 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

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

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

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

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

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

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



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

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

1 otherwise satisfy the court that the full purchase price of the shares, plus any  
2 additional costs, expenses, and fees as may be awarded, will be paid when  
3 due and payable, the selling shareholders shall no longer have any rights or  
4 status as shareholders, officers, or directors, except the right to receive the  
5 fair value of their shares plus such other amounts as may be awarded.

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

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

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

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

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



1           **10-19.1-117. Qualifications of receivers - Powers.**

- 2           1. A receiver must be ~~a natural person or a domestic corporation or a foreign~~  
3           ~~corporation~~ an individual, a domestic organization, or a foreign organization  
4           authorized to transact business or conduct activities in this state. A receiver shall  
5           give bond as directed by the court with the sureties required by the court.  
6           2. A receiver may sue and defend in all courts as receiver of the corporation. The  
7           court appointing the receiver has exclusive jurisdiction of the corporation and its  
8           property.

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

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

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

22          **10-19.1-124. Claims barred - Exceptions.**

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

1           administrative, or arbitration proceeding before the beginning of the dissolution  
2           proceedings, and a person claiming through or under the creditor or claimant, is  
3           barred from bringing that claim or otherwise realizing upon or enforcing it, except  
4           as provided in this section.

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

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

27           **10-19.1-127. Extension after duration expired.**

- 28           1. A corporation whose period of duration as provided in the articles has expired and  
29           which has continued to do business despite that expiration may reinstate its  
30           articles and extend the period of ~~corporate~~ duration, including making the duration

- 1 perpetual, within one year after the date of expiration by filing an amendment to  
2 the articles as set forth in this section.
- 3 2. An amendment to the articles ~~is~~ must be approved by the ~~affirmative vote of a~~  
4 ~~majority of the directors present~~ board must include:
- 5 a. The date on which the period of duration expired under the articles;
- 6 b. A statement that the period of duration will be perpetual or, if some shorter  
7 period is to be provided, the date to which the period of duration is extended;  
8 and
- 9 c. A statement that the corporation has been in continuous operation since  
10 before the date of expiration of its original period of duration.
- 11 3. The amendment to the articles must be presented, after notice, ~~to~~ at a meeting of  
12 the shareholders. The amendment is adopted when approved by the shareholders  
13 pursuant to section 10-19.1-19.
- 14 4. Articles of amendment, together with any fees and delinquent filings and reports,  
15 conforming to section 10-19.1-21 must be filed with the secretary of state.

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

18 **10-19.1-132. Foreign corporation - Governing law.**

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

- 1           3. A foreign corporation may not be denied a certificate of authority to conduct  
2           activities in this state by reason of any difference between the laws of the  
3           jurisdiction under which the foreign corporation is incorporated and the laws of this  
4           state.

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

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

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

14           **10-19.1-134. Foreign corporation - Admission of foreign corporation -**  
15 **Transacting business - Obtaining licenses and permits.** A foreign corporation may not:

- 16           1. Transact business in this state or obtain any license or permit required by this state  
17           until it has procured a certificate of authority from the secretary of state.  
18           2. Transact any business in this state prohibited to a domestic corporation  
19           incorporated under this chapter.  
20           3. Be denied a certificate of authority because the laws of the state or country where  
21           the corporation is incorporated differ from the laws of this state.

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

24           **10-19.1-135. Foreign corporation application for certificate of authority.**

- 25           1. An applicant for a certificate shall file with the secretary of state an application  
26           executed by an authorized person and setting forth:  
27           a. The name of the foreign corporation and, if different, the name under which it  
28           proposes to transact business in this state;  
29           b. The jurisdiction of its incorporation;  
30           c. The date of incorporation in the jurisdiction of its incorporation and the period  
31           of duration of the foreign corporation;

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

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

21           **10-19.1-136. Foreign corporation - Issuance of certificate of authority.** If the  
22 secretary of state finds an application for a certificate of authority conforms to law and all fees  
23 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 corporation or its representative a certificate of authority to transact
- 28           business in this state.

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

1           **10-19.1-137. Foreign corporation - Amendments to the certificate of authority.** If  
2 any statement in the application for a certificate of authority by a foreign corporation was false  
3 when made or any arrangements or other facts described have changed, making the  
4 application inaccurate in any respect, the foreign corporation shall promptly file with the  
5 secretary of state an application for an amended certificate of authority executed by an  
6 authorized person correcting the statement and, in the case of a change in its name, a  
7 certificate to that effect authenticated by the proper officer of the jurisdiction under the laws of  
8 which the foreign corporation is incorporated. In the case of a dissolution, a foreign corporation  
9 need not file an application for an amended certificate of authority but shall promptly file with  
10 the secretary of state a certificate to that effect authenticated by the proper officer of the  
11 jurisdiction under the laws of which the foreign corporation is incorporated.

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

14           **10-19.1-138. Foreign corporation - Registered agent - Registered office - Certain**  
15 **reports.** A foreign corporation authorized to transact business in this state shall:

- 16           1. Establish and continuously maintain a registered office in the same manner as  
17           provided in section 10-19.1-15;
- 18           2. Appoint and continuously maintain a registered agent in the same manner as  
19           provided in section 10-19.1-15; and
- 20           3. File a report upon any change in the address of its registered office or in the name  
21           or address of its registered agent in the same manner as provided in section  
22           10-19.1-16.

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

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

1 surviving organization in a merger and which will continue to transact business in this state,  
2 shall procure a new certificate of authority.

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

5 **10-19.1-140. Foreign corporation - Certificate of withdrawal.**

- 6 1. A foreign corporation authorized to transact business in this state may withdraw  
7 from this state upon procuring from the secretary of state a certificate of  
8 withdrawal. In order to procure the certificate, the foreign corporation shall file with  
9 the secretary of state an application for withdrawal, together with the fees provided  
10 in section 10-19.1-147, which must set forth:
- 11 a. The name of the corporation and the state or country under the laws of which  
12 it is incorporated;
  - 13 b. That the corporation is not transacting business in this state;
  - 14 c. That the corporation surrenders its authority to transact business in this state;
  - 15 d. That the corporation revokes the authority of its registered agent in this state  
16 to accept service of process and consents to that service of process on the  
17 corporation by service upon the secretary of state in any action, suit, or  
18 proceeding based upon any cause of action arising in this state during the  
19 time the corporation was authorized to transact business in this state;
  - 20 e. A post-office address to which a person may mail a copy of any process  
21 against the corporation; and
  - 22 f. Any additional information necessary or appropriate to enable the secretary of  
23 state to determine and assess any unpaid fees payable by the foreign  
24 corporation.
- 25 2. The filing with the secretary of state of a certificate of dissolution, or a certificate of  
26 merger if the corporation is not the surviving organization, from the proper officer of  
27 the state or country under the laws of which the corporation is incorporated  
28 constitutes a valid application of withdrawal and the authority of the corporation to  
29 transact business in this state shall cease upon filing of the certificate.

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

- 1           **10-10.1-141. Foreign corporation - Revocation of certificate of authority.**
- 2           1.   The certificate of authority of a foreign corporation to transact business in this state
- 3           may be revoked by the secretary of state upon the occurrence of either of these
- 4           events:
- 5           a.   The foreign corporation has failed to:
- 6                 (1)   Maintain a registered office as required by this chapter;
- 7                 (2)   Appoint and maintain a registered agent as required by this chapter;
- 8                 (3)   File a report upon any change in the address of its registered office;
- 9                 (4)   File a report upon any change in the name or business address of the
- 10                registered agent; or
- 11                (5)   File in the office of the secretary of state any amendment to its
- 12                application for a certificate of authority as specified in section
- 13                10-19.1-137; or
- 14           b.   A misrepresentation has been made of any material matter in any application,
- 15                report, affidavit, or other document submitted by the foreign corporation
- 16                pursuant to this chapter.
- 17           2.   Except for the annual report for which the certificate of authority may be revoked
- 18                as provided in section 10-19.1-146, no certificate of authority of a foreign
- 19                corporation may be revoked by the secretary of state unless:
- 20           a.   The secretary has given the foreign corporation at least sixty days' notice by
- 21                mail addressed to its registered office in this state or, if the foreign corporation
- 22                fails to appoint and maintain a registered agent in this state, addressed to its
- 23                principal executive office; and
- 24           b.   During the sixty-day period, the foreign corporation has failed to file the report
- 25                of change regarding the registered office or the registered agent, to file any
- 26                amendment, or to correct the misrepresentation.
- 27           3.   Upon the expiration of sixty days after the mailing of the notice, the authority of the
- 28                foreign corporation to transact business in this state ceases; and the secretary of
- 29                state shall issue a certificate of revocation and shall mail the certificate to the
- 30                principal executive office of the foreign corporation.



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

3           **10-19.1-142. Foreign corporation - Transaction of business without certificate of**  
4 **authority.**

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

1           shall issue, in addition to the imposition of a civil penalty, an injunction restraining  
2           the further transaction of the business of the foreign corporation and the further  
3           exercise of any rights and privileges by the corporation in this state. The foreign  
4           corporation must be enjoined from transacting business in this state until all civil  
5           penalties plus any interest and court costs that the court may assess have been  
6           paid and until the foreign corporation has otherwise complied with the provisions of  
7           this chapter.

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

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

13           **10-19.1-143. Foreign corporation - Transactions not constituting transacting**  
14 **business.**

- 15           1. The following activities of a foreign corporation, among others, do not constitute  
16 transacting business within the meaning of this chapter:
- 17           a. Maintaining, defending, or settling any proceeding;
  - 18           b. Holding meetings of its shareholders or carrying on any other activities  
19           concerning its internal activities;
  - 20           c. Maintaining bank accounts;
  - 21           d. Maintaining offices or agencies for the transfer, exchange, and registration of  
22           the foreign corporation'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, 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 interest in real or  
29           personal property;
  - 30           h. Securing or collecting debts or enforcing mortgages and security interests in  
31           property securing the debts; or

- 1           i. Conducting an isolated transaction that is completed within thirty days and  
2                 that is not one in the course of repeated transactions of a like manner.
- 3           2. The term "transacting business" as used in this section has no effect on personal  
4                 jurisdiction under the North Dakota Rules of Civil Procedure.
- 5           3. For purposes of this section, any foreign corporation that owns income-producing  
6                 real or tangible personal property in this state, other than property exempted under  
7                 subsection 1, will be considered transacting business in this state.
- 8           4. The list of activities in subsection 1 is not exhaustive. This section does not apply  
9                 in determining the contracts or activities that may subject a foreign corporation to  
10                service of process or taxation in this state or to regulation under any other law of  
11                this state.

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

14           **10-19.1-144. Foreign corporation - Action by attorney general.** The attorney  
15 general may bring an action to restrain a foreign corporation from transacting business in this  
16 state in violation of this chapter.

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

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

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

26           **10-19.1-146. Secretary of state - Annual report of corporations and foreign**  
27 **corporations - Involuntary dissolution - Revocation of certificate of authority.**

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

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

- 1                   as the shareholders' equity of a domestic corporation, for the purpose of  
2                   computing fees and other charges imposed by this chapter.
- 3            i.   A statement, expressed in dollars, of the value of all the property owned by  
4                   the corporation, wherever located, and the value of the property of the  
5                   corporation located within this state, and a statement, expressed in dollars, of  
6                   the total gross income of the corporation for the twelve months ending on  
7                   December thirty-first preceding the date herein provided for the filing of the  
8                   annual report and the gross amount thereof accumulated by the corporation  
9                   at or from places of business in this state. If, on December thirty-first  
10                   preceding the time herein provided for the filing of the report, the corporation  
11                   had not been in existence for a period of twelve months, or, in the case of a  
12                   foreign corporation, had not been authorized to transact business in this state  
13                   for a period of twelve months, then the statement with respect to total gross  
14                   income must be furnished for the period between the date of incorporation or  
15                   the date of its authorization to transact business in this state and December  
16                   thirty-first.
- 17            j.   Any additional information as may be necessary or appropriate in order to  
18                   enable the secretary of state to determine and assess the proper amount of  
19                   fees payable by the corporation.
- 20            2.   The annual report must be submitted on forms prescribed by the secretary of state.  
21                   The information provided must be given as of the date of the execution of the  
22                   report except as to the information required by subdivisions g, i, and j of  
23                   subsection 1 which must be given as of the close of business on December  
24                   thirty-first next preceding the date herein provided for the filing of the report, or, in  
25                   the alternative, data of the fiscal year ending next preceding this report may be  
26                   used. The annual report must be signed as prescribed in subsection 37 of section  
27                   10-19.1-01, or the articles or the bylaws or a resolution approved by the affirmative  
28                   vote of the required proportion or number of the directors or holders of shares  
29                   entitled to vote. If the corporation or foreign corporation is in the hands of a  
30                   receiver or trustee, it must be signed on behalf of the corporation or foreign  
31                   corporation by the receiver or trustee. The secretary of state may destroy all

1           annual reports provided for in this section after they have been on file for six years.  
2           The secretary of state, or any employee or legal representative of the secretary of  
3           state, may not disclose the information reported under subdivisions g, i, and j of  
4           subsection 1 to any person, except a person who is verified to be a shareholder of  
5           the corporation or foreign corporation, a legal representative of the shareholder for  
6           which information is requested, or to the tax commissioner or any employee or  
7           legal representative of the tax commissioner, who may not disclose the information  
8           and may use the information only for the administration of the tax laws.

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

- 11           a. By a corporation, before August second of each year, and  
12           b. By a foreign corporation, before May sixteenth of each year.

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

25           4. The secretary of state must file the annual report if the annual report conforms to  
26           the requirements of this section and all fees have been paid as provided in section  
27           10-19.1-147.

- 28           a. If the annual report does not conform, it must be returned to the corporation  
29           or foreign corporation for any necessary correction or payment.  
30           b. If the annual report is corrected and filed before the date provided in  
31           subsection 3, or within thirty days after the annual report was returned by the

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

- 1           a. The secretary of state shall note the revocation of the foreign corporation's  
2           certificate of authority on the records of the secretary of state and shall give  
3           notice of the action to the foreign corporation.
- 4           b. Notice by the secretary of state must be mailed to the foreign corporation's  
5           last registered agent at the last registered office of record.
- 6           c. The decision by the secretary of state that a certificate of authority must be  
7           revoked under this subsection is final.
- 8           9. A corporation dissolved for failure to file an annual report, or a foreign corporation  
9           whose authority was forfeited by failure to file an annual report, may be reinstated  
10           by filing a past-due report, together with the filing and penalty fees for an annual  
11           report and a reinstatement fee as provided in section 10-19.1-147. The fees must  
12           be paid and an annual report filed within one year following the involuntary  
13           dissolution or revocation. Reinstatement under this subsection does not affect the  
14           rights or liability for the time from the dissolution or revocation to the reinstatement.

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

17           **10-19.1-147. Fees for filing documents - Issuing certificates - License fees.** The  
18 secretary of state shall charge and collect for:

- 19           1. Filing articles of incorporation and issuing a certificate of incorporation, thirty  
20           dollars.
- 21           2. Filing articles of amendment, twenty dollars.
- 22           3. Filing restated articles of incorporation, thirty dollars.
- 23           4. Filing articles of merger or consolidation and issuing a certificate of merger or  
24           consolidation, fifty dollars.
- 25           5. Filing articles of abandonment of merger, fifty dollars.
- 26           6. Filing an application to reserve a corporate name, ten dollars.
- 27           7. Filing a notice of transfer of a reserved corporate name, ten dollars.
- 28           8. Filing a cancellation of reserved corporate name, ten dollars.
- 29           9. Filing a consent to use of name, ten dollars.
- 30           10. Filing a statement of change of address of registered office or change of registered  
31           agent, or both, ten dollars.



- 1        11. Filing a statement of change of address of registered office by registered agent,
- 2            ten dollars for each corporation affected by such change.
- 3        12. Filing a registered agent's consent to serve in such capacity, ten dollars.
- 4        13. Filing a resignation as registered agent, ten dollars.
- 5        14. Filing a statement of the establishment of a series of shares, twenty dollars.
- 6        15. Filing a statement of cancellation of shares, twenty dollars.
- 7        16. Filing a statement reduction of stated capital, twenty dollars.
- 8        17. Filing a statement of intent to dissolve, ten dollars.
- 9        18. Filing a statement of revocation of voluntary dissolution proceedings, ten dollars.
- 10       19. Filing articles of dissolution, twenty dollars.
- 11       20. Filing an application of a foreign corporation for a certificate of authority to transact
- 12           business in this state and issuing a certificate of authority, forty dollars.
- 13       21. Filing an application of a foreign corporation for an amended certificate of authority
- 14           to transact business in this state and issuing an amended certificate of authority,
- 15           forty dollars.
- 16       22. Filing a certificate of fact stating a merger or consolidation of a foreign corporation
- 17           holding a certificate of authority to transact business in this state, fifty dollars.
- 18       23. Filing an application for withdrawal of a foreign corporation and issuing a certificate
- 19           of withdrawal, twenty dollars.
- 20       24. Filing an annual report of a corporation or foreign corporation, twenty-five dollars.
- 21           The secretary of state shall charge and collect additional fees for late filing of the
- 22           annual report as follows:
- 23           a. Within ninety days after the date provided in subsection 3 of section
- 24                10-19.1-146, twenty dollars;
- 25           b. Thereafter, sixty dollars; and
- 26           c. After the involuntary dissolution of a corporation, or the revocation of the
- 27                certificate of authority of a foreign corporation, the reinstatement fee of one
- 28                hundred thirty-five dollars.
- 29       25. Filing any process, notice, or demand for service, twenty-five dollars.

- 1        26. Furnishing a certified copy of any document, instrument, or paper relating to a  
2        corporation, one dollar for every four pages or fraction thereof and fifteen dollars  
3        for the certificate and affixing the seal thereto.
- 4        27. License fee of fifty dollars for the first fifty thousand dollars of a corporation's  
5        authorized shares, or fraction thereof, and the further sum of ten dollars if paid at  
6        the time of authorization, or twelve dollars if paid after authorized shares are  
7        issued, for every additional ten thousand dollars of its authorized shares, or  
8        fraction thereof, in excess of fifty thousand dollars.
- 9        a. A license fee is payable by a corporation at the time of:
- 10        (1) Filing articles of incorporation;  
11        (2) Filing articles of amendment increasing the number or value of  
12        authorized shares; or  
13        (3) Filing articles of merger or consolidation increasing the number or value  
14        of authorized shares a surviving or new corporation will have authority  
15        to issue above the aggregate number or value of shares the constituent  
16        corporations had authority to issue.
- 17        b. A license fee payable on an increase in authorized shares must be imposed  
18        only on the additional shares, but the amount of previously authorized shares  
19        must be taken into account in determining the rate applicable to the additional  
20        authorized shares.
- 21        c. For the purposes of this subsection, shares without par value are considered  
22        worth one dollar per share.
- 23        d. The minimum sum of fifty dollars must be paid for authorized shares at the  
24        time of filing articles of incorporation.
- 25        e. A corporation increasing authorized shares by articles of amendment or  
26        articles of merger must have previously paid for a minimum of fifty thousand  
27        dollars of authorized shares. Thereafter, a corporation may postpone the  
28        payment for any additional amount until the filing of an annual report after the  
29        unpaid shares are issued. Any additional amount must be paid in increments  
30        of ten thousand dollars of its authorized shares.



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

3           **10-19.1-148. Secretary of state - Powers - Enforcement - Penalty - Appeal.**

4           1. The secretary of state has the power and authority reasonably necessary to  
5 efficiently administer this chapter and to perform the duties imposed thereby.

6           2. The secretary of state may propound to any corporation or foreign corporation that  
7 is subject to this chapter and to any officer, director, or employee thereof, any  
8 interrogatory reasonably necessary and proper to ascertain whether the  
9 corporation has complied with all provisions of this chapter applicable to the  
10 corporation.

11           a. The interrogatory must be answered within thirty days after mailing, or within  
12 any additional time as must be fixed by the secretary of state. The answer to  
13 the interrogatory must be full and complete and must be made in writing and  
14 under oath.

15           b. If the interrogatory is directed:  
16           (1) To an individual, it must be answered by that individual; or  
17           (2) To a corporation, it must be answered by the president, vice president,  
18 secretary, or assistant secretary of the corporation.

19           c. The secretary of state is not required to file any document to which the  
20 interrogatory relates until the interrogatory has been answered, and not then if  
21 the answers disclose the document is not in conformity with this chapter.

22           d. The secretary of state shall certify to the attorney general, for action the  
23 attorney general may deem appropriate, an interrogatory and answers  
24 thereto, which discloses a violation of this chapter.

25           e. Each officer, director, or employee of a corporation or foreign corporation who  
26 fails or refuses within the time provided by subdivision a of subsection 2 to  
27 answer truthfully and fully an interrogatory propounded to that person by the  
28 secretary of state is guilty of an infraction.

29           f. An interrogatory propounded by the secretary of state and the answers are  
30 not open to public inspection. The secretary of state may not disclose any  
31 facts or information obtained from the interrogatory or answers except insofar

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

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

29           **10-19.1-149. Secretary of state - Certificates and certified copies to be received in**  
30 **evidence.**

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

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

12           **10-19.1-150. Secretary of state - Forms to be furnished by the secretary of state.**

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

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

20           **10-19.1-151. Miscellaneous - Foreign trade zones.**

- 21           1. As used in this section, unless the context otherwise requires:
- 22               a. "Act of Congress" means the Act of Congress approved June 18, 1934,  
23                   entitled an act to provide for the establishment, operation, and maintenance  
24                   of foreign trade zones and ports of entry of the United States, to expedite and  
25                   encourage foreign commerce and for other purposes, as amended, and  
26                   commonly known as the Foreign Trade Zone Act of 1934 [48 Stat. 998; 19  
27                   U.S.C. 81a et seq.].
- 28               b. "Private corporation" means a corporation authorized under this chapter, one  
29                   of the purposes of which is to establish, operate, and maintain a foreign trade  
30                   zone by itself or in conjunction with a public corporation.

- 1           c. "Public corporation" means this state; a political subdivision of this state, any  
2                   municipality of this state, any public agency of this state, or any other  
3                   corporate instrumentality of this state.
- 4           2. Any private corporation or public corporation has the power to apply to the proper  
5                   authorities of the United States for a grant of the privilege of establishing,  
6                   operating, and maintaining foreign trade zones and foreign trade subzones and to  
7                   do all things necessary and proper to carry into effect the establishment, operation,  
8                   and maintenance of such zones, all in accordance with the Act of Congress and  
9                   other applicable laws and rules.

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

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

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

24           **10-31-01. Definitions.** As used in this chapter, unless the context otherwise requires:

- 25           1. "Create" means to form an organization by:  
26                   a. Incorporating a professional corporation;  
27                   b. Organizing a professional limited liability company; or  
28                   c. Registering a professional limited liability partnership.
- 29           2. "Executive" means an officer or a director of a professional corporation, a manager  
30                   or a governor of a professional limited liability company, or a partner of a  
31                   professional limited liability partnership.

- 1           3.   "Foreign limited liability partnership" has the meaning set forth in section  
2                    45-22-01.4.
- 3           4.   "Foreign professional organization" means a professional organization that is  
4                    created under laws other than the laws of this state for purposes for which a  
5                    professional organization may be created under this chapter.
- 6       4- 5.   "Owner" means a shareholder of a professional corporation, a member of a  
7                    professional limited liability company, or a partner of a limited liability partnership.
- 8       5- 6.   "Professional corporation" or "corporation" means a corporation that is  
9                    incorporated under this chapter for the ~~sole and specific~~ purpose of rendering  
10                   professional service and which has as its shareholders only individuals who  
11                   themselves are licensed or otherwise legally authorized within this state to render  
12                   the same professional service as the corporation or nonlicensed employees as  
13                   provided in section 10-31-07.1.
- 14       6- 7.   "Professional limited liability company" or "limited liability company" means a  
15                   limited liability company that is organized under this chapter for the ~~sole and~~  
16                   ~~specific~~ purpose of rendering professional service and which has as its members  
17                   only individuals who themselves are licensed or otherwise legally authorized within  
18                   this state to render the same professional service as the limited liability company  
19                   or nonlicensed employees as provided in section 10-31-07.2.
- 20       7- 8.   "Professional limited liability partnership" or "limited liability partnership" means a  
21                   limited liability partnership that is registered under this chapter for the ~~sole and~~  
22                   ~~specific~~ purpose of rendering professional service, is not a foreign limited liability  
23                   partnership, and has as its partners only individuals who are licensed or otherwise  
24                   legally authorized within this state to render the same professional service as the  
25                   limited liability partnership or nonlicensed employees as provided in section  
26                   10-31-07.1.
- 27       8- 9.   "Professional organization" or "organization" means:  
28                   a.   A professional corporation that is incorporated under this chapter;  
29                   b.   A professional limited liability company that is organized under this chapter; or  
30                   c.   A professional limited liability partnership that is registered under this chapter.



1     9- 10.    "Professional service" means the personal service to the public which requires a  
2                   license as a condition precedent to the rendering of such service and which ~~prior~~  
3                   ~~to~~ before the passage of this chapter could not be performed by a corporation,  
4                   limited liability company, or a limited liability partnership.

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

7                   **10-31-02. Articles of incorporation.**

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

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

22                   **10-31-02.1. Articles of organization.**

- 23                   1. Two or more individuals may organize a professional organization in the form of a  
24                   limited liability company for the practice of a profession by filing articles of  
25                   organization with the secretary of state. The articles of organization must meet the  
26                   requirements of chapter 10-32, and must contain the following:
- 27                   a. The profession to be practiced through the professional limited liability  
28                   company; and
  - 29                   b. The names and residence addresses of all of the original members of the  
30                   professional limited liability company who will practice the profession in this  
31                   state.

- 1           2.    At the time the articles of organization are filed with the secretary of state, the  
2                    professional limited liability company also shall file a certificate from the regulating  
3                    board of the profession involved that each of the governors and members who will  
4                    practice the profession in this state, if any, is licensed to practice the profession in  
5                    this state.

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

8           **10-31-02.2. Registration.**

- 9           1.    Two or more individuals may register a professional organization in the form of a  
10                   limited liability partnership or a foreign professional organization in the form of a  
11                   foreign limited liability partnership for the practice of a profession by filing a the  
12                   registration required under section 45-22-3 with the secretary of state. The  
13                   registration must meet the requirements of chapter 45-22, and contain the  
14                   following:  
15                   a.    The profession to be practiced through the professional limited liability  
16                    partnership or foreign limited liability partnership; and  
17                   b.    The names and residence addresses of all of the ~~original~~ partners of the  
18                    professional limited liability partnership or foreign limited liability partnership  
19                    who will practice the profession in this state.  
20           2.    At the time the registration is filed with the secretary of state, the professional  
21                   limited liability partnership or foreign limited liability partnership also shall file a  
22                   certificate from the regulating board of the profession involved that each of the  
23                   partners who will practice the profession in this state is licensed to practice the  
24                   profession in this state.

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

- 27           **10-31-03. Applicability of ~~chapters~~ chapter 10-19.1, 10-22, and 10-23.** ~~Chapters~~  
28 Chapter 10-19.1, 10-22, and 10-23 ~~apply~~ applies to a professional organization that is created  
29 in the form of a corporation and which enjoys the powers and privileges and is subject to the  
30 duties, restrictions, and liabilities of other corporations except where inconsistent with the letter

1 and purpose of this chapter. This chapter takes precedence in the event of any conflict with  
2 ~~chapters chapter 10-19.1, 10-22, and 10-23.~~

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

5 **10-31-04. Purpose for which created.**

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

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

24 **10-31-05. Name.**

- 25 1. The name of a professional organization:
- 26 a. In the form of a corporation incorporated under this chapter must contain:
- 27 (1) The word "chartered";
- 28 (2) The word "limited" or the abbreviation "Ltd.";
- 29 (3) The words "professional corporation" or either the abbreviation "P.C."  
30 or the abbreviation "PC", either of which may be used interchangeably

- 1 for all purposes authorized by chapter 10-31, including real estate  
2 matters, contracts, and filings with the secretary of state; or
- 3 (4) The words "professional association" or either the abbreviation "P.A."  
4 or the abbreviation "PA", 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.
- 7 b. In the form of a limited liability company organized under this chapter must  
8 contain:
- 9 (1) The words "professional limited liability company" or "limited liability  
10 company";
- 11 (2) The abbreviations:
- 12 (a) "P.L.C." or "PLC", either of which may be used interchangeably  
13 for all purposes authorized by chapter 10-31 including real estate  
14 matters, contracts, and filings with the secretary of state; ~~or~~
- 15 ~~(3)~~ (b) ~~The abbreviations~~ "P.L.L.C." or "PLLC", either of which may be  
16 used interchangeably for all purposes authorized by chapter  
17 10-31 including real estate matters, contracts, and filings with the  
18 secretary of state; or
- 19 (c) "L.L.C." or "LLC", either of which may be used interchangeably  
20 for all purposes authorized by chapter 10-31 including real estate  
21 matters, contracts, and filings with the secretary of state.
- 22 c. In the form of a limited liability partnership registered under this chapter shall  
23 contain:
- 24 (1) The words "professional limited liability partnership"; or
- 25 (2) The abbreviations:
- 26 (a) "P.L.L.P." or "PLLP", either of which may be use d  
27 interchangeably for all purposes authorized by chapter 10-31  
28 including real estate matters, contracts, and filings with the  
29 secretary of state; or

1                   (b) "L.L.P." or "LLP", either of which may be used interchangeably  
2                                 for all purposes authorized by chapter 10-31 including real estate  
3                                 matters, contracts, and filings with the secretary of state.

4           2. The use of ~~the word "company", "corporation", "incorporated", "limited liability~~  
5           ~~company", "limited liability partnership",~~ or any other word, abbreviation, affix, or  
6           prefix indicating that it is a corporation, limited liability company, or limited liability  
7           partnership in the name of an organization created under this chapter, other than  
8           the words and abbreviations set forth in subsection 1, is prohibited.

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

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

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

25           **10-31-07.1. Retirement plan trust - Voting and nonvoting ~~stock~~ shares.** A  
26          professional corporation may establish a retirement plan trust which allows the corporation to  
27          contribute nonvoting shares for nonlicensed employees and voting shares for licensed  
28          employees.

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

1           **10-31-07.2. Issuance and transfer of membership interests.** A professional  
2 organization in the form of a limited liability company may issue membership interests only to  
3 ~~individuals~~ persons who are licensed to render the same specific professional services as  
4 those for which the company was organized. A member may voluntarily transfer membership  
5 interests in a professional limited liability company only to ~~the professional limited liability~~  
6 ~~company or to an individual~~ a person owning or eligible to own a membership interest. The  
7 reflection of any membership interests in the required records of the professional limited liability  
8 company in violation of this section is void. The voluntary transfer of any membership interests  
9 in violation of this section is void. No membership interest may be reflected in the required  
10 records of the professional limited liability company until there is presented to and filed with the  
11 limited liability company a certificate from the regulating board stating that the ~~individual~~ person  
12 to whom the transfer is to be made or the membership interest issued is licensed to render the  
13 same specific professional services as those for which the limited liability company was  
14 organized.

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

17           **10-31-07.3. Issuance and transfer of partnership interests.** A professional  
18 organization in the form of a limited liability partnership may issue partnership interests only to  
19 ~~individuals~~ persons who are licensed to render the same specific professional services as  
20 those for which the partnership was registered. A partner may voluntarily transfer partnership  
21 interests in a professional limited liability partnership only to ~~the professional limited liability~~  
22 ~~partnership or an individual~~ a person owning or eligible to own a partnership interest. The  
23 issuance of any partnership interests issued in violation of this section is void. The voluntary  
24 transfer of any partnership interests in violation of this section is void. No partnership interest  
25 may be transferred upon the books of the professional limited liability partnership or issued by  
26 the professional limited liability partnership until there is presented to and filed with the limited  
27 liability partnership a certificate from the regulating board stating that the ~~individual~~ person to  
28 whom the transfer is to be made or the partnership interest issued is licensed to render the  
29 same specific professional services as those for which the limited liability partnership was  
30 registered.

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

3           **10-31-12. Death of last or only shareholder - Amendment of articles of**  
4 **incorporation - Involuntary dissolution.**

- 5           1. In the event of the death of the last or only shareholder of a professional  
6 corporation whose shares pass to heirs by intestate succession, to devisees under  
7 a last will and testament, or otherwise pass by operation of law to an individual not  
8 legally qualified to render the professional services which the professional  
9 corporation was incorporated to perform, the heirs, devisees, or personal  
10 representative of the deceased shareholder, within six months after the date of  
11 death of the last or only shareholder, may amend the articles of incorporation to  
12 provide that the corporation must continue as a ~~general~~ corporation under  
13 ~~chapters chapter~~ chapter 10-19.1, 10-22, and 10-23.
- 14           2. The death of the last or only shareholder of a professional corporation and the  
15 failure of the heirs, devisees, or personal representative to make an amendment  
16 within six months after the death is a ground for the involuntary dissolution of the  
17 professional corporation.
- 18           3. When notified of the facts, the secretary of state shall certify immediately the facts  
19 to the attorney general who shall take immediate appropriate action to dissolve the  
20 professional corporation.

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

23           **10-31-13. Professional organizations - Annual reports - Renewal.**

- 24           1. With respect to a professional organization in the form of a corporation:
- 25           a. Each corporation incorporated under this chapter shall file with the secretary  
26 of state an annual report at the time specified for the filing of the report by  
27 ~~chapters chapter~~ chapter 10-19.1, 10-22, and 10-23 giving the name and residence  
28 addresses of all officers, directors, and shareholders of the corporation as of  
29 the thirtieth day of June next preceding the filing of the report. With respect to  
30 shares, the report shall include:

- 1                   (1) A statement of the aggregate number of shares the corporation has  
2                   authority to issue, itemized by classes, par value of shares, shares  
3                   without par value, and series, if any, within a class; and
- 4                   (2) A statement of the aggregate number of issued shares , itemized by  
5                   classes, par value of shares, shares without par value, and series, if  
6                   any, within a class.
- 7                   b. ~~Attached to this~~ The report must be include a form certifying statement that  
8                   all directors and shareholders of voting shares who practice in this state are  
9                   licensed to render the same specific professional services as those for which  
10                  the corporation was incorporated. ~~This certificate~~ The report must be:
- 11                  (1) Made on a form as prescribed and furnished by the secretary of state;  
12                  (2) Signed by the president or vice president ~~and attested by the secretary~~  
13                  ~~or assistant secretary~~ of the corporation; and
- 14                  (3) ~~Sworn to before a notary public by the individuals executing the~~  
15                  ~~certificate; and~~
- 16                  (4) Accompanied by the filing fee prescribed in chapter ~~40-23~~ 10-19.1.
- 17                  c. A copy of the ~~certificate~~ report must be filed at the same time with the  
18                  regulatory board that licenses the shareholders described in the ~~certificate~~  
19                  report. No filing fee may be charged by the regulatory board.
- 20                  d. A regulatory board issuing a license under section 10-31-01 shall issue a  
21                  certificate required in section 10-31-02. The certificate must be on a form  
22                  prescribed and furnished by the secretary of state. The regulatory board may  
23                  charge and collect a fee not to exceed twenty dollars per individual certified to  
24                  be licensed by the regulating board.
- 25                  2. With respect to a professional organization in the form of a limited liability  
26                  company:
- 27                  a. Each limited liability company organized under this chapter shall file with the  
28                  secretary of state an annual report at the time specified for the filing of the  
29                  report by chapter 10-32 giving the name and residence address of all  
30                  managers, governors, and members of the organization as of the thirtieth day  
31                  of June next preceding the filing of the report.



- 1           b. ~~Attached to this~~ The report must be include a form certifying statement that  
2           all governors and members holding voting membership interests who practice  
3           in this state are licensed to render the same specific professional services as  
4           those for which the limited liability company was organized. This ~~certificate~~  
5           report must be:
- 6           (1) Made on a form as prescribed and furnished by the secretary of state;  
7           (2) Signed by the president ~~and attested by the secretary~~ or vice president  
8           of the limited liability company; and  
9           (3) ~~Sworn before a notary public by the individuals executing the~~  
10          ~~certificate; and~~  
11          (4) Accompanied by the filing fee prescribed in section 10-32-180.
- 12          c. A copy of the ~~certificate~~ report must be filed at the same time with the  
13          regulatory board that licenses the members described in the ~~certificate~~ report.  
14          No filing fee may be charged by the regulatory board.
- 15          d. A regulatory board issuing a license under section 10-31-01 shall issue a  
16          certificate required in section 10-31-02. The certificate must be on a form  
17          prescribed and furnished by the secretary of state. The regulatory board may  
18          charge and collect a fee not to exceed twenty dollars per individual certified to  
19          be licensed by the regulatory board.
- 20          3. With respect to a professional organization in the form of a limited liability  
21          partnership:
- 22          a. The renewal registration filed with the secretary of state pursuant to chapter  
23          45-22 must include the name and residence address of all partners of the  
24          organization as of the thirtieth day of June next preceding the filing of the  
25          renewal registration.
- 26          b. ~~Attached to the~~ The renewal registration must be include a form certifying  
27          statement that all partners holding voting partnership interests who practice in  
28          this state are licensed to render the same specific professional services as  
29          those for which the limited liability partnership was registered. ~~This certificate~~  
30          The renewal registration shall be:
- 31          (1) Made on a form prescribed and furnished by the secretary of state;

- 1                   (2) Signed by ~~two~~ a managing ~~partners~~ partner of the limited liability  
2                   partnership; and
- 3                   (3) ~~Sworn before a notary public by the individuals executing the~~  
4                   ~~certificate; and~~
- 5                   (4) Accompanied by the filing fee prescribed in section 45-22-22.
- 6                   c. A copy of the ~~certificate~~ renewal registration must be filed at the same time  
7                   with the regulatory board that licenses the partners described in the ~~certificate~~  
8                   renewal registration. 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                  **SECTION 98. AMENDMENT.** Section 10-31-13.1 of the North Dakota Century Code is  
15 amended and reenacted as follows:

16                  **10-31-13.1. Foreign professional organizations - Practice in the state.**

- 17                  1. A foreign professional organization may practice a profession in this state only  
18                  through executives, owners, employees, and agents who are licensed to practice  
19                  the profession in this state. ~~The provisions of this chapter with respect to the~~  
20                  ~~practice of a profession by a professional organization apply to a foreign~~  
21                  ~~professional organization.~~ The practice of a profession in this state by a foreign  
22                  professional organization is subject to the laws and regulations of this state  
23                  governing the practice of such professional service.
- 24                  2. The certificate of authority of a foreign professional organization may be revoked  
25                  by the secretary of state as provided in this chapter, if the foreign professional  
26                  organization fails to comply with this chapter.
- 27                  3. This chapter does not prohibit the practice of a profession in this state by an  
28                  individual who is an executive, owner, employee, or agent of a foreign professional  
29                  organization, if the individual could lawfully practice the profession in this state in  
30                  the absence of any relationship to a foreign professional organization.

- 1           4. This section applies regardless of whether the foreign professional organization is  
2           authorized to practice a profession in this state.
- 3           5. A foreign professional organization may render only one specific type of  
4           professional service and services ancillary thereto in this state. A foreign  
5           professional organization may not engage in any business in this state other than  
6           rendering the professional service it is authorized to render and services ancillary  
7           thereto.
- 8           6. a. The provisions of chapter 10-19.1, applicable to foreign corporations, apply to  
9           a foreign professional organization rendering professional services in this  
10           state in the form of a foreign corporation. Such a foreign professional  
11           organization enjoys the powers and privileges and is subject to the duties,  
12           restrictions, and liabilities of other foreign corporations doing business in this  
13           state, except where inconsistent with the letter and purpose of the provisions  
14           of this chapter applicable to foreign professional organizations.
- 15           b. A foreign professional organization rendering professional services in this  
16           state in the form of a foreign corporation shall include in its application for a  
17           certificate of authority under section 10-19.1-135 or its annual report under  
18           section 10-19.1-146 the following information:
- 19           (1) The profession to be practiced by the foreign corporation;  
20           (2) The names and residence addresses of all directors and shareholders  
21           of the corporation who practice the profession in this state; and  
22           (3) In an application for a certificate of authority, a certificate from the  
23           regulating board of the profession involved that all directors and  
24           shareholders who practice the profession in this state are licensed in  
25           this state to render the same professional service as those for which  
26           the corporation was formed; and in an annual report, a statement that  
27           all directors and shareholders who practice the profession in this state  
28           are licensed in this state to render the same professional service as  
29           those for which the corporation was formed.
- 30           7. a. The provisions of chapter 10-32 applicable to foreign limited liability  
31           companies apply to a foreign professional organization rendering professional

1                   services in this state in the form of a foreign limited liability company. Such a  
2                   foreign professional organization enjoys the powers and privileges and is  
3                   subject to the duties, restrictions, and liabilities of other foreign limited liability  
4                   companies doing business in this state, except where inconsistent with the  
5                   letter and purpose of the provisions of this chapter applicable to foreign  
6                   professional organizations.

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

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

12                  (2) The names and residence addresses of all members or managers of  
13                  the limited liability company who practice the profession in this state;  
14                  and

15                  (3) In an application for a certificate of authority, a certificate from the  
16                  regulating board of the profession involved that all members or  
17                  managers who practice the profession in this state are licensed in this  
18                  state to render the same professional service as those for which the  
19                  limited liability company was formed; and in an annual report, a  
20                  statement that all members or managers who practice the profession in  
21                  this state are licensed in this state to render the same professional  
22                  service as those for which the limited liability company was formed.

23                  8. a. The provisions of chapter 45-22 applicable to foreign limited liability  
24                  partnerships apply to a foreign professional organization rendering  
25                  professional services in this state in the form of a foreign limited liability  
26                  partnership. Such a foreign professional organization enjoys the powers and  
27                  privileges and is subject to the duties, restrictions, and liabilities of other  
28                  foreign limited liability partnerships doing business in this state, except where  
29                  inconsistent with the letter and purpose of the provisions of this chapter  
30                  applicable to foreign professional organizations.

- 1            b. A foreign professional organization rendering professional services in this  
2            state in the form of a foreign limited liability partnership shall include in its  
3            registration or renewal registration under section 45-22-03 the following  
4            information:
- 5            (1) The profession to be practiced by the foreign limited liability  
6            partnership;
- 7            (2) The names and residence addresses of all partners of the limited  
8            liability partnership who practice the profession in this state; and
- 9            (3) In a registration, a certificate from the regulating board of the profession  
10           involved that all partners who practice the profession in this state are  
11           licensed in this state to render the same professional service as those  
12           for which the limited liability partnership was formed; and in a renewal  
13           registration, a statement that all partners who practice the profession in  
14           this state are licensed in this state to render the same professional  
15           service as those for which the limited liability partnership was formed.
- 16           9. The name of a foreign professional organization rendering professional services in  
17           this state shall contain words or abbreviations required or authorized by the laws of  
18           the jurisdiction in which the foreign professional organization is incorporated,  
19           organized, or originally registered.

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

22           **10-32-02. Definitions.** For the purposes of this chapter, unless the language or  
23 context clearly indicates that a different meaning is intended:

- 24           1. "Acquiring organization" means the foreign or domestic limited liability company or  
25           foreign or domestic corporation that acquires in an exchange the shares of a  
26           domestic or foreign corporation or the membership interests of a limited liability  
27           company.
- 28           2. "Address" means ~~mailing address, including a zip code.:~~
- 29           a. In the case of a registered office or principal executive office, the term means  
30           the mailing address and, including a zip code, of the actual office location  
31           which may not be only a post-office box; and

- 1            b. In all other cases, the mailing address, including a zip code.
- 2            3. "Agreement to give transfer consent" means a member-control agreement under
- 3            section 10-32-50, or a part of a member-control agreement, under which the
- 4            members agree in advance to give any consent referred to in subsection 2 of
- 5            section 10-32-32.
- 6            4. "Articles" or "articles of organization" means:
- 7            a. In the case of a limited liability company organized under this chapter, articles
- 8            of organization, articles of amendment, a statement of change of registered
- 9            office, registered agent, or name of registered agent, a statement establishing
- 10           or fixing the rights and preferences of a class or series of membership
- 11           interests, articles of merger, articles of abandonment, and articles of
- 12           termination.
- 13           b. In the case of a foreign limited liability company, the term includes all
- 14           documents serving a similar function required to be filed with the secretary of
- 15           state or other state office of the limited liability company's state of
- 16           organization.
- 17           5. "Board" or "board of governors" means the board of governors of a limited liability
- 18           company.
- 19           6. "Board member" means:
- 20           a. An individual serving on the board of governors in the case of a limited liability
- 21           company; and
- 22           b. An individual serving on the board of directors in the case of a corporation.
- 23           7. "Business continuation agreement" means a member-control agreement under
- 24           section 10-32-50, or a part of a member-control agreement, made after the limited
- 25           liability company has incurred an event of dissolution, under which the members:
- 26           a. Agree that, despite any dissolution, winding up and termination of the limited
- 27           liability company as a legal entity, its business will be continued in a
- 28           successor organization through a merger, transfer of assets, transfer of
- 29           membership interests, or otherwise; and
- 30           b. Specify the terms and conditions under which the business continuation will
- 31           occur.

- 1           8. "Class", when used with reference to membership interests, means a category of  
2           membership interests which differs in one or more rights or preferences from  
3           another category of membership interests of the limited liability company.
- 4           9. "Closely held limited liability company" means a limited liability company that does  
5           not have more than thirty-five members.
- 6           10. "Constituent organization" means a limited liability company or a domestic or  
7           foreign corporation that is a party to a merger or an exchange.
- 8           11. "Contribution agreement" means an agreement between a person and a limited  
9           liability company under which:
- 10           a. The person agrees to make a contribution in the future; and  
11           b. The limited liability company agrees that, at the time specified for the  
12           contribution in the future, the limited liability company will accept the  
13           contribution and reflect the contribution in the required records.
- 14           12. "Contribution allowance agreement" means an agreement between a person and a  
15           limited liability company under which:
- 16           a. The person has the right, but not the obligation, to make a contribution in the  
17           future; and  
18           b. The limited liability company agrees that, if the person makes the specified  
19           contribution at the time specified in the future, the limited liability company will  
20           accept the contribution and reflect the contribution in the required records.
- 21           13. "Dissolution" means that the limited liability company has incurred an event under  
22           subsection 1 of section 10-32-109, subject only to sections 10-32-116 and  
23           10-32-124, that obligates the limited liability company to wind up its affairs and to  
24           terminate its existence as a legal entity.
- 25           14. "Dissolution avoidance consent" means the consent of all remaining members:
- 26           a. Given, as provided in subdivision e of subsection 1 of section 10-32-109, after  
27           the occurrence of any event that terminates the continued membership of a  
28           member in the limited liability company; and  
29           b. That the limited liability company must be continued as a legal entity without  
30           dissolution.

- 1           15. "Distribution" means a direct or indirect transfer of money or other property, other  
2           than its own membership interests, with or without consideration, or an incurrence  
3           or issuance of indebtedness, by a limited liability company to any of its members in  
4           respect of membership interests. A distribution may be in the form of an interim  
5           distribution or a termination distribution, or as consideration for the purchase,  
6           redemption, or other acquisition of its membership interests, or otherwise.
- 7           16. "Domestic corporation" means a corporation other than a foreign corporation  
8           organized for profit and incorporated under or governed by chapter 10-19.1.
- 9           17. "Filed with the secretary of state" means ~~that a signed original of a document~~  
10          ~~together with the fees provided in section 10-32-150, has been delivered to the~~  
11          ~~secretary of state and has been determined by the secretary of state to conform to~~  
12          ~~law. The secretary of state shall endorse on the original the word "Filed" and the~~  
13          ~~month, day, and year of filing, and record the document in the office of the~~  
14          ~~secretary of state.:~~
- 15          a. That either of the following has been delivered to the secretary of state and  
16          has been determined by the secretary of state to conform to law:
- 17               (1) A signed original or a legible facsimile copy of a signed original of a  
18               request for reserved name; or
- 19               (2) A signed original of all other documents, meeting the applicable  
20               requirements of this chapter, together with the fees provided in section  
21               10-33-141.
- 22          b. That the secretary of state shall then:
- 23               (1) Endorse on the original the word "filed" and the month, day, and year;  
24               and
- 25               (2) Record the document in the office of the secretary of state.
- 26          18. "Financial rights" means a member's rights:
- 27               a. To share in profits and losses as provided in section 10-32-36;
- 28               b. To share in distributions as provided in section 10-32-60;
- 29               c. To receive interim distributions as provided in section 10-32-61; and
- 30               d. To receive termination distributions as provided in subdivision c of
- 31               subsection 1 of section 10-32-131.



- 1           19. "Foreign corporation" means a corporation organized for profit that is incorporated  
2                   under laws other than the laws of this state for a purpose ~~or purposes~~ for which a  
3                   corporation may be incorporated under chapter 10-19.1.
- 4           20. "Foreign limited liability company" means a limited liability company organized for  
5                   profit which is organized under laws other than the laws of this state for a purpose  
6                   ~~or purposes~~ for which a limited liability company may be organized under this  
7                   chapter.
- 8           21. "Good faith" means honesty in fact in the conduct of the act or transaction  
9                   concerned.
- 10          22. "Governance rights" means all of a member's rights as a member in the limited  
11                   liability company other than financial rights and the right to assign financial rights.
- 12          23. "Governing board" means:  
13                   a. The board of governors in the case of a limited liability company; and  
14                   b. The board of directors in the case of a corporation.
- 15          24. "Governor" means an individual serving on the board of governors.
- 16          25. "Intentionally" means that the person referred to either has a purpose to do or fail  
17                   to do the act or cause the result specified or believes that the act or failure to act, if  
18                   successful, will cause that result. A person "intentionally" violates a statute if:  
19                   a. If the person intentionally does the act or causes the result prohibited by the  
20                   statute; ; or if  
21                   b. If the person intentionally fails to do the act or cause the result required by the  
22                   statute, even though the person may not know of the existence or  
23                   constitutionality of the statute or the scope or meaning of the terms used in  
24                   the statute.
- 25          26. "Knows" or has "knowledge" means the person has actual knowledge of a fact. A  
26                   person does not "know" or have "knowledge" of a fact merely because the person  
27                   has reason to know of the fact.
- 28          27. "Legal representative" means a person empowered to act for another person,  
29                   including an agent, manager, officer, partner, or associate of an organization; a  
30                   trustee of a trust; a personal representative; ~~an executor of a will; an administrator~~

- 1 ~~of an estate~~; a trustee in bankruptcy; and a receiver, guardian, custodian, or  
2 conservator ~~of the person or estate of a person~~.
- 3 28. "Limited liability company" means a limited liability company, other than a foreign  
4 limited liability company, organized under this chapter.
- 5 29. "Manager" means ~~a person~~;
- 6 a. An individual who is eighteen years of age or more and who is elected,  
7 appointed, or otherwise designated as a manager by the board of governors;  
8 and ~~any other person~~
- 9 b. An individual considered elected as a manager pursuant to section 10-32-92.
- 10 30. "Member" means a person reflected in the required records of a limited liability  
11 company as the owner of some governance rights of a membership interest of the  
12 limited liability company.
- 13 31. "Membership interest" means a:
- 14 a. A member's interest in a limited liability company consisting of a member's  
15 ~~financial rights~~;
- 16 b. A member's right to assign financial rights as provided in section 10-32-31;
- 17 c. A member's governance rights; and a
- 18 d. A member's right to assign governance rights as provided in section  
19 10-32-32.
- 20 32. "Notice" is given by a member of a limited liability company to the limited liability  
21 company or a manager of a limited liability company when in writing and mailed or  
22 delivered to the limited liability company or the manager at the registered office or  
23 principal executive office of the limited liability company.
- 24 a. In all other cases, notice is given to a person:
- 25 (1) When mailed to the person at an address designated by the person or  
26 at the last known address of the person;
- 27 (2) When handed to the person; or
- 28 (3) When left at the office of the person with a clerk or other person in  
29 charge of the office; or
- 30 (a) If there is no one in charge, when left in a conspicuous place in  
31 the office; or

- 1 (b) If the office is closed or the person to be notified has no office,  
2 when left at the dwelling house or usual place of abode of the  
3 person with some person of suitable age and discretion who is  
4 residing there.
- 5 b. Notice by mail is given when deposited in the United States mail with  
6 sufficient postage affixed.
- 7 c. Notice is considered received when it is given.
- 8 33. "Operating agreement" means rules, resolutions, or other provisions, regardless  
9 how designated, that:
- 10 a. Relate to the management of the business or the regulation of the affairs of  
11 the limited liability company; and
- 12 b. Have been made expressly part of the operating agreement by the action,  
13 taken from time to time under section 10-32-69, by the board of governors or  
14 the members.
- 15 34. "Organization" means a, whether domestic or foreign, a limited liability company,  
16 corporation, partnership, limited partnership, limited liability partnership, joint  
17 venture, association, business trust, estate, trust, enterprise, and any other legal or  
18 commercial entity.
- 19 35. "Owners" means:
- 20 a. Members in the case of a limited liability company; and  
21 b. Shareholders in the case of a corporation.
- 22 36. "Ownership interests" means:
- 23 a. Membership interests in the case of a limited liability company; and  
24 b. Shares in the case of a corporation.
- 25 37. "Parent" of a specified limited liability company means a limited liability company or  
26 corporation that directly or indirectly owns more than fifty percent of the voting  
27 power of the membership interests entitled to vote for governors of the specified  
28 limited liability company.
- 29 38. "Pertains" means a contribution "pertains":
- 30 a. To a particular series when the contribution is made in return for a  
31 membership interest in that particular series.

- 1           b. To a particular class when the class has no series and the contribution is  
2           made in return for a membership interest in the class.
- 3           A contribution that pertains to a series does not pertain to the class of which the  
4           series is a part.
- 5        39. "Principal executive office" means:
- 6           a. If the limited liability company has an elected or appointed president, an office  
7           where the elected or appointed president of the limited liability company has  
8           an office-; or
- 9           b. If the limited liability company has no elected or appointed president,  
10          ~~"principal executive office" means~~ the registered office of the limited liability  
11          company.
- 12        40. "Registered office" means the place in this state designated in the articles ~~of~~  
13          ~~organization~~ as the registered office of the limited liability company.
- 14        41. "Related organization" ~~of a specified limited liability company means a parent or~~  
15          ~~subsidiary of the specified limited liability company or another subsidiary of a~~  
16          ~~parent of the specified limited liability company~~ means an organization that  
17          controls, is controlled by, or is under common control with another organization  
18          with control existing if an organization:
- 19           a. Owns, directly or indirectly, at least fifty percent of the shares, membership  
20           interests, or other ownership interests of another organization;
- 21           b. Has the right, directly or indirectly, to elect, appoint, or remove fifty percent or  
22           more of the voting members of the governing body of another organization; or
- 23           c. Has the power, directly or indirectly, to direct or cause the direction of the  
24           management and policies of another organization, whether through the  
25           ownership of voting interests, by contract, or otherwise.
- 26        42. "Required records" are those records required to be maintained under section  
27          10-32-51.
- 28        43. "Security" has the meaning given it in subsection 13 of section 10-04-02.
- 29        44. "Series" means a category of membership interests, within a class of membership  
30          interests, that has some of the same rights and preferences as other membership

- 1 interests within the same class, but that differ in one or more rights and  
2 preferences from another category of membership interests within that class.
- 3 45. "Signed" means that the signature of a person has been placed on a document, as  
4 provided in subsection 39 of section 41-01-11, and, with respect to a document  
5 required:
- 6 a. Required by this chapter to be filed with the secretary of state, means that the  
7 document has been signed by a person authorized to do so by this chapter,  
8 the articles of organization or operating agreement or a resolution approved  
9 by the affirmative vote of the required proportion or number of governors or  
10 the required proportion of the voting power of membership interests present  
11 and entitled to vote. ~~A signature on a document not; and~~
- 12 b. Not required by this chapter to be filed with the secretary of state, the  
13 signature may be a facsimile affixed, engraved, printed, placed, stamped with  
14 indelible ink, or in any other manner reproduced on the document.
- 15 46. "Subsidiary" of a specified limited liability company means:
- 16 a. A limited liability company having more than fifty percent of the voting power  
17 of its membership interests entitled to vote for governors owned directly or  
18 indirectly by the specified limited liability company; or
- 19 b. A corporation having more than fifty percent of the voting power of its shares  
20 entitled to vote for directors owned directly or indirectly by the specified  
21 limited liability company.
- 22 47. "Successor organization" means an organization that, pursuant to a business  
23 continuation agreement or an order of the court under subsection 6 of section  
24 10-32-119, continues the business of the dissolved and terminated limited liability  
25 company.
- 26 48. "Surviving organization" means the foreign or domestic limited liability company or  
27 domestic or foreign corporation resulting from a merger.
- 28 49. "Termination" means the end of a limited liability company's existence as a legal  
29 entity and occurs when a notice of termination is:
- 30 a. Filed with the secretary of state under section 10-32-117 together with the  
31 fees provided in section 10-32-150; or

1           b.   Is considered filed with the secretary of state under subdivision c of  
2                   subsection 2 of section 10-32-106 together with the fees provided in section  
3                   10-32-150.

4       50.   "Vote" includes authorization by written action.

5       51.   "Winding up" means the period triggered by dissolution during which the limited  
6           liability company ceases to carry on its business, except to the extent necessary  
7           for concluding its affairs, and disposes of its assets under section 10-32-131.

8       52.   "Written action" means a written document signed by all of the persons required to  
9           take the action described. The term also means the counterparts of a written  
10          document signed by any of the persons taking the action described. Each  
11          counterpart constitutes the action of the persons signing it, and all the  
12          counterparts, taken together, constitute one written action by all of the persons  
13          signing them.

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

16           **10-32-06. Two-member requirement.** A Unless otherwise provided in the articles of  
17 organization, a limited liability company must have two or more members at the time of its  
18 formation. A Unless a one-member limited liability company is authorized in the articles of  
19 organization, a limited liability company must be dissolved under subdivision e of subsection 1  
20 of section 10-32-109 whenever the limited liability company ceases to have at least two  
21 members unless the remaining member admits a new member within ninety days of the  
22 termination of the continued membership of the former member.

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

25           **10-32-07. Articles of organization.**

26       1.   The articles of organization must contain:

27           a.   The name of the limited liability company;

28           b.   The address of the principal executive office;

29           c.   The address of the registered office of the limited liability company and the  
30           name of its registered agent at that address;

31           d.   The name and address of each organizer;

- 1 e. The effective date of organization:
- 2 (1) If a later date than that on which the certificate
- 3 of organization is issued by the secretary of state; and
- 4 (2) Which may not be later than ninety days after the date on which the
- 5 certificate of organization is issued;
- 6 f. A statement stating in years that the limited period of existence for the limited
- 7 liability company must be a period of thirty years or less from the date the
- 8 articles of organization are filed with the secretary of state, unless the articles
- 9 of organization expressly authorize a shorter or longer period of duration;
- 10 ~~f.~~ g. A statement as to whether upon the occurrence of any event under
- 11 subdivision e of subsection 1 of section 10-32-109 that terminates the
- 12 continued membership of a member in the limited liability company, the
- 13 remaining members will have the power to avoid dissolution by giving
- 14 dissolution avoidance consent; ~~and~~
- 15 ~~g.~~ h. A statement as to whether the members have the power to enter into a
- 16 business continuation agreement-; and
- 17 i. A statement as to whether fewer than two members shall be permitted.
- 18 2. The following provisions govern a limited liability company unless modified in the
- 19 articles of organization or a member central agreement under section 10-32-50:
- 20 a. A limited liability company has general business purposes { as provided in
- 21 section 10-32-04};
- 22 b. A limited liability company has certain powers { as provided in section
- 23 10-32-23};
- 24 c. The power to adopt, amend, or repeal the operating agreement is vested in
- 25 the board of governors { as provided in section 10-32-68};
- 26 d. A limited liability company must allow cumulative voting for governors { as
- 27 provided in section 10-32-76};
- 28 e. The affirmative vote of a majority of governors present is required for an
- 29 action of the board of governors { as provided in section 10-32-83};
- 30 f. A written action by the board of governors taken without a meeting must be
- 31 signed by all governors { as provided in section 10-32-84};

- 1 g. The board may accept contributions, make contribution agreements, and  
2 make contribution allowance agreements { as provided in subsection 1 of  
3 section 10-32-56 and sections 10-32-58 and 10-32-59};
- 4 h. All membership interests are ordinary membership interests entitled to vote  
5 and are of one class with no series { as provided in subdivisions a and b of  
6 subsection 5 of section 10-32-56};
- 7 i. All membership interests have equal rights and preferences in all matters not  
8 otherwise provided for by the board of governors { as provided in  
9 subdivision b of subsection 5 of section 10-32-56};
- 10 j. The restatement of value of previous contributions is to be determined  
11 according to a specified process { as provided in subsections 3 and 4 of  
12 section 10-32-57};
- 13 k. A member has certain preemptive rights, unless otherwise provided by the  
14 board of governors { as provided in section 10-32-37};
- 15 l. The affirmative vote of the owners of a majority of the voting power of the  
16 membership interests present and entitled to vote at a duly held meeting is  
17 required for an action of the members, except where this chapter requires the  
18 affirmative vote of a majority of the voting power of all membership interests  
19 entitled to vote { as provided in subsection 1 of section 10-32-43};
- 20 m. The voting power of each membership interest is in proportion to the value  
21 reflected in the required records of the contributions of the members { as  
22 provided in section 10-32-45};
- 23 n. Members share in distributions in proportion to the value reflected in the  
24 required records of the contributions of members { as provided in section  
25 10-32-60};
- 26 o. Members share profits and losses in proportion to the value reflected in the  
27 required records of the contributions of members { as provided in section  
28 10-32-36};
- 29 p. A written action by the members taken without a meeting must be signed by  
30 all members { as provided in section 10-32-43};



- 1 q. Members have no right to receive distributions in kind and the limited liability  
2 company has only limited rights to make distributions in kind { as provided in  
3 section 10-32-62};
- 4 r. A member is not subject to expulsion {as provided in subsection 2 of section  
5 10-32-30};
- 6 s. Unanimous consent is required for the transfer of governance rights to a  
7 person not already a member { as provided in subsection 2 of section  
8 10-32-32}; ~~and~~
- 9 t. Unanimous consent is required to avoid dissolution { as provided in  
10 subdivision e of subsection 1 of section 10-32-109}; ~~and~~
- 11 u. A limited liability company dissolves upon an occurrence of an event that  
12 terminates the continued membership of any member as provided in  
13 subsection 1 of section 10-32-109.
- 14 3. The following provisions govern a limited liability company unless modified either in  
15 the articles of organization, a member central agreement under section 10-32-50,  
16 or in the operating agreement:
- 17 a. Governors serve for an indefinite term that expires at the next regular meeting  
18 of members { as provided in section 10-32-72};
- 19 b. The compensation of governors is fixed by the board of governors { as  
20 provided in section 10-32-74};
- 21 c. A certain method must be used for removal of governors { as provided in  
22 section 10-32-78};
- 23 d. A certain method must be used for filling board of governor vacancies { as  
24 provided in section 10-32-79};
- 25 e. If the board of governors fails to select a place for a board meeting, it must be  
26 held at the principal executive office { as provided in subsection 1 of section  
27 10-32-80};
- 28 f. ~~A governor may call a board of governors meeting, and the~~ The notice of the  
29 a board of governors meeting need not state the purpose of the meeting { as  
30 provided in subsection 3 of section 10-32-80};

- 1 g. A majority of the board of governors is a quorum for a board meeting { as  
2 provided in section 10-32-82};
- 3 h. A committee consists of one or more individuals, who need not be governors,  
4 appointed by affirmative vote of a majority of the governors present { as  
5 provided in subsection 2 of section 10-32-85};
- 6 i. The board may establish a special litigation committee { as provided in  
7 section 10-32-85};
- 8 j. The president and treasurer have specified duties, until the board of  
9 governors determines otherwise { as provided in section 10-32-89};
- 10 k. Managers may delegate some or all of their duties and powers, if not  
11 prohibited by the board of governors from doing so { as provided in section  
12 10-32-95};
- 13 l. Regular meetings of members need not be held, unless demanded by a  
14 member under certain conditions { as provided in section 10-32-38};
- 15 m. In all instances where a specific minimum notice period has not otherwise  
16 been fixed by law, not less than ten days' notice is required for a meeting of  
17 members { as provided in subsection 2 of section 10-32-40};
- 18 n. For a quorum at a members' meeting there is required a majority of the voting  
19 power of the membership interests entitled to vote at the meeting { as  
20 provided in section 10-32-44};
- 21 o. The board of governors may fix a date up to fifty days before the date of a  
22 members' meeting as the date for the determination of the members entitled  
23 to notice of and entitled to vote at the meeting { as provided in subsection 1 of  
24 section 10-32-45};
- 25 p. Indemnification of certain persons is required { as provided in section  
26 10-32-99};
- 27 q. The board of governors may authorize, and the limited liability company may  
28 make, distributions not prohibited, limited, or restricted by an agreement { as  
29 provided in subsection 1 of section 10-32-64}; and

- 1           r.   Members have no right to interim distributions except as provided through the  
2           operating agreement or an act of the board of governors { as provided in  
3           section 10-32-61}.
- 4           4.   The following provisions relating to the management of the business or the  
5           regulation of the affairs of a limited liability company may be included either in the  
6           articles of organization, a member central agreement under section 10-32-50, or,  
7           except for naming persons to serve as the first board of governors, fixing a greater  
8           than majority governor or member vote, establishing the rights and priorities for  
9           distributions and the rights to share in profits and losses, or giving or prescribing  
10          the manner of giving voting rights to persons other than members otherwise than  
11          pursuant to the articles of organization, or eliminating or limiting a governor's  
12          personal liability, in the operating agreement:
- 13          a.   The persons to serve as the first board of governors may be named in the  
14          articles of organization { as provided in subsection 1 of section 10-32-69};
- 15          b.   A manner for increasing or decreasing the number of governors may be  
16          provided { as provided in section 10-32-70};
- 17          c.   Additional qualifications for governors may be imposed { as provided in  
18          section 10-32-71};
- 19          d.   Governors may be classified { as provided in section 10-32-75};
- 20          e.   The ~~day or~~ date, time, and place of board of governors meetings may be fixed  
21          { as provided in subsection 1 of section 10-32-80};
- 22          f.   Absent governors may be permitted to give written consent or opposition to a  
23          proposal { as provided in section 10-32-81};
- 24          g.   A larger than majority vote may be required for board of governor action { as  
25          provided in section 10-32-83};
- 26          h.   Authority to sign and deliver certain documents may be delegated to a  
27          manager or agent of the limited liability company other than the president { as  
28          provided in section 10-32-89};
- 29          i.   Additional managers may be designated { as provided in section ~~10-32-90~~  
30          10-32-88};

- 1 j. Additional powers, rights, duties, and responsibilities may be given to  
2 managers { as provided in section ~~40-32-94~~ 10-32-89;
- 3 k. A method for filling vacant offices may be specified { as provided in  
4 subsection 3 of section 10-32-94};
- 5 l. The ~~day or~~ date, time, and place of regular member meetings may be fixed  
6 {as provided in subsection 3 of section 10-32-38};
- 7 m. Certain persons may be authorized to call special meetings of members {as  
8 provided in subsection 1 of section 10-32-39};
- 9 n. Notices of member meetings may be required to contain certain information  
10 {as provided in subsection 3 of section 10-32-40};
- 11 o. A larger than majority vote may be required for member action {as provided in  
12 section 10-32-42};
- 13 p. Voting rights may be granted in or pursuant to the articles of organization to  
14 persons who are not members { as provided in subsection 3 of section  
15 10-32-45};
- 16 q. Limited liability company actions giving rise to dissenter rights may be  
17 designated {as provided in subdivision d of subsection 1 of section 10-32-55};  
18 and
- 19 r. A governor's personal liability to the limited liability company or its members  
20 for monetary damages for breach of fiduciary duty as a governor may be  
21 eliminated or limited in the articles {as provided in subsection 4 of section  
22 10-32-86}.
- 23 5. The articles of organization may contain other provisions not inconsistent with law  
24 relating to the management of the business or the regulation of the affairs of the  
25 limited liability company.
- 26 6. It is not necessary to set forth in the articles of organization any of the limited  
27 liability company powers granted by this chapter.

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

30 **10-32-10. Limited liability company name.**

- 31 1. The limited liability company name:

- 1           a.    Must be in the English language or in any other language expressed in  
2                    English letters or characters;
- 3           b.    Must contain the words "limited liability company", or must contain the  
4                    abbreviation "L.L.C." or the abbreviation "LLC", either of which abbreviation  
5                    may be used interchangeably for all purposes authorized by this chapter  
6                    including real estate matters, contracts, and filings with the secretary of state;
- 7           c.    May not contain a word or phrase that indicates or implies that it may not be  
8                    organized under this chapter;
- 9           d.    May not contain the word "corporation" or "incorporated" and may not contain  
10                   the abbreviation of either or both of these words;
- 11        e.    e.    May not contain a word or phrase that indicates or implies that it is organized  
12                    for a purpose other than a legal business purpose for which a limited liability  
13                    company may be organized under this chapter; and.
- 14        ~~e.    May not be the same as, or deceptively similar to, the name of a domestic or~~  
15                    ~~foreign limited liability company, corporation, or limited partnership, whether~~  
16                    ~~profit or nonprofit, authorized to do business in this state, or a name the right~~  
17                    ~~to which is, at the time of organization, reserved in the manner provided in~~  
18                    ~~section 10-32-11, or is a fictitious name registered with the office of the~~  
19                    ~~secretary of state in the manner provided in chapter 45-11 or is a trade name~~  
20                    ~~registered with the office of the secretary of state in the manner provided in~~  
21                    ~~chapter 47-25 unless there is filed with the articles of organization one of the~~  
22                    ~~following:~~
- 23                    (1)   ~~The written consent of the domestic or foreign limited liability company,~~  
24                    ~~corporation, or limited partnership authorized to do business in this~~  
25                    ~~state having a deceptively similar name or the holder of a reserved~~  
26                    ~~name or registered trade name to use the deceptively similar name; or~~
- 27                    (2)   ~~A certified copy of a final judgment of a court in this state establishing~~  
28                    ~~the prior right of the applicant to the use of the name in this state.~~
- 29        f.    May not be the same as, or deceptively similar to:

- 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 which  
3                                   complies with subsection 2 of this section, of:  
4                                   (a) Another limited liability company;  
5                                   (b) A corporation;  
6                                   (c) A limited partnership; or  
7                                   (d) A limited liability partnership; or  
8                   (2) A name, the right of which is, at the time of organization, reserved in  
9                                   the 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 liability company name is  
14                   deceptively similar to another name for purposes of this chapter.  
15           3. If the secretary of state determines that a limited liability company name is  
16                   deceptively similar to another name for purposes of this chapter, then the limited  
17                   liability company name may not be used unless there is filed with the articles:  
18                   a. The written consent of the holder of the rights to the name to which the  
19                                   proposed name has been determined to be deceptively similar; or  
20                   b. A certified copy of a judgment of a court in this state establishing the prior  
21                                   right of the applicant to the use of the name in this state.  
22                   This subsection does not affect the right of a domestic limited liability company  
23                   existing on the effective date of this chapter, or a foreign limited liability company  
24                   authorized to do business in this state on that date to continue the use of its name.  
25           4. This section and section 10-32-11 do not:  
26                   a. Abrogate or limit:  
27                                   (1) The law of unfair competition or unfair practices;  
28                                   (2) Chapter 47-25;  
29                                   (3) The laws of the United States with respect to the right to acquire and  
30                                   protect copyrights, trade names, trademarks, service names, service  
31                                   marks; or

- 1                   (4) Any other rights to the exclusive use of names or symbols.
- 2                   b. Derogate the common law or the principles of equity.
- 3       4. ~~5.~~ A limited liability company that is merged with another limited liability company or  
4                   domestic or foreign corporation, or that is organized by the reorganization of one or  
5                   more limited liability companies or domestic or foreign corporations, or that  
6                   acquires by sale, lease, or other disposition to or exchange with a limited liability  
7                   company all or substantially all of the assets of another limited liability company or  
8                   domestic or foreign corporation including its name, may have the same name as  
9                   that used in this state by any of the other limited liability companies or domestic or  
10                  foreign corporations, if the other limited liability company or domestic or foreign  
11                  corporation ~~was~~:
- 12                  a. Was organized or incorporated under the laws of, ~~or is~~ this state;
- 13                  b. Is authorized to transact business or conduct activities in, this state;
- 14                  c. Holds a reserved name in the manner provided in section 10-19.1-14,  
15                  10-32-11, 10-33-11, 45-10.1-03, or 45-22-05;
- 16                  d. Holds a fictitious name registered in the manner provided in chapter 45-11; or
- 17                  e. Holds a trade name registered in the manner provided in chapter 47-25.
- 18       5. ~~6.~~ The use of a name by a limited liability company in violation of this section does  
19                  not affect or vitiate its limited liability company existence, ~~but~~. However, a court in  
20                  this state may, upon application of the state or of an interested or affected person,  
21                  enjoin the limited liability company from doing business under a name assumed in  
22                  violation of this section, although its articles of organization may have been filed  
23                  with the secretary of state and a certificate of organization issued.
- 24       7. A limited liability company whose period of existence has expired or that is  
25                  involuntarily dissolved by the secretary of state pursuant to section 10-32-149 may  
26                  reacquire the right to use that name by refiling articles of organization pursuant to  
27                  section 10-32-20, amending pursuant to section 10-32-130.1, or reinstating  
28                  pursuant to section 10-32-149, unless the name has been adopted for use or  
29                  reserved by another person, in which case the filing will be rejected unless the  
30                  filing is accompanied by a written consent or judgment pursuant to subsection 2. A  
31                  limited liability company that cannot reacquire the use of its limited liability

1           company name shall adopt a new limited liability company name which complies  
2           with the provisions of this section.

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

5           **10-32-11. Reserved name.**

- 6           1. The exclusive right to the use of a limited liability company name otherwise  
7           permitted by section 10-32-10 may be reserved by any person.
- 8           2. The reservation is made by filing with the secretary of state a request that the  
9           name be reserved together with the fees provided in section 10-32-150.
- 10          a. If the name is available for use by the applicant, the secretary of state shall  
11          reserve the name for the exclusive use of the applicant for a period of twelve  
12          months.
- 13          b. The reservation may be renewed for successive twelve-month periods.
- 14          3. The right to the exclusive use of a limited liability company name reserved  
15          pursuant to this section may be transferred to another person by or on behalf of  
16          the applicant for whom the name was reserved by filing with the secretary of state  
17          a notice of the transfer and specifying the name and address of the transferee  
18          together with the fees provided in section 10-32-150.
- 19          4. The right to the exclusive use of a limited liability company name reserved  
20          pursuant to this section may be canceled by or on behalf of the applicant for whom  
21          the name was reserved by filing with the secretary of state a notice of the  
22          cancellation together with the fees provided in section 10-32-150.
- 23          5. The secretary of state may accept for filing a legible facsimile copy of the signed  
24          original of any request for reserved name.
- 25          6. The secretary of state may destroy all reserved name requests and index thereof  
26          one year after expiration.

27           **SECTION 104. AMENDMENT.** Section 10-32-12 of the North Dakota Century Code is  
28 amended and reenacted as follows:

29           **10-32-12. Registered office and agent.**



- 1           1. A limited liability company shall continuously maintain a registered office in this  
2           state. A registered office need not be the same as the principal place of business,  
3           or the principal executive office of the limited liability company.
- 4           2. A limited liability company shall ~~designate in its articles of organization~~ appoint and  
5           continuously maintain a registered agent. The registered agent may be an  
6           individual residing in this state, a domestic corporation or a domestic limited liability  
7           company, or a foreign corporation or foreign limited liability company authorized to  
8           transact business in this state. The registered agent must maintain a business  
9           office that is identical with the registered office. Proof of the registered agent's  
10          consent to serve in such capacity must be filed with the secretary of state, together  
11          with the fees provided in section 10-32-150.

12           **SECTION 105. AMENDMENT.** Section 10-32-13 of the North Dakota Century Code is  
13 amended and reenacted as follows:

14           **10-32-13. Change of registered office or agent.**

- 15          1. A limited liability company may change its registered office, change its registered  
16          agent, or state a change in the name of its registered agent, by filing with the  
17          secretary of state, along with the fees provided in section 10-32-150, a statement  
18          containing:
  - 19           a. The name of the limited liability company;
  - 20           b. If the address of its registered office is to be changed, the new address of its  
21           registered office;
  - 22           c. If its registered agent is to be designated or changed, the name of its new  
23           registered agent;
  - 24           d. If the name of its registered agent is to be changed, the name of its registered  
25           agent as changed;
  - 26           e. A statement that the address of its registered office and the address of the  
27           business office of its registered agent, as changed, will be identical; and
  - 28           f. A statement that the change of registered office or registered agent was  
29           authorized by resolution approved by the board of governors.
- 30          2. A registered agent of a limited liability company may resign by filing with the  
31          secretary of state a signed written notice of resignation, including a statement that

1 a signed copy of the notice has been given to the limited liability company at its  
2 principal executive office, or to a legal representative of the limited liability  
3 company. The appointment of the agent terminates thirty days after the notice is  
4 filed with the secretary of state.

5 3. If the business address or name of a registered agent changes, the agent shall  
6 change the address of the registered office or the name of the registered agent, as  
7 the case may be, of each limited liability company represented by that agent by  
8 filing with the secretary of state a statement for each limited liability company as  
9 required in subsection 1, except that it need be signed only by the registered  
10 agent, need not be responsive to subdivision ~~e~~ f of subsection 1, and must state  
11 that a copy of the statement has been mailed to each of those limited liability  
12 companies or to the legal representative of each of those limited liability  
13 companies.

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

16 **10-32-15. Procedure for amendment before contribution.** Before any contribution is  
17 reflected in the required records of a limited liability company, the articles of organization may  
18 be amended pursuant to section 10-32-67 by the organizers or by the board of governors. The  
19 articles of organization may also be amended by the board of governors to change or cancel a  
20 statement pursuant to subsection 6 of section 10-32-56 establishing or fixing the rights and  
21 preferences of a class or series of membership interests before any contribution pertaining to  
22 that class or series is reflected in the required records of the limited liability company by filing  
23 articles of amendment or a statement of cancellation, as appropriate, with the secretary of  
24 state.

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

27 **10-32-16. Procedure for amendment after contribution.**

28 1. ~~After~~ Except as otherwise provided in section 10-32-15, after any contribution has  
29 been reflected in the required records of a limited liability company, the articles of  
30 organization may be amended in the manner set forth in this section.

- 1           2. A resolution approved by the affirmative vote of a majority of the governors  
2           present, or proposed by a member or members owning five percent or more of the  
3           voting power of the members entitled to vote, that sets forth the proposed  
4           amendment must be submitted to a vote at the next regular or special meeting of  
5           the members of which notice has not yet been given but still can be timely given.  
6           Any number of amendments may be submitted to the members and voted upon at  
7           one meeting, but the same or substantially the same amendment proposed by a  
8           member or members need not be submitted to the members or be voted upon at  
9           more than one meeting during a fifteen-month period. The resolution may amend  
10          the articles of organization in their entirety to restate and supersede the original  
11          articles of organization and all amendments to them.
- 12          3. Written notice of the members' meeting setting forth the substance of the proposed  
13          amendment must be given to each member entitled to vote in the manner provided  
14          in section 10-32-40 for the giving of notice of meetings of members.
- 15          4. The proposed amendment is adopted:
- 16           a. When approved by the affirmative vote of the ~~owners of a majority of the~~  
17           ~~voting power of the members present and entitled to vote~~ members required  
18           by section 10-32-42; or
- 19           b. If the articles of organization provide for a specified proportion equal to or  
20           larger than the majority necessary to transact a specified type of business at  
21           a meeting, or if it is proposed to amend the articles to provide for a specified  
22           proportion equal to or larger than the majority necessary to transact a  
23           specified type of business at a meeting, the affirmative vote necessary to add  
24           the provision to, or to amend an existing provision in, the articles of  
25           organization is the larger of:
- 26           (1) The specified proportion or number or, in the absence of a specific  
27           provision, the affirmative vote necessary to transact the type of  
28           business described in the proposed amendment at a meeting  
29           immediately before the effectiveness of the proposed amendment; or

1                   (2)    The specified proportion or number that would, upon effectiveness of  
2                                   the proposed amendment, be necessary to transact the specified type  
3                                   of business at a meeting.

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

6                   **10-32-17. Class or series voting on amendments.** The owners of the outstanding  
7 membership interests of a class or series are entitled to vote as a class or series upon a  
8 proposed amendment, whether or not entitled to vote on the amendment by the provisions of  
9 the articles of organization, if the amendment would:

- 10           1.    Effect an exchange, reclassification, or cancellation of all or part of the  
11                   membership interests of the class or series;
- 12           2.    Effect an exchange, or create a right of exchange, of all or any part of the  
13                   membership interests of another class or series for the membership interests of  
14                   the class or series;
- 15           3.    Change the rights or preferences of the membership interests of the class or  
16                   series;
- 17           4.    Change the membership interests of the class or series into the same or a different  
18                   number of membership interests of ~~the same or~~ another class or series;
- 19           5.    Create a new class or series of membership interests having rights and  
20                   preferences prior and superior to the membership interests of that class or series,  
21                   or increase the rights and preferences or the number of membership interests, of a  
22                   class or series having rights and preferences prior or superior to the membership  
23                   interests of that class or series;
- 24           6.    Divide the membership interests of the class into series and determine the  
25                   designation of each series and the variations in the relative rights and preferences  
26                   between the membership interests of each series or authorize the board of  
27                   governors to do so;
- 28           7.    Limit or deny any existing preemptive rights of the membership interests of the  
29                   class or series; or
- 30           8.    Cancel or otherwise affect distributions on the membership interests of the class or  
31                   series.

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

3           **10-32-19. Effect of amendment.**

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

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

15           **10-32-22. Amendment of articles of organization in court-supervised**  
16 **reorganization.**

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

- 1           c. Change the preferences, limitations, relative rights in respect of all or any part  
2           of the membership interests of the limited liability company, and classify,  
3           reclassify, or cancel all or any part thereof.
- 4           d. Authorize the issuance of bonds, debentures, or other obligations of the  
5           limited liability company, whether convertible into membership interests of any  
6           class or bearing warrants or other evidence of optional rights to purchase or  
7           subscribe for membership interests of any class, and fix the terms and  
8           conditions thereof.
- 9           e. Constitute or reconstitute and classify or reclassify the board of governors  
10          and appoint governors and managers in place of or in addition to all or any of  
11          the governors or managers then in office.
- 12          2. Amendments to the articles pursuant to subsection 1 must be made in the  
13          following manner:
- 14           a. Articles of amendment approved by decree or order of the court must be  
15           executed and verified in duplicate by the person or persons designated or  
16           appointed by the court for that purpose and must set forth the name of the  
17           limited liability company, the amendments of the articles approved by the  
18           court, the date of the decree or order approving the articles of amendment,  
19           the title of the proceedings in which the decree or order was entered by a  
20           court having jurisdiction of the proceedings for the reorganization of the  
21           limited liability company pursuant to the provisions of an applicable statute of  
22           the United States.
- 23           b. An original of the articles of amendment must be filed with the secretary of  
24           state. If the secretary of state finds that the articles of amendment conform to  
25           law, and that all fees have been paid as provided in section 10-32-150, then  
26           the articles of amendment must be recorded in the office of the secretary of  
27           state.
- 28          3. The articles of amendment become effective upon their acceptance by the  
29          secretary of state or at any other time within thirty days after their acceptance if the  
30          articles of amendment so provide.

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

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

7           **10-32-23. Powers General powers.**

- 8           1. A limited liability company has the powers set forth in this section, subject to any  
9           limitations provided in any other statute of this state or in its articles of  
10          organization.
- 11          2. A limited liability company has a limited duration of thirty years from the date the  
12          articles of organization are filed with the secretary of state, unless the articles of  
13          organization state a shorter or longer duration.
- 14          3. A limited liability company may sue and be sued, and complain, defend, and  
15          participate as a party or otherwise in any legal, administrative, or arbitration  
16          proceeding in its limited liability company name.
- 17          4. A limited liability company may purchase, lease, or otherwise acquire, own, hold,  
18          improve, use, and otherwise deal in and with real or personal property, or any  
19          interest in property, wherever situated.
- 20          5. A limited liability company may sell, convey, mortgage, create a security interest in,  
21          encumber, assign, lease, exchange, transfer, or otherwise dispose of all or any  
22          part of its real or personal property, or any interest in this property, wherever  
23          situated.
- 24          6. A limited liability company may purchase, subscribe for, or otherwise acquire, own,  
25          hold, vote, use, employ, sell, exchange, mortgage, lend, create a security interest  
26          in, or otherwise dispose of ~~and otherwise,~~ use and deal in and with, securities or  
27          other interests in, or obligations of, a person or direct or indirect obligations of any  
28          domestic or foreign government or instrumentality ~~thereof~~.
- 29          7. A limited liability company may make contracts and incur liabilities, borrow money,  
30          and secure any of its obligations by mortgage of or creation of a security interest in

- 1                   or other encumbrance or assignment of all or any of its property, franchises, and  
2                   income.
- 3           8.    A limited liability company may invest and reinvest its funds.
- 4           9.    A limited liability company may take and hold real and personal property, whether  
5                   or not of a kind sold or otherwise dealt in by the limited liability company, as  
6                   security for the payment of money loaned, advanced, or invested.
- 7           10.   A limited liability company may conduct its business, carry on its operations, have  
8                   offices, and exercise the powers granted by this chapter anywhere in the universe.
- 9           11.   Except as otherwise prohibited by law, a limited liability company may make  
10                   donations, irrespective of limited liability company benefit, for:
- 11                   a.   The public welfare;
- 12                   b.   Social, community, charitable, religious, educational, scientific, civic, literary,  
13                            and testing for public safety purposes and for similar or related purposes;
- 14                   c.   ~~For the~~ The purpose of fostering national or international amateur sports  
15                            competition; and
- 16                   d.   The prevention of cruelty to children and animals.
- 17           12.   A limited liability company may pay pensions, retirement allowances, and  
18                   compensation for past services ~~to and for the benefit of,~~ and establish, ~~maintain,~~  
19                   ~~continue, and carry out, wholly or partially at the expense of the limited liability~~  
20                   ~~company,~~ employee or incentive benefit plans, trusts, and provisions ~~to or for the~~  
21                   benefit of ~~, any or all of~~ its and its related organizations' officers, managers,  
22                   directors, governors, employees, and agents and, in the case of a related  
23                   organization that is a limited liability company, members who provide services to  
24                   the limited liability company, and the families, dependents, and beneficiaries of any  
25                   of them. It may indemnify and purchase and maintain insurance for ~~and on behalf~~  
26                   of a fiduciary of any of these employee benefit and incentive plans, trusts, and  
27                   provisions.
- 28           13.   A limited liability company may participate in any capacity in the promotion,  
29                   organization, ownership, management, and operation of any organization or in any  
30                   transaction, undertaking, or arrangement that the participating limited liability



- 1            company would have power to conduct by itself, whether or not the participation  
2            involves sharing or delegation of control ~~with or to others~~.
- 3            14. A limited liability company may provide for its benefit life insurance and other  
4            insurance with respect to the services of ~~any or all of~~ its members, managers,  
5            governors, employees, and agents, or on the life of a member for the purpose of  
6            acquiring at the death of the member any or all membership interests in the limited  
7            liability company owned by the member.
- 8            15. A limited liability company may have, alter at its pleasure, and use a limited liability  
9            company seal as provided in section 10-32-24.
- 10           16. A limited liability company may adopt, amend, and repeal an operating agreement  
11           relating to the management of the business or the regulation of the affairs of the  
12           limited liability company as provided in section 10-32-68.
- 13           17. A limited liability company may establish committees of the board of governors,  
14           elect or appoint persons to the committees, and define their duties as provided in  
15           section 10-32-85 and fix their compensation.
- 16           18. A limited liability company may elect or appoint managers, employees, and agents  
17           of the limited liability company and define their duties and fix their compensation.
- 18           19. A limited liability company may accept contributions under section 10-32-56 and  
19           may enter into contribution agreements under section 10-32-58 and contribution  
20           allowance agreements under section 10-32-59.
- 21           20. A limited liability company may lend money to, guarantee an obligation of, become  
22           a surety for, or otherwise financially assist persons as provided in section  
23           10-32-97.
- 24           21. A limited liability company may make advances as provided in section 10-32-98.
- 25           22. A limited liability company shall indemnify those persons against certain expenses  
26           and liabilities only as provided in section 10-32-99.
- 27           23. A limited liability company may conduct all or part of its business under one or  
28           more trade names.
- 29           24. A limited liability company may acquire an ownership interest in another  
30           organization.

1           25. A limited liability company may have and exercise all other powers necessary or  
2                           convenient to effect any or all of the business purposes for which the limited  
3                           liability company is organized.

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

6           **10-32-28. Nature of a membership interest and statement of interest owned.**

- 7           1. A membership interest is personal property. A member has no interest in specific  
8                           limited liability company property. All property of the limited liability company is  
9                           property of the limited liability company itself.
- 10          2. At the request of any member, the limited liability company shall state in writing the  
11                           particular membership interest owned by that member as of the moment the  
12                           limited liability company makes the statement.
- 13           a. The statement must describe the member's right to vote, to share in profits  
14                           and losses, and to share in distributions, restrictions on assignments of  
15                           financial rights under subsection 3 of section 10-32-31 or governance rights  
16                           under subsection 6 of section 10-32-32, then in effect, as well as any  
17                           assignment of the member's rights then in effect other than a security interest.
- 18           b. The statement is not a certificated security, is not a negotiable instrument,  
19                           and may not serve as a vehicle by which a transfer of any membership  
20                           interest may be effected.
- 21          3. Notwithstanding any other provision of law, for the purpose of any law relating to  
22                           security interests, a membership interest, governance rights, and financial rights  
23                           are each a general intangible, as defined in section 41-09-06, and not a certificated  
24                           security as defined in subdivision a of subsection 1 of section 41-08-02, an  
25                           uncertificated security as defined in subdivision b of subsection 1 of section  
26                           41-08-02, chattel paper as defined in subdivision b of subsection 1 of section  
27                           41-09-05, an instrument as defined in subdivision i of subsection 1 of section  
28                           41-09-05, or an account as defined in section 41-09-06.

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

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

- 1           1. Except as provided in subsection 3, a member's financial rights are transferable in  
2           whole or in part.
- 3           2. An assignment of a member's financial rights entitles the assignee to receive, to  
4           the extent assigned, only the share of profits and losses and the distributions to  
5           which the assignor would otherwise be entitled.
  - 6           a. An assignment of a member's financial rights does not dissolve the limited  
7           liability company and does not entitle or empower the assignee to become a  
8           member, to exercise any governance rights, to receive any notices from the  
9           limited liability company, or to cause dissolution.
  - 10           b. The assignment may not allow the assignee to control the member's exercise  
11           of governance rights.
- 12          3. A restriction on the assignment of financial rights may be imposed in the articles, in  
13          the operating agreement, by a resolution adopted by the members, or by an  
14          agreement among or other written action by members or among them and the  
15          limited liability company. A restriction is not binding with respect to financial rights  
16          reflected in the required records before the adoption of the restriction, unless the  
17          owners of those financial rights are parties to the agreement or voted in favor of  
18          the restriction.
- 19          4. Subject to subsection 5, a written restriction on the assignment of financial rights  
20          that is not manifestly unreasonable under the circumstances and is noted  
21          conspicuously in the required records may be enforced against the owner of the  
22          restricted financial rights or a successor or transferee of the owner, including a  
23          pledgee or a legal representative. Unless noted conspicuously in the required  
24          records, a restriction, even though permitted by this section, is ineffective against a  
25          person without knowledge of the restriction.
- 26          5. With regard to restrictions on the assignment of financial rights, a would-be  
27          assignee of financial rights is entitled to rely on a statement of membership interest  
28          issued by the limited liability company under section 10-32-28. A restriction on the  
29          assignment of financial rights, which is otherwise valid and in effect at the time of  
30          the issuance of a statement of membership interest but which is not reflected in

1           that statement, is ineffective against an assignee who takes an assignment in  
2           reliance on the statement.

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

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

11           **10-32-32. Assignment of a ~~complete membership interest and of governance~~**  
12 **rights ~~coupled with an assignment of financial rights.~~**

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

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

18           a. Except as otherwise provided in the articles of organization, any other  
19           assignment of any governance rights is effective only if all the members, other  
20           than the member seeking to make the assignment, approve the assignment  
21           by unanimous written consent, ~~unless the articles of organization provide for~~  
22           ~~written consent by fewer than all members.~~

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

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

29           (2) If a secured party has a security interest in both a member's financial  
30           rights and governance rights, including a security interest in a complete  
31           membership interest, this subsection's requirement that the secured

- 1                                    party obtain consent applies only to taking or assigning ownership of  
2                                    the governance rights and does not apply to taking or assigning  
3                                    ownership of the financial rights.
- 4            3.    When an assignment of governance rights is effective under subsection 2:
- 5                                    a.    If the assignment is not a security interest, the assignee becomes a member,  
6                                    if not already a member; and
- 7                                    b.    If the assignor does not retain any governance rights, the assignor ceases to  
8                                    be a member, and the written consent required under subsection 2, also  
9                                    constitutes the dissolution avoidance consent necessary to avoid dissolution  
10                                   that would otherwise ensue under subdivision e of subsection 1 of section  
11                                   10-32-109 on account of the assignor ceasing to be a member if the consent  
12                                   required to avoid dissolution is not greater than the consent required under  
13                                   subsection 2.
- 14           4.    When an assignment other than a security interest is effective under subsection 2,  
15                                   unless the written consent under subsection 2 otherwise provides:
- 16                                   a.    The assignee is liable in proportion to the interest assigned for the obligations  
17                                   of the assignor under section 10-32-56, including liability for unperformed  
18                                   promises that have been reflected as contributions in the required records,  
19                                   and section 10-32-65 existing at the time of transfer, except to the extent that,  
20                                   at the time the assignee became a member, the liability was unknown to the  
21                                   assignee, and could not be ascertained from the required records; and
- 22                                   b.    The assignor is not released from liability to the limited liability company for  
23                                   obligations of the assignor existing at the time of transfer under sections  
24                                   10-32-56 and 10-32-65.
- 25           5.    If any purported or attempted assignment of governance rights is ineffective for  
26                                   failure to obtain the consent required in subsection 2:
- 27                                   a.    The purported or attempted assignment is ineffective in its entirety; and
- 28                                   b.    Any assignment of financial rights that accompanied the purported or  
29                                   attempted assignment of governance rights is void.

1           6.   Restrictions on the transfer of governance rights may be imposed following the  
2                   same procedures and under the same conditions as stated in subsections 3 and 4  
3                   of section 10-32-31 for restricting the transfer of financial rights.

4           7.   Notwithstanding any provision of law, articles of organization, member-control  
5                   agreement, operating agreement, other agreement, resolution, or action to the  
6                   contrary, a security interest in a member's full membership interest or governance  
7                   rights may be foreclosed and otherwise enforced, and a secured party may assign  
8                   a member's complete membership interest or governance rights in accordance  
9                   with title 41, all without the consent or approval of the member whose full  
10                  membership interest or governance rights are the subject of the security interest.

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

13           **10-32-34. Rights of judgment creditor.** On application to a court of competent  
14 jurisdiction by any judgment creditor of a member, the court may charge a member's or an  
15 assignee's financial rights with payment of the unsatisfied amount of the judgment with interest.

16           1.   To the extent so charged, the judgment creditor has only the rights of an assignee  
17                   of a member's financial rights under section 10-32-31.

18           2.   This chapter does not deprive any member or assignee of financial rights of the  
19                   benefit of any exemption laws applicable to the membership interest.

20           3.   This section is the sole and exclusive remedy of a judgment creditor with respect  
21                   to the judgment debtor's membership interest.

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

24           **10-32-37. Preemptive rights.**

25           1.   To the extent allowed by section 9 of article XII of the Constitution of North Dakota,  
26                   a member of a limited liability company has the preemptive rights provided in this  
27                   section, unless denied or limited in the articles of organization or by the board of  
28                   governors pursuant to subdivision b of subsection 5 of section 10-32-56.

29           2.   A preemptive right is the right of a member to make contributions of a certain  
30                   amount or to make a contribution allowance agreement specifying future  
31                   contributions of a certain amount before the limited liability company may accept

- 1 new contributions from other persons or to make contribution allowance  
2 agreements with other persons.
- 3 3. A member has a preemptive right whenever the limited liability company proposes  
4 to accept contributions from other persons, or to make contribution allowance  
5 agreements with other persons, pertaining to membership interests of the same  
6 series or class as the series or class owned by the member.
- 7 4. ~~No~~ Unless otherwise provided in the articles of organization, no preemptive rights  
8 pursuant to this section arise as to contributions to be accepted from others or as  
9 to contribution allowance agreements to be made with others when the  
10 contribution is:
- 11 a. To be made in a form other than money;  
12 b. To be made or reflected pursuant to a plan of merger;  
13 c. To be made or reflected pursuant to an employee or incentive benefit plan  
14 approved at a meeting by the affirmative vote of the owners of a majority of  
15 the voting power of all membership interests entitled to vote;  
16 d. To be made pursuant to a previously made contribution allowance  
17 agreement; or  
18 e. To be made or reflected pursuant to a plan of reorganization approved by a  
19 court of competent jurisdiction pursuant to a statute of this state or of the  
20 United States.
- 21 5. The extent to which each member may make a new contribution, or obtain the right  
22 to make a new contribution under a contribution allowance agreement, by exercise  
23 of a preemptive right as to any class or series is the ratio that the value of that  
24 member's contributions, as reflected in the required records as pertaining to that  
25 class or series before the contribution, bears to the total value of all members'  
26 contributions reflected in the required records as pertaining to that class or series  
27 before the new contribution.
- 28 6. A member may waive a preemptive right in writing. The waiver is binding upon the  
29 member whether or not consideration has been given for the waiver. Unless  
30 otherwise provided in the waiver, a waiver of preemptive rights is effective only for

- 1 the proposed contribution or contribution allowance agreement described in the  
2 waiver.
- 3 7. When proposing to accept new contributions, or to make contribution allowance  
4 agreements, with respect to which members have preemptive rights under this  
5 section, the board of governors shall cause notice to be given to each member  
6 entitled to preemptive rights. The notice must be given at least ten days before the  
7 date by which the member must exercise a preemptive right and must contain:
- 8 a. The extent of the member's preemptive right, being:
- 9 (1) In the case of a preemptive right to make a contribution, the amount of  
10 the contribution to be made; and
- 11 (2) In the case of a preemptive right to make a contribution allowance  
12 agreement, the amount of the contribution to be allowed under that  
13 contribution allowance agreement;
- 14 b. The method used to determine the extent of the member's preemptive right;
- 15 c. The terms and conditions upon which the member may make a contribution  
16 or make a contribution allowance agreement; and
- 17 d. The time within which and the method by which the member must exercise  
18 the right.
- 19 8. If a member does not exercise preemptive rights to make a contribution or to make  
20 a contribution allowance agreement, then for a period not exceeding one year after  
21 the date fixed by the board of governors for the exercise of those preemptive rights  
22 and to the extent of the preemptive rights not exercised, the board of governors  
23 may accept contributions or make contribution allowance agreements on terms no  
24 less favorable to the limited liability company than those offered to the member.
- 25 9. ~~No~~ If the members of a limited liability company are entitled to cumulative voting in  
26 the election of governors, no amendment to the articles of organization that has  
27 the effect of denying, limiting, or modifying the preemptive rights provided in this  
28 section may be adopted if the votes of a proportion of the voting power sufficient to  
29 elect a governor at an election of the entire board of governors under cumulative  
30 voting are cast against the amendment.



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

3           **10-32-38. Regular meetings of members.**

- 4           1. Regular meetings of members may be held on an annual or other less frequent  
5 periodic basis, but need not be held unless required by the articles of organization  
6 or operating agreement or by subsection 2.
- 7           2. If a regular meeting of members has not been held ~~during~~ within the ~~immediately~~  
8 ~~preceding~~ earlier of six months after the fiscal yearend of the corporation or fifteen  
9 ~~months,~~ a after its last meeting:
- 10           a. A member or members owning five percent or more of the voting power of all  
11 members entitled to vote may demand a regular meeting of members by  
12 written notice of demand given to the president or the secretary of the limited  
13 liability company.
- 14           b. Within thirty days after receipt of the demand by one of those managers, the  
15 board of governors shall cause a regular meeting of members to be called  
16 and held on notice no later than ninety days after receipt of the demand.
- 17           c. If the board of governors fails to cause a regular meeting to be called and  
18 held as required by this subsection, the member or members making the  
19 demand may call the regular meeting by giving notice as required by section  
20 10-32-40.
- 21           d. All necessary expenses of the notice and the meeting must be paid by the  
22 limited liability company.
- 23           3. A regular meeting, if any, must be held on the ~~day~~ or date and at the time and  
24 place fixed by, or in a manner authorized by, the articles or operating agreement,  
25 except that a meeting called by or at the demand of a member pursuant to  
26 subsection 2 must be held in the county where the principal executive office of the  
27 limited liability company is located.
- 28           4. At each regular meeting of members ~~there:~~
- 29           a. There must be an election of qualified successors for governors who serve for  
30 an indefinite term or whose terms have expired or are due to expire within six  
31 months after the date of the meeting.

- 1           b. No other particular business is required to be transacted at a regular meeting.  
2           c. Any business appropriate for action by the members may be transacted at a  
3           regular meeting.

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

6           **10-32-39. Special meetings of members.**

- 7           1. Special meetings of the members may be called for any purpose or purposes at  
8           any time, by:
- 9           a. The president;
  - 10           b. Two or more governors;
  - 11           c. A person authorized in the articles or operating agreement to call special  
12           meetings; or
  - 13           d. A member or members owning ten percent or more of the voting power of all  
14           membership interests entitled to vote.
- 15           2. A member or members owning ten percent or more of the voting power of all  
16           membership interests entitled to vote, may demand a special meeting of members  
17           by written notice of demand given to the president or secretary of the limited  
18           liability company and containing the purposes of the meeting.
- 19           a. Within thirty days after receipt of the demand by one of those managers, the  
20           board of governors shall cause a special meeting of members to be called  
21           and held on notice no later than ninety days after receipt of the demand, all at  
22           the expense of the limited liability company.
  - 23           b. If the board of governors fails to cause a special meeting to be called and  
24           held as required by this subsection, the member or members making the  
25           demand may call the meeting by giving notice as required by section  
26           10-32-40.
  - 27           c. All necessary expenses of the notice and the meeting must be paid by the  
28           limited liability company.
- 29           3. Special meetings must be held on the date and at the time and place fixed by the  
30           president, the board of governors, or a person authorized by the articles or  
31           operating agreement to call a meeting, except that a special meeting called by or

1 at the demand of a member or members pursuant to subsection 2 must be held in  
2 the county where the principal executive office is located.

3 4. The business transacted at a special meeting is limited to the purposes stated in  
4 the notice of the meeting. Any business transacted at a special meeting that is not  
5 included in those stated purposes is voidable by or on behalf of the limited liability  
6 company, unless all of the members have waived notice of the meeting in  
7 accordance with subsection 4 of section 10-32-40.

8 **SECTION 119.** Section 10-32-39.1 of the North Dakota Century Code is created and  
9 enacted as follows:

10 **10-32-39.1. Court-ordered meeting of members.**

11 1. The district court of the county where the principal executive office of a limited  
12 liability company is located may order a meeting to be held:

13 a. On application of a member or members holding five percent or more of the  
14 voting power of all membership interests entitled to vote, if a meeting was not  
15 held within the earlier of six months after the fiscal yearend of the limited  
16 liability company or fifteen months after its last meeting; or

17 b. On application of a voting member who signed a demand for a special  
18 meeting valid under section 10-32-39 or a person entitled to call a special  
19 meeting if:

20 (1) Notice of the special meeting was not given within thirty days after the  
21 date the demand was delivered to a manager; or

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

23 2. The court may fix the time and place of the meeting, specify a record date for  
24 determining members entitled to notice of and to vote at the meeting, prescribe the  
25 form and content of the meeting notice, fix the quorum required for specific matters  
26 to be considered at the meeting, or direct that the votes represented at the meeting  
27 constitute a quorum for action on those matters, and enter other orders necessary  
28 to accomplish the purposes of the meeting.

29 3. If the court orders a meeting, it may also order the limited liability company to pay  
30 the costs of the member, including reasonable attorneys' fees incurred to obtain  
31 the order.

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

3           **10-32-40. Notice.**

- 4           1. Except as otherwise provided in this chapter, notice of all meetings of members  
5 must be given to every owner of membership interests entitled to vote, ~~except~~  
6 ~~where the meeting is an adjourned meeting and the date, time, and place of the~~  
7 ~~meeting were announced at the time of adjournment.~~ unless:
- 8           a. The meeting is an adjourned meeting to be held not more than one hundred  
9 twenty days after the date fixed for the original meeting and the date, time,  
10 and place of the meeting were announced at the time of the original meeting  
11 or any adjournment of the original meeting; or
- 12           b. The following have been mailed by first-class mail to a member at the  
13 address in the limited liability company records and returned nondeliverable:  
14           (1) Two consecutive annual meeting notices and notices of any special  
15 meetings held during the period between the two annual meetings; or  
16           (2) All payments of distribution sent during a twelve-month period, provided  
17 there were at least two sent during the twelve-month period.
- 18           c. An action or meeting that is taken or held without notice under subdivision b  
19 has the same force and effect as if notice was given. If the member delivers  
20 a written notice of the member's current address to the limited liability  
21 company, the notice requirement is reinstated.
- 22           2. If notice of an adjourned meeting is required under subdivision a of subsection 1,  
23 then the date for determination of membership interests entitled to notice of and  
24 entitled to vote at the adjourned meeting must comply with subsection 1 of section  
25 1-019.1-73.2, except, if the date of the meeting is set by court order, the court may  
26 provide that the original date of determination will continue in effect or may fix a  
27 new date.
- 28           3. The notice:
- 29           a. In all instances where a specific minimum notice period has not otherwise  
30 been fixed by law, ~~the notice~~ must be given at least ten days before the date  
31 of the meeting, or a shorter time provided in the articles of organization or

- 1 operating agreement, and not more than fifty days before the date of the  
2 meeting;
- 3 ~~3.~~ b. The notice must contain the date, time, and place of the meeting, ~~and any~~  
4 ~~other information required by this chapter. In the case of a special meeting,~~  
5 ~~the notice must contain a statement of the purposes of the meeting. The~~  
6 ~~notice may also contain any other information required by the articles of~~  
7 ~~organization or operating agreement or considered necessary or desirable by~~  
8 ~~the board of governors or by any other person or persons calling the~~  
9 ~~meeting;~~
- 10 c. Must contain the information with respect to dissenter's rights required by  
11 subsection 2 of section 10-32-55, if applicable;
- 12 d. Must inform members if proxies are permitted at the meeting and, if so, state  
13 the procedure for appointing proxies;
- 14 e. Must contain a statement of the purpose of the meeting, in the case of a  
15 special meeting;
- 16 f. Must contain any other information:
- 17 (1) Required by the articles of organization, operating agreement, or this  
18 chapter;
- 19 (2) Considered necessary or desirable by the board of governors; and
- 20 g. May contain any other information considered necessary or desirable by the  
21 person or persons calling the meeting.
- 22 4. A member may waive notice of a meeting of members.
- 23 a. A waiver of notice by a member entitled to notice is effective ~~whether~~;  
24 (1) Whether given before, at, or after the meeting; ~~and whether~~  
25 (2) Whether given in writing, or by attendance.
- 26 b. Attendance by a member at a meeting is a waiver of notice of that meeting,  
27 except where the member ~~objects~~;
- 28 (1) Objects at the beginning of the meeting to the transaction of business  
29 because the meeting is not lawfully called or convened; ~~or objects~~

1                   (2) Objects before a vote on an item of business because the item may not  
2                   lawfully be considered at that meeting and does not participate in the  
3                   consideration of the item at that meeting.

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

6                   **10-32-40.1. Voting rights.**

- 7                   1. The board of governors may fix a date not more than fifty days, or a shorter time  
8                   period provided in the articles of organization or operating agreement, before the  
9                   date of a meeting of members as the date for the determination of the owners of  
10                  membership interests entitled to notice of and entitled to vote at the meeting.  
11                  When a date is so fixed, only members on that date are entitled to notice of and  
12                  permitted to vote at that meeting of members.
- 13                  2. A determination of the owners of membership interests entitled to notice and to  
14                  vote at a meeting of members is effective for an adjournment of the meeting unless  
15                  the board of governors fixes a new date for determining the right to notice and to  
16                  vote, which it must do if the meeting is adjourned to a date more than fifty days  
17                  after the record date for determining members entitled to notice of the original  
18                  meeting.
- 19                  3. If a court orders a meeting adjourned to a date more than one hundred twenty  
20                  days after the date fixed for the original meeting:
- 21                    a. It must provide the original record date for notice and voting continues in  
22                    effect; or
- 23                    b. It may fix a new record date for notice and voting.
- 24                  4. A resolution approved by the affirmative vote of a majority of the governors present  
25                  may establish a procedure whereby a member may certify in writing to the limited  
26                  liability company that all or a portion of the membership interest registered in the  
27                  name of the member are held for the account of one or more beneficial owners.  
28                  Upon receipt by the limited liability company of the writing, the persons specified  
29                  as beneficial owners, rather than the actual member, are deemed the members for  
30                  the purposes specified in the writing.

- 1           5. Unless otherwise provided in the articles or by the board of governors under  
2           subsections 5 and 6 of section 10-32-56, members have voting power in proportion  
3           to the value of the contributions of the members as reflected in the required  
4           records.
- 5           6. The articles of organization may give or prescribe the manner of giving a creditor,  
6           securityholder, or other person a right to vote under this section, but no  
7           prescription under this subsection may have the effect of transferring from an  
8           assignor of financial rights to the assignee the assignor's voting rights.
- 9           7. Membership interests owned by two or more members may be voted by any one of  
10          them unless the limited liability company receives written notice from any one of  
11          them denying the authority of that person to vote those membership interests.
- 12          8. Except as provided in subsection 7, an owner of a membership interest entitled to  
13          vote may vote any portion of the membership interest in any way the member  
14          chooses. If a member votes without designating the proportion voted in a  
15          particular way, the member is considered to have voted all of the membership  
16          interest in that way.

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

19           **10-32-40.2. Voting list.**

- 20           1. After fixing a record date for notice of and voting at a meeting, a limited liability  
21           company shall prepare an alphabetical list of the names of its members who are  
22           entitled to notice and to vote. The list must show the address and the voting power  
23           of each member.
- 24           2. The list of members must be available for inspection by a member with voting  
25           rights for the purpose of communication with other members concerning the  
26           meeting, beginning two business days after the meeting notice is given and  
27           continuing through the meeting, at the principal executive office of the limited  
28           liability company or at a reasonable place identified in the meeting notice in the city  
29           where the meeting will be held.
- 30           a. The list also must be available at the meeting.

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

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

26            **10-32-42. Act of members.** Unless this chapter or the articles of organization require  
27 a greater vote or voting by class or series:

- 28            1. The members shall take action by the affirmative vote of the owners of the greater  
29            of a majority of the voting power of the membership interests present and entitled  
30            to vote on that item of business ~~except where this chapter or the articles of~~  
31            organization require a larger proportion or a majority of the voting power of the



1           membership interests with voting rights that would constitute the minimum voting  
2           power needed for a quorum for the transaction of business at a meeting. If the  
3           articles require a larger proportion than is required by this chapter for a particular  
4           action, the articles control.

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

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

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

16          **10-32-43. Action without a meeting.**

- 17          1. An action required or permitted to be taken at a meeting of the members may be  
18          taken without a meeting by written action signed by all of the members entitled to  
19          vote on that action. If the articles so provide, any action may be taken by written  
20          action signed by the members who own voting power equal to the voting power  
21          that would be required to take the same action at a meeting of the members at  
22          which all members were present.
- 23          2. The written action is effective when signed by the required members, unless a  
24          different effective time is provided in the written action.
- 25          3. When written action is permitted to be taken by less than all members, all  
26          members must be notified immediately of its text and effective date. Failure to  
27          provide the notice does not invalidate the written action. A member who does not  
28          sign or consent to the written action has no liability for the action or actions taken  
29          by the written action.

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

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

6           **10-32-43.1. Action by written ballot.**

- 7           1. Except as provided in subsection 5, and unless prohibited or limited by the articles  
8                   or operating agreement, an action that may be taken at a regular or special  
9                   meeting of members may be taken without a meeting if the limited liability  
10                  company mails or delivers a written ballot to every member entitled to vote on the  
11                  matter.
- 12           2. A written ballot must set forth each proposed action and provide an opportunity to  
13                  vote for or against each proposed action.
- 14           3. Approval by written ballot under this section is valid only if:
- 15                  a. The number of votes cast by ballot equals or exceeds the quorum required to  
16                    be present at a meeting authorizing the action; and
- 17                  b. The number of approvals equals or exceeds the number of votes that would  
18                    be required to approve the matter at a meeting at which the total number of  
19                    votes cast was the same as the number of votes cast by ballot.
- 20           4. Solicitations for votes by written ballot must:
- 21                  a. Indicate the number of responses needed to meet the quorum requirements;  
22                  b. State the percentage of approvals necessary to approve each matter other  
23                    than election of governors; and
- 24                  c. Specify the time by which a ballot must be received by the limited liability  
25                    company in order to be counted.
- 26           5. Except as otherwise provided in the articles or operating agreement, a written  
27                  ballot may not be revoked.

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

30           **10-32.43.2. Electronic communications.**

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

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

26           **10-32-44. Quorum.** ~~The~~

- 27           1. A quorum for a meeting of members is the owners of a majority of the voting power  
28                   of the membership interests entitled to vote at a the meeting ~~are a quorum for the~~  
29                   ~~transaction of business, unless a larger or smaller proportion is provided in the~~  
30                   ~~articles or operating agreement. In no event may a quorum consist of less than~~  
31                   ~~one-third of the membership interests entitled to vote at the meeting. If a quorum~~

1           ~~is present when a duly called or held meeting is convened, the members present~~  
2           ~~may continue to transact business until adjournment, even though the withdrawal~~  
3           ~~of members originally present leaves less than the proportion otherwise required~~  
4           ~~for a quorum.~~

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

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

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

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

14           **10-32-47. Voting by organizations and legal representatives.**

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

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

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

28           4. Subject to section 10-32-35, membership interests under the control of a person in  
29           a capacity as a personal representative, administrator, executor, guardian,  
30           conservator, or the like may be voted by the person, either in person or by proxy,

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

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

17 **10-32-48. Proxies.**

- 18 1. A member may cast or authorize the casting of a vote by filing a written  
19 appointment of a proxy with a manager of the limited liability company at or before  
20 the meeting at which the appointment is to be effective.
- 21 a. A written appointment of a proxy may be signed by the member or authorized  
22 by the member by transmission of a telegram, cablegram, or other means of  
23 electronic transmission. ~~The telegram, cablegram, or other means of~~  
24 ~~electronic transmission must set forth or be submitted with information from~~  
25 ~~which it can be determined, provided the limited liability company has no~~  
26 reason to believe that the telegram, cablegram, or other electronic  
27 transmission was not authorized by the member.
- 28 b. Any reproduction of the writing or transmission may be substituted or used in  
29 lieu of the original writing or transmission for any purpose for which the  
30 original transmission could be used, if the copy, facsimile telecommunication,

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

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

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

24       **10-32-48.1. Acceptance of member act by the limited liability company.**

- 25       1. If the name signed on a vote, consent, waiver, or proxy appointment corresponds  
26       to the record name of a member, the limited liability company, if acting in good  
27       faith, may accept the vote, consent, waiver, or proxy appointment and give it effect  
28       as the act of the member.
- 29       2. Unless the articles or operating agreement provide otherwise, if the name signed  
30       on a vote, consent, waiver, or proxy appointment does not correspond to the  
31       record name of a member, the limited liability company, if acting in good faith, may

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



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

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

6           **10-32-51. Required records and information.**

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

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

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

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

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

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

19           **10-32-52. Financial statements.**

20           1. A limited liability company shall, upon written request by a member, ~~furnish~~  
21           prepare annual financial statements within one hundred eighty days after the close  
22           of the limited liability company's fiscal year, including at least a balance sheet as of  
23           the end of each fiscal year and a statement of income for the fiscal year, prepared  
24           on the basis of accounting methods reasonable in the circumstances. The  
25           financial statements may be consolidated statements of the limited liability  
26           company and one or more of its subsidiaries. ~~In the case of~~

27           a. If the statements are audited by a public accountant, each copy must be  
28           accompanied by a report setting forth the opinion of the accountant on the  
29           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  
26          dissolution described in subsection 4 of section 10-32-113, ~~or~~ a disposition  
27          pursuant to an order of a court, or a disposition for cash on terms requiring  
28          that all or substantially all of the net proceeds of disposition be distributed to  
29          the members in accordance with their respective membership interests within  
30          one 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  
13 section 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  
12           date of the limited liability company action, together with the latest available  
13           interim 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  
20           subsection 6 from a person who was not a member on the date the action  
21           dissented from was first announced to the public. If the dissenter has complied  
22           with subsections 3, 4, and 5, the limited liability company shall forward to the  
23           dissenter the materials described in subsection 6, a statement of the reason for  
24           withholding the remittance, and an offer to pay to the dissenter the amount listed in  
25           the materials if the dissenter agrees to accept that amount in full satisfaction. The  
26           dissenter may decline the offer and demand payment under subsection 8. Failure  
27           to do so entitles the dissenter only to the amount offered. If the dissenter makes  
28           demand, 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  
31           may give written notice to the limited liability company of the dissenter's own

1 estimate of the fair value of the membership interests, plus interest, within thirty  
2 days after the limited liability company mails the remittance under subsections 5, 6,  
3 and 7, and demand payment of the difference. Otherwise, a dissenter is entitled  
4 only to the 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  
16 with 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  
28 to use, whether or not used by the limited liability company or by a dissenter. The  
29 fair 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  
10 payment 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,  
30 or authorize the board of governors to establish, more than one class or  
31 series 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,~~

1           ~~no 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  
19          a 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  
17           notice to the limited liability company of their agreement to waive their rights  
18           to that 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  
10 with the standard of conduct provided in section 10-32-86, is liable to the limited  
11 liability 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  
30          the 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~~

- 1                    ~~qualified, or until the earlier death, resignation, removal, or~~  
2                    ~~disqualification of the governor.~~
- 3                    (2) An ex officio governor serves as long as the governor holds the office  
4                    or 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  
2                   board 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  
11          meeting by ~~that this~~ means constitutes personal presence ~~in person~~ at the  
12          meeting.
- 13          3. Unless the articles of organization or operating agreement provide for a different  
14          time period, a governor may call a board meeting by giving at least ten days' notice  
15          or, in the case of organizational meetings under subsection 2 of section 10-32-67,  
16          at least three days' notice to all governors of the date, time, and place of the  
17          meeting. The notice need not state the purpose of the meeting unless the articles  
18          or operating agreement require it.
- 19          4. If the ~~day or~~ date, time, and place of a board of governors meeting have been  
20          provided in the articles or operating agreement, or announced at a previous  
21          meeting of the board of governors, no notice is required. Notice of an adjourned  
22          meeting need not be given other than by announcement at the meeting at which  
23          adjournment is taken.
- 24          5. A governor may waive notice of a meeting of the board of governors. A waiver of  
25          notice by a governor entitled to notice is effective whether given before, at, or after  
26          the meeting, and whether given in writing, or by attendance. Attendance by a  
27          governor at a meeting is a waiver of notice of that meeting, except where the  
28          governor objects at the beginning of the meeting to the transaction of business  
29          because the meeting is not lawfully called or convened and does not participate in  
30          the meeting after the objection.

1           **SECTION 149. AMENDMENT.** Section 10-32-81 of the North Dakota Century Code is  
2 amended and reenacted as follows:

3           **10-32-81. Absent governors.** If the articles of organization or operating agreement so  
4 provide, a governor may give advance written consent or opposition to a proposal to be acted  
5 on at a board of governors meeting. If the governor is not present at the meeting, consent or  
6 opposition to a proposal does not constitute presence for purposes of determining the  
7 existence of a quorum, but consent or opposition must be counted as a the vote of a governor  
8 present at the meeting in favor of or against the proposal and must be entered in the minutes or  
9 other record of action at the meeting, if the proposal acted on at the meeting is substantially the  
10 same or has substantially the same effect as the proposal to which the governor has consented  
11 or objected.

12           **SECTION 150. AMENDMENT.** Section 10-32-83 of the North Dakota Century Code is  
13 amended and reenacted as follows:

14           **10-32-83. Act of the board of governors.** The board of governors shall take action by  
15 the affirmative vote of the greater of a majority of governors present at a duly held meeting at  
16 the time the action is taken or a majority of the minimum proportion or number of governors that  
17 would constitute a quorum for the transaction of business at a meeting, except where this  
18 chapter or the articles require the affirmative vote of a larger proportion or number. If the  
19 articles require a larger proportion or number than is required by this chapter for a particular  
20 action, the articles control.

21           **SECTION 151. AMENDMENT.** Section 10-32-84 of the North Dakota Century Code is  
22 amended and reenacted as follows:

23           **10-32-84. Action without a meeting.**

- 24           1. An action required or permitted to be taken at a board of governors meeting may  
25 be taken by written action signed by all of the governors. If the articles so provide,  
26 any action, other than an action requiring member approval, may be taken by  
27 written action signed by the number of governors that would be required to take  
28 the same action at a meeting of the board of governors at which all governors were  
29 present.
- 30           2. The written action is effective when signed by the required number of governors,  
31 unless a different effective time is provided in the written action.

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

6           **SECTION 152. AMENDMENT.** Section 10-32-85 of the North Dakota Century Code is  
7 amended and reenacted as follows:

8           **10-32-85. Committees.**

- 9           1.    A resolution approved by the affirmative vote of a majority of the board of  
10                   governors may establish committees having the authority of the board in the  
11                   management of the business of the limited liability company only to the extent  
12                   provided in the resolution. Committees may include a special litigation committee  
13                   consisting of one or more independent governors or other independent persons to  
14                   consider legal rights or remedies of the limited liability company and whether those  
15                   rights and remedies should be pursued. Committees other than special litigation  
16                   committees are subject at all times to the direction and control of the board of  
17                   governors.
- 18           2.    Committee members must be individuals. Unless the articles or operating  
19                   agreement provide for a different membership or manner of appointment, a  
20                   committee consists of one or more persons, who need not be governors,  
21                   appointed by ~~affirmative vote of a majority of the governors present~~ the board.
- 22           3.    Sections 10-32-80 through 10-32-84 apply to committees and members of  
23                   committees to the same extent as those sections apply to the board of governors  
24                   and governors.
- 25           4.    Minutes, if any, of committee meetings must be made available upon request to  
26                   members of the committee and to any governor.
- 27           5.    The establishment of, delegation of authority to, and action by a committee does  
28                   not alone constitute compliance by a governor with the standard of conduct set  
29                   forth in section 10-32-86.
- 30           6.    Committee members are considered to be governors for purposes of sections  
31                   10-32-86, 10-32-87, and 10-32-99.

1           **SECTION 153. AMENDMENT.** Section 10-32-86 of the North Dakota Century Code is  
2 amended and reenacted as follows:

3           **10-32-86. Standard of conduct for governors.**

- 4           1. A governor shall discharge the duties of the position of governor in good faith, in a  
5 manner the governor reasonably believes to be in the best interests of the limited  
6 liability company, and with the care an ordinarily prudent person in a like position  
7 would exercise under similar circumstances. A person who so performs those  
8 duties is not liable by reason of being or having been a governor of the limited  
9 liability company.
- 10          2. A governor is entitled to rely on information, opinions, reports, or statements,  
11 including financial statements and other financial data, in each case prepared or  
12 presented by:
- 13           a. One or more managers or employees of the limited liability company whom  
14 the governor reasonably believes to be reliable and competent in the matters  
15 presented;
- 16           b. Counsel, public accountants, or other persons as to matters that the governor  
17 reasonably believes are within the person's professional or expert  
18 competence; or
- 19           c. A committee of the board of governors upon which the governor does not  
20 serve, duly established in accordance with section 10-32-85, as to matters  
21 within its designated authority, if the governor reasonably believes the  
22 committee to merit confidence.
- 23          3. Subsection 2 does not apply to a governor who has knowledge concerning the  
24 matter in question that makes the reliance otherwise permitted by subsection 2  
25 unwarranted.
- 26          4. A governor who is present at a meeting of the board of governors when an action  
27 is approved by the affirmative vote of a majority of the governors present is  
28 presumed to have assented to the action approved, unless the governor:
- 29           a. Objects at the beginning of the meeting to the transaction of business  
30 because the meeting is not lawfully called or convened and does not

- 1                   participate in the meeting after the objection, in which case the governor is  
2                   not considered to be present at the meeting for any purpose of this chapter;
- 3                   b. Votes against the action at the meeting; or
- 4                   c. ~~Is prohibited by section 10-32-87~~ from voting on the action by the articles; by  
5                   the operating agreement; as the result of the decision to approve, ratify, or  
6                   authorize a transaction pursuant to section 10-32-87; or by a conflict of  
7                   interest policy adopted by the board.
- 8                   5. A governor's personal liability to the limited liability company or its members for  
9                   monetary damages for breach of fiduciary duty as a governor may be eliminated or  
10                  limited in the articles of organization. The articles may not eliminate or limit the  
11                  liability of a governor:
- 12                  a. For any breach of the governor's duty of loyalty to the limited liability company  
13                  or its members;
- 14                  b. For acts or omissions not in good faith or that involve intentional misconduct  
15                  or a knowing violation of law;
- 16                  c. Under section 10-32-66;
- 17                  d. For any transaction from which the governor derived an improper personal  
18                  benefit; or
- 19                  e. For any act or omission occurring before the date when the provision in the  
20                  articles of organization eliminating or limiting liability becomes effective.
- 21                  6. In discharging the duties of the position of governor, a governor may, in  
22                  considering the best interests of the limited liability company, consider the interests  
23                  of the limited liability company's employees, customers, suppliers, and creditors,  
24                  the economy of the state and nation, community and societal considerations, and  
25                  the long-term as well as short-term interests of the limited liability company and its  
26                  members including the possibility that these interests may be best served by the  
27                  continued independence of the limited liability company.

28                  **SECTION 154. AMENDMENT.** Section 10-32-87 of the North Dakota Century Code is  
29                  amended and reenacted as follows:

30                  **10-32-87. Governor conflicts of interest.**

- 1           1. A contract or other transaction between a limited liability company and one or more  
2           of its governors, ~~or between a limited liability company and an organization in or of~~  
3           ~~which one or more of its governors are governors, directors, managers, officers, or~~  
4           ~~legal representatives~~ or a member of the family of the governor; a director of a  
5           related organization or a member of the family of a director of a related  
6           organization; or an organization in or of which the limited liability company's  
7           governor or a member of the family of the governor is a governor, director,  
8           manager, officer, or legal representative or ~~have~~ has a material financial interest, is  
9           not void or voidable because the governor ~~or governors~~ or the other ~~organizations~~  
10          ~~are parties~~ organization is a party or because the governor ~~or governors are~~ is  
11          present at the meeting of the members or the board of governors or a committee at  
12          which the contract or transaction is authorized, approved, or ratified, if at least one  
13          of the requirements of subsection 2 is satisfied.
- 14          2. The contract or transaction described in subsection 1 is not void or voidable if:
- 15           a. The contract or transaction was, and the person asserting the validity of the  
16           contract or transaction sustains the burden of establishing that the contract or  
17           transaction was, fair and reasonable as to the limited liability company at the  
18           time it was authorized, approved, or ratified;
- 19           b. The material facts as to the contract or transaction and as to the manager's  
20           interest are fully disclosed or known to the members and the contract or  
21           transaction is approved in good faith by ~~the holders of a majority of the~~  
22           ~~membership interests, but membership interests owned by the interested~~  
23           ~~governor may not be counted in determining the presence of a quorum and~~  
24           ~~may not be voted:~~
- 25           (1) The owners of two-thirds of the voting power of membership interests  
26           entitled to vote that are owned by persons other than the interested  
27           governor; or
- 28           (2) The unanimous affirmative vote of all members, whether or not entitled  
29           to vote;
- 30           c. The material facts as to the contract or transaction and as to the governor's  
31           interest are fully disclosed or known to the board of governors or a committee,



1 and the board of governors or committee authorizes, approves, or ratifies the  
2 contract or transaction in good faith by a majority of the board of governors or  
3 committee, but the interested governor is not counted in determining the  
4 presence of a quorum and may not vote; or

5 d. The contract or transaction is a distribution described in subsection 1 of  
6 section 10-32-64 or a merger or exchange described in subsection 1 or 2 of  
7 section 10-32-100.

8 ~~2.~~ 3. For purposes of this section:

9 a. A governor does not have a material financial interest in a resolution fixing the  
10 compensation of the governor or fixing the compensation of another governor  
11 as a governor, manager, employee, or agent of the limited liability company,  
12 even though the first governor is also receiving compensation from the limited  
13 liability company; and

14 b. A governor has a material financial interest in each organization in which the  
15 governor, ~~or the spouse, parents, children and spouses of children, brothers~~  
16 ~~and sisters and spouses of brothers and sisters of the governor, or any~~  
17 ~~combination of them have~~ or a member of the family of the governor, has a  
18 material financial interest. A "member of the family" of the governor is a  
19 spouse, parent, child, child of a spouse, brother, sister, or the spouse of any  
20 of these individuals.

21 4. The procedures described under subdivisions a, b, and c of subsection 2 are not  
22 required if the contract or transaction is between related parties.

23 **SECTION 155. AMENDMENT.** Section 10-32-88 of the North Dakota Century Code is  
24 amended and reenacted as follows:

25 **10-32-88. Managers.** A limited liability company must consist of one or more  
26 individuals eighteen years of age or more, and exercising the functions of the offices, however  
27 designated, of president and treasurer and may have one or more vice presidents and a  
28 secretary, as may be provided in the operating agreement. Any other managers, assistant  
29 managers, and agents, as necessary, may be elected or appointed by the board of governors  
30 or chosen in such other manner as may be provided in the operating agreement.

1           **SECTION 156. AMENDMENT.** Section 10-32-89 of the North Dakota Century Code is  
2 amended and reenacted as follows:

3           **10-32-89. Duties of managers and agents.** Unless the articles, operating agreement,  
4 or a resolution adopted by the board of governors and not inconsistent with the articles or  
5 operating agreement, provides otherwise, the managers shall have the following duties:

6           1. ~~Unless the articles of organization or the operating agreement provides otherwise,~~  
7           ~~the~~ The president shall:

- 8           a. Have general active management for the business of the limited liability  
9           company;
- 10           b. When present, preside at all meetings of the board of governors and of the  
11           members;
- 12           c. See that all orders and resolutions of the board of governors are carried into  
13           effect;
- 14           d. Sign and deliver in the name of the limited liability company any deeds,  
15           mortgages, bonds, contracts, or other instruments pertaining to the business  
16           of the limited liability company, except in cases in which the authority to sign  
17           and deliver is required by law to be exercised by another person or is  
18           expressly delegated by the articles or operating agreement or the board of  
19           governors to some other manager or agent of the limited liability company;
- 20           e. Maintain records of and, whenever necessary, certify all proceedings of the  
21           board of governors and members; and
- 22           f. Perform other duties prescribed by the board of governors.

23           2. ~~Unless the articles of organization or the operating agreement provides otherwise,~~  
24           ~~the~~ The vice president, if any, or if there is more than one, the vice presidents in  
25           the order determined by the board of governors shall:

- 26           a. In the absence or disability of the president, perform the duties and exercise  
27           the powers of the president; and
- 28           b. Perform other duties and have other powers as the board of governors may  
29           from time to time prescribe.

30           3. The treasurer shall:

- 31           a. Keep accurate financial records for the limited liability company;

- 1           b. Deposit all money, drafts, and checks in the name of and to the credit of the  
2           limited liability company in the banks and depositories designated by the  
3           board of governors;
- 4           c. Endorse for deposit all notes, checks, and drafts received by the limited  
5           liability company as ordered by the board of governors, making proper  
6           vouchers for them;
- 7           d. Disburse limited liability company funds and issue checks and drafts in the  
8           name of the limited liability company, as ordered by the board of governors;
- 9           e. Give to the president and the board of governors, whenever requested, an  
10          account of all transactions by the treasurer and of the financial condition of  
11          the limited liability company; and
- 12          f. Perform other duties prescribed by the board of governors or by the  
13          president.
- 14    ~~3.~~ 4. The secretary, if any, shall:
- 15          a. Attend all meetings of the board of governors, all meetings of the members,  
16          and, when required, all meetings of standing committees;
- 17          b. Record all proceedings of the meetings;
- 18          c. Give, or cause to be given, notice of all meetings of the members and  
19          meetings of the board of governors; and
- 20          d. Perform other duties prescribed by the board of governors.
- 21    5. Any other managers and agents of the limited liability company, as between  
22          themselves and the limited liability company, have the authority and shall perform  
23          the duties in the management of the limited liability company as may be provided  
24          in the articles ~~of organization~~ or the operating agreement, or as may be determined  
25          by resolution of the board not inconsistent with the articles ~~of organization~~ or the  
26          operating agreement.

27           **SECTION 157. AMENDMENT.** Section 10-32-91 of the North Dakota Century Code is  
28    amended and reenacted as follows:

29           **10-32-91. Multiple managerial positions.** Any number of managerial positions or  
30    functions of those positions may be held or exercised by the same ~~person~~ individual. If a  
31    document must be signed by ~~persons~~ individuals holding different positions or functions and a

1 ~~person~~ an individual holds or exercises more than one of those positions or functions, that  
2 ~~person~~ individual may sign the document in more than one capacity, but only if the document  
3 indicates each capacity in which the ~~person~~ individual signs.

4 **SECTION 158. AMENDMENT.** Section 10-32-92 of the North Dakota Century Code is  
5 amended and reenacted as follows:

6 **10-32-92. Managers deemed elected.** In the absence of an election or appointment  
7 of managers by the board of governors, the ~~person~~ individual or ~~persons~~ individuals exercising  
8 the functions of the principal managers of the limited liability company are deemed to have  
9 been elected to those offices.

10 **SECTION 159. AMENDMENT.** Section 10-32-93 of the North Dakota Century Code is  
11 amended and reenacted as follows:

12 **10-32-93. Contract rights.** The election or appointment of ~~a person~~ an individual as a  
13 manager or agent does not, of itself, create contract rights. However, a limited liability  
14 company may enter into a contract with a manager or agent. The resignation or removal of the  
15 manager or agent is without prejudice to any contractual rights or obligations.

16 **SECTION 160. AMENDMENT.** Section 10-32-94 of the North Dakota Century Code is  
17 amended and reenacted as follows:

18 **10-32-94. Resignation, removal, and vacancy.**

19 1. A manager 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 date is specified in the  
22 notice.

23 2. A Except as otherwise provided in the articles or operating agreement, a manager  
24 may be removed at any time, with or without cause, by a resolution approved by  
25 the affirmative vote of a majority of the governors present, subject to the provisions  
26 of a member-control agreement. The removal is without prejudice to any  
27 contractual rights of the officer.

28 3. A vacancy in an office because of death, resignation, removal, ~~or~~ disqualification  
29 or other cause, may, or in the case of the president or treasurer, must be filled for  
30 the unexpired portion of the term in the manner provided in the articles or

1 operating agreement, or determined by the board of governors, or pursuant to  
2 section 10-32-92.

3 **SECTION 161. AMENDMENT.** Section 10-32-95 of the North Dakota Century Code is  
4 amended and reenacted as follows:

5 **10-32-95. Delegation.** Unless prohibited by the articles or operating agreement or by  
6 a resolution ~~approved by the affirmative vote of a majority of the governors present~~ adopted by  
7 the board of governors, a manager elected or appointed by the board of governors may,  
8 without the approval of the board, delegate some or all of the duties and powers of an office to  
9 other ~~persons~~ individuals. A manager who delegates the duties or powers of an office remains  
10 subject to the standard of conduct for a manager with respect to the discharge of all duties and  
11 powers so delegated.

12 **SECTION 162. AMENDMENT.** Section 10-32-96 of the North Dakota Century Code is  
13 amended and reenacted as follows:

14 **10-32-96. Standard of conduct for managers.** A manager shall discharge the duties  
15 of an office in good faith, in a manner the manager reasonably believes to be in the best  
16 interests of the limited liability company, and with the care an ordinarily prudent person in a like  
17 position would exercise under similar circumstances. ~~A person~~ An individual exercising the  
18 principal functions of an office or to whom some or all of the duties and powers of an office are  
19 delegated pursuant to section 10-32-95 is considered a manager for purposes of this section  
20 and sections 10-32-53 and 10-32-99.

21 **SECTION 163. AMENDMENT.** Section 10-32-97 of the North Dakota Century Code is  
22 amended and reenacted as follows:

23 **10-32-97. Loans, guarantees, and suretyship.**

24 1. A limited liability company may lend money to, guarantee an obligation of, become  
25 a surety for, or otherwise financially assist a person, if the transaction, or a class of  
26 transactions to which the transaction belongs, is approved by the affirmative vote  
27 of a majority of the governors present and:

- 28 a. Is in the usual and regular course of business of the limited liability company;  
29 b. Is with, or for the benefit of, a related organization, an organization in which  
30 the limited liability company has a financial interest, an organization with  
31 which the limited liability company has a ~~business~~ relationship in the usual

1                   and regular course of its business, or an organization to which the limited  
2                   liability company has the power to make donations any of which relationships  
3                   constitute consideration sufficient to make the loan, guaranty, suretyship, or  
4                   other financial assistance so approved enforceable against the limited liability  
5                   company;

6                   c. Is with, or for the benefit of, a member who provides services to the limited  
7                   liability company, or a manager or other employee of the limited liability  
8                   company or a subsidiary, including a member, manager, or employee who is  
9                   a governor of the limited liability company or a subsidiary, and may  
10                  reasonably be expected, in the judgment of the board of governors, to benefit  
11                  the limited liability company; or

12                  d. ~~Has~~ Whether or not separate consideration has been promised to the limited  
13                  liability company, has been approved by the owners of two-thirds of the voting  
14                  power of persons other than the interested person or persons.

15                  2. A loan, guarantee, surety contract, or other financial assistance under subsection 1  
16                  may be with or without interest and may be unsecured or may be secured in any  
17                  manner, including, without limitation, a grant of a security interest in a member's  
18                  financial rights in the limited liability company.

19                  3. This section does not grant any authority to act as a bank or to carry on the  
20                  business of banking.

21                  **SECTION 164. AMENDMENT.** Section 10-32-99 of the North Dakota Century Code is  
22                  amended and reenacted as follows:

23                  **10-32-99. Indemnification.**

24                  1. For purposes of this section:

25                  a. "Limited liability company" includes a domestic or foreign limited liability  
26                  company that was the predecessor of the limited liability company referred to  
27                  in this section in a merger or other transaction in which the predecessor's  
28                  existence ceased upon consummation of the transaction.

29                  b. "Official capacity" means:

30                  (1) With respect to a governor, the position of governor in a limited liability  
31                  company;

- 1                   (2) With respect to a person other than a governor, the elective or  
2                   appointive office or position held by a manager, member of a  
3                   committee of the board of governors, the employment relationship  
4                   undertaken by an employee, agent of the limited liability company, or  
5                   the scope of the services provided by members of the limited liability  
6                   company who provide services to the limited liability company; and  
7                   (3) With respect to a governor, manager, member, employee, or agent of  
8                   the limited liability company who, while a governor, manager, member,  
9                   or employee of the limited liability company, is or was serving at the  
10                  request of the limited liability company or whose duties in that position  
11                  involve or involved service as a governor, director, manager, officer,  
12                  member, partner, trustee, employee, or agent of another organization  
13                  or employee benefit plan, the position of that person as a governor,  
14                  director, manager, officer, member, partner, trustee, employee, or  
15                  agent, as the case may be, of the other organization or employee  
16                  benefit plan.
- 17                  c. "Proceeding" means a threatened, pending, or completed civil, criminal,  
18                  administrative, arbitration, or investigative proceeding, including a proceeding  
19                  by or in the right of the limited liability company.
- 20                  d. "Special legal counsel" means counsel who has not represented the limited  
21                  liability company or a related organization, or a governor, manager, member  
22                  of a committee of the board of governors, employee, or agent whose  
23                  indemnification is in issue.
- 24                  2. Subject to the provisions of subsection 5, a limited liability company shall indemnify  
25                  a person made or threatened to be made a party to a proceeding by reason of the  
26                  former or present official capacity of the person against judgments, penalties,  
27                  fines, including, without limitation, excise taxes assessed against the person with  
28                  respect to an employee benefit plan, settlements, and reasonable expenses,  
29                  including attorney's fees and disbursements, incurred by the person in connection  
30                  with the proceeding, if, with respect to the acts or omissions of the person  
31                  complained of in the proceeding, the person:

- 1           a. Has not been indemnified by another organization or employee benefit plan  
2           for the same judgments, penalties, fines, including, without limitation, excise  
3           taxes assessed against the person with respect to an employee benefit plan,  
4           settlements, and reasonable expenses, including attorney's fees and  
5           disbursements, incurred by the person in connection with the proceeding with  
6           respect to the same acts or omissions;
- 7           b. Acted in good faith;
- 8           c. Received no improper personal benefit and section 10-32-87, if applicable,  
9           has been satisfied;
- 10          d. In the case of a criminal proceeding, had no reasonable cause to believe the  
11          conduct was unlawful; and
- 12          e. In the case of acts or omissions occurring in the official capacity described in  
13          paragraph 1 or 2 of subdivision b of subsection 1, reasonably believed that  
14          the conduct was in the best interests of the limited liability company, or in the  
15          case of acts or omissions occurring in the official capacity described in  
16          paragraph 3 of subdivision b of subsection 1, reasonably believed that the  
17          conduct was not opposed to the best interests of the limited liability company.  
18          If the person's acts or omissions complained of in the proceeding relate to  
19          conduct as a director, officer, trustee, employee, or agent of an employee  
20          benefit plan, the conduct is not considered to be opposed to the best interests  
21          of the limited liability company if the person reasonably believed that the  
22          conduct was in the best interests of the participants or beneficiaries of the  
23          employee benefit plan.
- 24          3. The termination of a proceeding by judgment, order, settlement, conviction, or  
25          upon a plea of nolo contendere or its equivalent does not, of itself, establish that  
26          the person did not meet the criteria set forth in subsection 2.
- 27          4. Subject to the provisions of subsection 5, if a person is made or threatened to be  
28          made a party to a proceeding, the person is entitled, upon written request to the  
29          limited liability company, to payment or reimbursement by the limited liability  
30          company of reasonable expenses, including attorney's fees and disbursements,  
31          incurred by the person in advance of the final disposition of the proceeding:



1           a.    Upon receipt by the limited liability company of a written affirmation by the  
2                    person of a good faith belief that the criteria for indemnification set forth in  
3                    subsection 2 have been satisfied and a written undertaking by the person to  
4                    repay all amounts so paid or reimbursed by the limited liability company, if it is  
5                    ultimately determined that the criteria for indemnification have not been  
6                    satisfied; and

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

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

12          5.    The articles of organization or operating agreement either may prohibit  
13                    indemnification or advances of expenses otherwise required by this section or may  
14                    impose conditions on indemnification or advances of expenses in addition to the  
15                    conditions contained in subsections 2 through 4 including, without limitation,  
16                    monetary limits on indemnification or advances of expenses, if the conditions apply  
17                    equally to all persons or to all persons within a given class. A prohibition or limit on  
18                    indemnification or advances may not apply to or affect the right of a person to  
19                    indemnification or advances of expenses with respect to any acts or omissions of  
20                    the person occurring before the effective date of a provision in the articles of  
21                    organization or the date of adoption of a provision in the operating agreement  
22                    establishing the prohibition or limit on indemnification or advances.

23          6.    This section does not require, or limit the ability of, a limited liability company to  
24                    reimburse expenses, including attorney's fees and disbursements, incurred by a  
25                    person in connection with an appearance as a witness in a proceeding at a time  
26                    when the person has not been made or threatened to be made a party to a  
27                    proceeding.

28          7.    All indemnification determinations must be made:

29                a.    By the board of governors by a majority of a quorum. Governors who are, at  
30                    the time, parties to the proceeding are not counted for determining either a  
31                    majority or the presence of a quorum;

- 1           b. If a quorum under subdivision a cannot be obtained, by a majority of a  
2           committee of the board of governors, consisting solely of two or more  
3           governors not at the time parties to the proceeding, duly designated to act in  
4           the matter by a majority of the full board of governors including governors  
5           who are parties;
- 6           c. If a determination is not made under subdivision a or b, by special legal  
7           counsel, selected either by a majority of the board of governors or a  
8           committee by vote pursuant to subdivision a or b or, if the requisite quorum of  
9           the full board of governors cannot be obtained and the committee cannot be  
10          established, by a majority of the full board of governors including governors  
11          who are parties;
- 12          d. If a determination is not made under subdivisions a through c, by the  
13          members, ~~excluding the votes of membership interests held by parties other~~  
14          than the members who are a party to the proceeding; or
- 15          e. If an adverse determination is made under subdivisions a through d or under  
16          subsection 8, or if no determination is made under subdivisions a through d or  
17          under subsection 8 within sixty days after the ~~termination of a proceeding or~~  
18          ~~after a~~ later to occur of the termination of a proceeding; or a written request  
19          for indemnification to the limited liability company; or a written request for an  
20          advance of expenses, as the case may be, by a court in this state, which may  
21          be the same court in which the proceeding involving the person's liability took  
22          place, upon application of the person and any notice the court requires. The  
23          person seeking indemnification or payment or reimbursement of expenses  
24          pursuant to this clause has the burden of establishing that the person is  
25          entitled to indemnification or payment or reimbursement of expenses.
- 26          8. With respect to a person who is not, and was not at the time of the acts or  
27          omissions complained of in the proceedings, a governor, manager, or person  
28          possessing, directly or indirectly, the power to direct or cause the direction of the  
29          management or policies of the limited liability company, the determination whether  
30          indemnification of this person is required because the criteria set forth in  
31          subsections 2 and 3 have been satisfied and whether this person is entitled to

1 payment or reimbursement of expenses in advance of the final disposition of a  
2 proceeding as provided in subsection 4 may be made by an annually appointed  
3 committee of the board of governors, having at least one member who is a  
4 governor. The committee shall report at least annually to the board of governors  
5 concerning its actions.

6 9. A limited liability company may purchase and maintain insurance on behalf of a  
7 person in that person's official capacity against any liability asserted against and  
8 incurred by the person in or arising from that capacity, whether or not the limited  
9 liability company would have been required to indemnify the person against the  
10 liability under the provisions of this section.

11 10. A limited liability company that indemnifies or advances expenses to a person in  
12 accordance with this section in connection with a proceeding by or on behalf of the  
13 limited liability company shall report to the members in writing the amount of the  
14 indemnification or advance and to whom and on whose behalf it was paid not later  
15 than the next meeting of members as part of the annual financial statements  
16 furnished to members pursuant to section 10-32-52 covering the period when the  
17 indemnification or advance was paid or accrued under the accounting method of  
18 the limited liability company reflected in the financial statements.

19 11. Nothing in this section may be construed to limit the power of the limited liability  
20 company to indemnify other persons by contract or otherwise.

21 **SECTION 165. AMENDMENT.** Section 10-32-100 of the North Dakota Century Code  
22 is amended and reenacted as follows:

23 **10-32-100. Merger - Exchange - Transfer.**

- 24 1. With or without a business purpose, a limited liability company may merge:
- 25 a. With another limited liability company or a domestic corporation pursuant to a  
26 plan of merger approved in the manner provided in sections 10-32-101  
27 through 10-32-106; and
- 28 b. With any foreign corporation or foreign limited liability company pursuant to a  
29 plan of merger approved in the manner provided in section 10-32-107.
- 30 2. With respect to an exchange:

- 1           a. A limited liability company may acquire all of the ownership interests of one or  
2           more classes or series of another limited liability company or domestic  
3           corporation pursuant to a plan of exchange approved in the manner provided  
4           in sections 10-32-101 through 10-32-106.
- 5           ~~3.~~ b. A domestic corporation may acquire all of the ownership interests of one or  
6           more classes or series of a limited liability company pursuant to a plan of  
7           exchange approved in the manner provided in sections 10-32-101 through  
8           10-32-106.
- 9           ~~4.~~ c. A foreign corporation or foreign limited liability company may acquire all of the  
10           ownership interests of one or more classes or series of a limited liability  
11           company pursuant to a plan of exchange approved in the manner provided in  
12           section 10-32-107.
- 13          ~~5.~~ 3. A limited liability company may sell, lease, transfer, or otherwise dispose of all or  
14           substantially all of its property and assets in the manner provided in section  
15           10-32-108.
- 16          ~~6.~~ 4. A limited liability company may participate in a merger only as permitted by this  
17           section.

18           **SECTION 166. AMENDMENT.** Section 10-32-101 of the North Dakota Century Code  
19 is amended and reenacted as follows:

20           **10-32-101. Plan of merger or exchange.**

- 21           1. A plan of merger or exchange must contain:
- 22           a. The name of the limited liability company and of each other constituent  
23           organization proposing to merge or participate in an exchange, and:
- 24           (1) In the case of a merger, the name of the surviving organization, which  
25           may be the limited liability company or the other constituent  
26           organization; or
- 27           (2) In the case of an exchange, the name of the acquiring organization;
- 28           b. The terms and conditions of the proposed merger;
- 29           c. The manner and basis for converting or exchanging ownership interests:
- 30           (1) In the case of a merger, the manner and basis of converting the  
31           ownership interests of the constituent organizations into securities of

- 1 the surviving organization or of any other organization or, in whole or in  
2 part, into money or other property; or
- 3 (2) In the case of an exchange, the manner and basis of exchanging the  
4 ownership interests to be acquired for securities of the acquiring  
5 organization or any other organization or, in whole or in part, for money  
6 or other property;
- 7 d. In the case of a merger, a statement of any amendments to the articles of  
8 organization or articles of incorporation, as the case may be, of the surviving  
9 organization proposed as part of the merger; and
- 10 e. Any other provisions with respect to the proposed merger that are considered  
11 necessary or desirable.
- 12 2. The procedure authorized by this section does not limit the power of a limited  
13 liability company to acquire all or part of the ownership interests of one or more  
14 classes or series of any other organization through a negotiated agreement with  
15 the owners or otherwise.

16 **SECTION 167. AMENDMENT.** Section 10-32-102 of the North Dakota Century Code  
17 is amended and reenacted as follows:

18 **10-32-102. Plan approval.**

- 19 1. A resolution containing the plan of merger must be approved by the affirmative  
20 vote of a majority of the board members present at a meeting of the governing  
21 board of each constituent organization and must then be submitted at a regular or  
22 special meeting to the members owners of each constituent organization at a  
23 regular or a special meeting in the case of a plan of merger; and the constituent  
24 organization whose ownership interests will be acquired by the acquiring  
25 constituent organization in the exchange, in the case of an exchange. Written  
26 notice must be given to every owner of that constituent organization, whether or  
27 not entitled to vote at the meeting, not less than fourteen days nor more than sixty  
28 days before the meeting, in the manner provided in section 10-19.1-98 for notice of  
29 meetings of shareholders in the case of a domestic corporation and in the manner  
30 provided in section 10-32-40 for notice of meetings of members in the case of a  
31 limited liability company. The written notice must state that a purpose of the

- 1 meeting is to consider the proposed plan of merger or exchange. A copy or short  
2 description of the plan of merger or exchange must be included in or enclosed with  
3 the notice.
- 4 2. At the meeting a vote of the owners must be taken on the proposed plan. The plan  
5 of merger is adopted when approved by the affirmative vote of the owners of a  
6 majority of the voting power of all ownership interests entitled to vote. Except as  
7 provided in subsection 3, a class or series of ownership interests of the constituent  
8 organization is entitled to vote as a class or series if any provision of the plan  
9 would, if contained in a proposed amendment to the articles of organization or  
10 articles of incorporation, as the case may be, entitle the class or series of  
11 ownership interests to vote as a class or series and, in the case of an exchange, if  
12 the class or series is included in the exchange.
- 13 3. A class or series of ownership interests of the constituent organization is not  
14 entitled to vote as a class or series solely because the plan of merger ~~or exchange~~  
15 effects a cancellation of the ownership interests of the class or series if the plan of  
16 merger ~~or exchange~~ effects a cancellation of all ownership interests of the  
17 constituent organization of all classes and series that are existing immediately  
18 before the merger ~~or exchange~~ and owners of ownership interests of that class or  
19 series are entitled to obtain payment for the fair value of their ownership interests  
20 under section 10-19.1-87 or 10-32-55, as the case may be, in the event of the  
21 merger ~~or exchange~~.
- 22 4. Notwithstanding subsections 1 and 2, submission of a plan of merger to a vote at a  
23 meeting of shareholders of a surviving corporation is not required if:
- 24 a. The articles of the corporation will not be amended in the transaction;
- 25 b. Each holder of shares of the corporation that were outstanding immediately  
26 before the effective ~~date~~ time of the transaction will hold the same number of  
27 shares with identical rights immediately after that ~~date~~ time;
- 28 c. The ~~number of~~ voting power of the outstanding shares of the corporation  
29 entitled to vote immediately after the merger, plus the ~~number of~~ voting power  
30 of the outstanding shares of the corporation entitled to vote issuable on  
31 conversion of ~~securities other than shares~~ or on the exercise of rights to

1 purchase securities issued ~~by virtue of the terms of~~ in the transaction, will not  
2 exceed by more than twenty percent, the ~~number of~~ voting power of the  
3 outstanding shares of the corporation entitled to vote immediately before the  
4 transaction; and

5 d. The number of participating shares of the corporation immediately after the  
6 merger, plus the number of participating shares of the corporation issuable on  
7 conversion, or on the exercise of rights to purchase, securities issued in the  
8 transaction, will not exceed by more than twenty percent, the number of  
9 participating shares of the corporation immediately before the transaction.  
10 "Participating shares" are outstanding shares of the corporation that entitle  
11 their holders to participate without limitation in distributions by the corporation.

12 **SECTION 168. AMENDMENT.** Section 10-32-103 of the North Dakota Century Code  
13 is amended and reenacted as follows:

14 **10-32-103. Articles of merger - Certificate.**

- 15 1. Upon receiving the approval required by section 10-32-102, articles of merger  
16 must be prepared that contain:
- 17 a. The plan of merger; and
- 18 b. For each constituent organization either:
- 19 (1) A statement that the plan has been approved by a vote of the  
20 shareholders pursuant to subsection 2 of section 10-19.1-98 or the  
21 members pursuant to subsection 2 or 3 of section 10-32-102; or
- 22 (2) A statement that a vote of the shareholders is not required by virtue of  
23 subsection 3 of section 10-19.1-98 or that a vote of the members is not  
24 required by virtue of subsection 4 of section 10-32-102.
- 25 2. The articles of merger must be signed on behalf of each constituent organization  
26 and filed with the secretary of state, together with the fees provided in section  
27 10-32-150.
- 28 3. The secretary of state shall issue a certificate of merger to the surviving constituent  
29 organization, or its legal representative. The certificate must contain the effective  
30 date of merger.

1           **SECTION 169. AMENDMENT.** Section 10-32-104 of the North Dakota Century Code  
2 is amended and reenacted as follows:

3           **10-32-104. Merger of subsidiary into parent.**

4           1. A parent owning at least ninety percent of the outstanding ownership interests of  
5 each class and series of a subsidiary ~~may merge the subsidiary into itself without a~~  
6 ~~vote of the owners of either constituent organization.~~ directly, or indirectly through  
7 related corporations or limited liability companies:

8           a. May merge the subsidiary into itself; or into any other subsidiary at least  
9 ninety percent of the outstanding ownership interest of each class and series  
10 of which is owned by the parent directly, or indirectly through related  
11 corporations or limited liability companies, without a vote of the owners of  
12 itself or any subsidiary; or

13           b. May merge itself, or itself and one or more subsidiaries, into one of the  
14 subsidiaries under this section.

15           2. A resolution approved by the affirmative vote of a majority of the directors or  
16 ~~managers~~ governors of the parent present must set forth a plan of merger that  
17 contains:

18           a. The name of the subsidiary ~~and~~ or subsidiaries, the name of the parent, and  
19 the name of the surviving constituent organization; and

20           b. The manner and basis of converting the ownership interests of the subsidiary  
21 into ownership interests of the parent or of another organization or, in whole  
22 or in part, into money or other property;:

23           c. If the parent is a constituent organization but is not the surviving constituent  
24 organization in the merger, a provision for the pro rata issuance of ownership  
25 interests of the surviving constituent organization to the owners of ownership  
26 interests of the parent for ownership interests of the parent; and

27           d. If the surviving constituent organization is a subsidiary, a statement of any  
28 amendments to the articles of the surviving constituent organization that will  
29 be part of the merger.

30           3. If the parent is a constituent organization but is not the surviving constituent  
31 organization in a merger, the resolution is not effective unless it is also approved



- 1           by the affirmative vote of the holders of a majority of the voting power of all  
2           ownership interests of the parent entitled to vote at a regular or special meeting  
3           held in accordance with section 10-19.1-98 if the parent is a corporation or in  
4           accordance with the laws under which it is incorporated or organized if the parent  
5           is a foreign corporation or foreign limited liability company.
- 6       2- 4. A copy of the plan of merger must be mailed to each ~~member~~ owner, other than  
7           the parent, of ~~the~~ each subsidiary that is a constituent organization to the merger.
- 8       3- 5. Articles of merger must be prepared that contain:
- 9           a. The plan of merger;
- 10          b. The number of outstanding ownership interests of each class and series of  
11           ~~the~~ each subsidiary and the number of ownership interests of each class and  
12           series owned by the parent directly or indirectly, through related constituent  
13           organizations; and
- 14          c. The date a copy of the plan of merger was mailed to the owners, other than  
15           the parent, of ~~the~~ each subsidiary that is a constituent organization in the  
16           merger, and
- 17          d. A statement that the plan of merger has been approved by the parent under  
18           this section.
- 19       4- 6. Within thirty days after a copy of the plan of merger is mailed to the owners of ~~the~~  
20           each subsidiary that is a constituent organization to the merger, or upon waiver of  
21           the mailing by the ~~holders~~ owners of all outstanding ownership interests, the  
22           articles of merger must be signed on behalf of the parent and filed with the  
23           secretary of state, together with the fees provided in section 10-32-150.
- 24       5- 7. The secretary of state shall issue a certificate of merger to the parent or its legal  
25           representative. The certificate must contain the effective date of merger.
- 26       8. If all of the ownership interests of one or more domestic subsidiaries that are a  
27           constituent organization to a merger under this section are not owned by the  
28           parent directly, or indirectly through related constituent organizations, immediately  
29           before the merger, the owners of each domestic subsidiary have dissenter's rights  
30           under section 10-19.1-87 or under section 10-32-54, without regard to  
31           subsection 3 of section 10-19.1-87 and section 10-19.1-88 or to subsection 2 of

1           section 10-32-54 or section 10-22-55. If the parent is a constituent organization  
2           but is not the surviving constituent organization in the merger, and the articles of  
3           incorporation or articles of organization of the surviving constituent organization  
4           immediately after the merger differ from the articles of incorporation or articles of  
5           organization of the parent immediately before the merger in a manner that would  
6           entitle an owner of the parent to dissenter's rights under subsection 1 of section  
7           10-19.1-87 or under subdivision a of subsection 1 of section 10-32-54 if the articles  
8           of incorporation or articles of organization of the surviving constituent organization  
9           constitute an amendment to the articles of incorporation or articles of organization  
10           of the parent, that owner of the parent has dissenter's rights as provided under  
11           sections 10-19.1-87 and 10-19.1-88 or under sections 10-32-54 and 10-32-55.  
12           Except as provided in this subsection, sections 10-19.1-87 and 10-19.1-88 and  
13           sections 10-32-54 and 10-32-55 do not apply to any merger affected under this  
14           section.

- 15           9. A merger among a parent and one or more subsidiaries or among two or more  
16           subsidiaries of a parent may be accomplished under sections 10-32-101 through  
17           10-32-103 instead of this section, in which case this section does not apply.

18           **SECTION 170. AMENDMENT.** Section 10-32-105 of the North Dakota Century Code  
19 is amended and reenacted as follows:

20           **10-32-105. Abandonment of plan of merger.**

- 21           1. After a plan of merger has been approved by the owners entitled to vote on the  
22           approval of the plan as provided in section 10-32-102, and before the effective  
23           date of the plan, it may be abandoned:
- 24           a. If the owners of ownership interests of each of the constituent organizations  
25           entitled to vote on the approval of the plan as provided in section 10-32-102  
26           have approved the abandonment at a meeting by the affirmative vote of the  
27           owners of a majority of the voting power of the ownership interests entitled to  
28           vote and, if the owners of a constituent organization are not entitled to vote on  
29           the approval of the plan under section 10-32-102, the governing board of that  
30           constituent organization has approved the abandonment by the affirmative  
31           vote of a majority of the board members present;

- 1           b. If the plan itself provides for abandonment and all conditions for abandonment  
2           set forth in the plan are met; or
- 3           c. Pursuant to subsection 2.
- 4           2. If articles of merger have not been filed with the secretary of state and the plan is  
5           to be abandoned, or if a plan of exchange is to be abandoned, a resolution  
6           abandoning the plan of merger or exchange may be approved by the affirmative  
7           vote of a majority of the board members present, subject to the contract rights of  
8           any other person under the plan.
- 9           3. If articles of merger have been filed with the secretary of state, but have not yet  
10          become effective, the constituent organizations, in the case of abandonment under  
11          subdivision a of subsection 1, the constituent organizations or any one of them, in  
12          the case of abandonment under subdivision b of subsection 1, or the abandoning  
13          organization in the case of abandonment under subsection 2, shall file with the  
14          secretary of state together with the fees provided in section 10-32-150, articles of  
15          abandonment that contain:
- 16          a. The names of the constituent organizations;
- 17          b. The provision of this section under which the plan is abandoned; and
- 18          c. If the plan is abandoned under subsection 2, the text of the resolution  
19          approved by the affirmative vote of a majority of the board members present  
20          abandoning the plan.
- 21          4. If the certificate of merger has been issued, the governing board shall surrender  
22          the certificate to the secretary of state upon filing the articles of abandonment.

23           **SECTION 171. AMENDMENT.** Section 10-32-106 of the North Dakota Century Code  
24 is amended and reenacted as follows:

25           **10-32-106. Effective date of merger or exchange and effect.**

- 26           1. A merger is effective when the articles of merger are filed with the secretary of  
27           state or on a later date specified in the articles of merger. An exchange is effective  
28           on the date specified in the plan of exchange.
- 29           2. When a merger becomes effective:

- 1           a.    The constituent organizations become a single ~~entity~~ constituent organization,
- 2                    the surviving ~~limited liability company or corporation~~, ~~as the case may be~~
- 3                    constituent organization;
- 4           b.    The separate existence of all constituent organizations except the surviving
- 5                    constituent organization ceases;
- 6           c.    As to any limited liability company that was a constituent organization and is
- 7                    not the surviving constituent organization, the articles of merger serve as the
- 8                    articles of termination and, unless previously filed, the notice of dissolution;
- 9           d.    As to rights, privileges, immunities, powers, duties, and liabilities:
- 10                   (1)   If the surviving organization is a limited liability company, the surviving
- 11                    limited liability company has all the rights, privileges, immunities, and
- 12                    powers, and is subject to all the duties and liabilities of a limited liability
- 13                    company organized under this chapter; and
- 14                   (2)   If the surviving organization is a domestic corporation, the surviving
- 15                    domestic corporation has all the rights, privileges, immunities, and
- 16                    powers, and is subject to all the duties and liabilities of a domestic
- 17                    corporation;
- 18           e.    The surviving constituent organization, whether a limited liability company or
- 19                    a domestic or foreign corporation, possesses all the rights, privileges,
- 20                    immunities, and franchises, of a public as well as of a private nature, of each
- 21                    of the constituent organizations.
- 22                   (1)   All property, real, personal, and mixed, and all debts due on any
- 23                    account, including subscriptions to shares and contribution
- 24                    agreements, as the case may be, and all other choses in action, and
- 25                    every other interest of or belonging to or due to each of the constituent
- 26                    organizations vests in the surviving constituent organization without any
- 27                    further act or deed.
- 28                   (2)   Confirmatory deeds, assignments, or similar instruments to accomplish
- 29                    that vesting may be signed and delivered at any time in the name of a
- 30                    constituent organization by its current officers or managers, as the case

1                                    may be, or, if the organization no longer exists, by its last officers or  
2                                    managers, as the case may be.

3                                    (3)    The title to any real estate or any interest in real estate vested in any of  
4                                    the constituent organizations does not revert nor in any way become  
5                                    impaired by reason of the merger;

6                                    f.    The surviving constituent organization is responsible and liable for all the  
7                                    liabilities and obligations of each of the constituent organizations.

8                                    (1)    A claim of or against or a pending proceeding by or against a  
9                                    constituent organization may be prosecuted as if the merger had not  
10                                    taken place, or the surviving organization may be substituted in the  
11                                    place of the constituent organization.

12                                    (2)    Neither the rights of creditors nor any liens upon the property of a  
13                                    constituent organization are impaired by the merger; and

14                                    g.    The articles of organization or articles of incorporation, as the case may be, of  
15                                    the surviving organization are considered to be amended to the extent that  
16                                    changes in its articles, if any, are contained in the plan of merger.

17                                    3.    When a merger becomes effective, the ownership interests to be converted or  
18                                    exchanged under the terms of the plan cease to exist in the case of a merger, or  
19                                    are considered to be exchanged in the case of an exchange. The owners of those  
20                                    ownership interests are entitled only to the securities, money, or other property into  
21                                    which those ownership interests have been converted or for which those  
22                                    ownership interests have been exchanged in accordance with the plan, subject to  
23                                    any dissenters' rights under section 10-19.1-87 or 10-32-54, as the case may be.

24                                    **SECTION 172. AMENDMENT.** Section 10-32-107 of the North Dakota Century Code  
25 is amended and reenacted as follows:

26                                    **10-32-107. Merger or exchange with foreign ~~organization~~ limited liability**  
27 **company or foreign corporation.**

28                                    1.    A limited liability company may merge with or participate in an exchange with a  
29                                    foreign corporation or a foreign limited liability company by following the  
30                                    procedures set forth in this section, if:

- 1           a. With respect to a merger, the merger is permitted by the laws of the state  
2                   under which the foreign corporation or foreign limited liability company is  
3                   incorporated or organized; and
- 4           b. With respect to an exchange, the constituent organization whose ownership  
5                   interests will be acquired is either a limited liability company or a domestic  
6                   corporation, whether or not the exchange is permitted by the laws of the state  
7                   under which the foreign corporation or foreign limited liability company is  
8                   incorporated or organized.
- 9           2. Each limited liability company shall comply with the provisions of this section and  
10                   sections 10-32-100 through 10-32-106 with respect to the merger or exchange of  
11                   ownership interests of organizations and each foreign corporation or foreign limited  
12                   liability company shall comply with the applicable provisions of the laws under  
13                   which it was incorporated or organized or by which it is governed.
- 14           3. If the surviving organization in a merger will be a domestic limited liability  
15                   company, it shall comply with all the provisions of this chapter.
- 16           4. If the surviving organization in a merger will be a foreign corporation or foreign  
17                   limited liability company and will transact business in this state, it shall comply, as  
18                   the case may be, with the provisions of chapter 10-22 with respect to foreign  
19                   corporations or with the provisions of this chapter with respect to foreign limited  
20                   liability companies. In every case the surviving foreign corporation or foreign  
21                   limited liability company shall file with the secretary of state:
- 22                   a. An agreement that it may be served with process in this state in a proceeding  
23                           for the enforcement of an obligation of a constituent organization and in a  
24                           proceeding for the enforcement of the rights of a dissenting owner of an  
25                           ownership interest of a constituent organization against the surviving foreign  
26                           corporation or foreign limited liability company;
- 27                   b. An irrevocable appointment of the secretary of state as its agent to accept  
28                           service of process in any proceeding, and an address to which process may  
29                           be forwarded; and
- 30                   c. An agreement that it will promptly pay to the dissenting owners of an  
31                           ownership interests of each constituent domestic limited liability company and

1 constituent domestic corporation the amount, if any, to which they are entitled  
2 under section 10-19.1-88 or 10-32-55, as the case may be.

3 **SECTION 173. AMENDMENT.** Section 10-32-108 of the North Dakota Century Code  
4 is amended and reenacted as follows:

5 **10-32-108. Transfer of assets - When permitted.**

- 6 1. A limited liability company may, by affirmative vote of a majority of the governors  
7 present, ~~may sell, lease, transfer, or otherwise dispose of all or substantially all of~~  
8 ~~its property and assets in the usual and regular course of its business and grant a~~  
9 ~~mortgage of or security interest in and otherwise encumber and assign for~~  
10 ~~purposes of security all or substantially all of its property and assets whether or not~~  
11 ~~in the usual and regular course of its business,~~ upon those terms and conditions  
12 and for those considerations, which may be money, securities, or other  
13 instruments for the payment of money or other property, as the board of governors  
14 considers expedient, ~~in which case no~~ and without member approval ~~is required:~~
- 15 a. Sell, lease, transfer, or otherwise dispose of all or substantially all of its  
16 property and assets in the usual and regular course of its business;
  - 17 b. Grant a security interest in all or substantially all of its property and assets  
18 whether or not in the usual and regular course of its business; or
  - 19 c. Transfer any or all of its property to a corporation all of the shares of which  
20 are owned by a limited liability company.
- 21 2. A limited liability company, by affirmative vote of a majority of the governors  
22 present, may sell, lease, transfer, or otherwise dispose of all or substantially all of  
23 its property and assets, including its goodwill, not in the usual and regular course  
24 of its business, upon those terms and conditions and for those considerations,  
25 which may be money, securities, or other instruments for the payment of money or  
26 other property, as the board of governors considers expedient, when approved at a  
27 regular or special meeting of the members by the affirmative vote of the owners of  
28 a majority of the voting power of the interests entitled to vote. Written notice of the  
29 meeting must be given to all members whether or not they are entitled to vote at  
30 the meeting. The written notice must state that a purpose of the meeting is to

- 1 consider the sale, lease, transfer, or other disposition of all or substantially all of  
2 the property and assets of the limited liability company.
- 3 3. Confirmatory deeds, assignments, or similar instruments to evidence a sale, lease,  
4 transfer, or other disposition may be signed and delivered at any time in the name  
5 of the transferor by its current managers or authorized agents, or, if the limited  
6 liability company no longer exists, by its last managers.
- 7 4. The transferee is liable for the debts, obligations, and liabilities of the transferor  
8 only to the extent provided in the contract or agreement between the transferee  
9 and the transferor or to the extent provided by this chapter or other statutes of this  
10 state.

11 **SECTION 174. AMENDMENT.** Section 10-32-109 of the North Dakota Century Code  
12 is amended and reenacted as follows:

13 **10-32-109. Methods of dissolution.**

- 14 1. A limited liability company dissolves upon the occurrence of any of the following  
15 events:
- 16 a. When the period fixed in the articles of organization for the duration of the  
17 limited liability company expires;
- 18 b. By order of a court pursuant to sections 10-32-119 and 10-32-122;
- 19 c. By action of the organizers pursuant to section 10-32-110;
- 20 d. By action of the members pursuant to section 10-32-111; ~~or~~
- 21 e. ~~Upon~~ Except as otherwise provided in the articles of organization, upon the  
22 occurrence of an event that terminates the continued membership of a  
23 member in the limited liability company, including:
- 24 (1) Death of any member;
- 25 (2) Retirement of any member;
- 26 (3) Resignation of any member;
- 27 (4) Redemption of a member's complete membership interest;
- 28 (5) Assignment of a member's governance rights under section 10-32-32  
29 which leaves the assignor with no governance rights;
- 30 (6) A buyout of a member's membership interest under section 10-32-119  
31 that leaves that member with no governance rights;



- 1                   (7)   Expulsion of any member;
- 2                   (8)   Bankruptcy of any member;
- 3                   (9)   Dissolution of any member;
- 4                   (10)  A merger in which the limited liability company is not the surviving
- 5   organization;
- 6                   (11)  An exchange in which the limited liability company is not the acquiring
- 7   organization; or
- 8                   (12)  The occurrence of any other event that terminates the continued
- 9   membership of a member in the limited liability company, but the limited
- 10    liability company is not dissolved and is not required to be wound up by
- 11    reason of any event that terminates the continued membership of a
- 12    member if:
- 13    (a)   Either there are at least two remaining members or a new
- 14   member is admitted as provided in section 10-32-06; and
- 15    (b)   The existence and business of the limited liability company is
- 16   continued either by the consent of all remaining members under
- 17   a right to consent stated in the articles of organization and the
- 18   consent is obtained no later than ninety days after the
- 19   termination of the continued membership, or under a separate
- 20   right to continue stated in the articles of organization; or
- 21                   f.   When terminated by the secretary of state pursuant to section 10-32-149.
- 22                   2.   A limited liability company dissolved by one of the dissolution events specified in
- 23   subsection 1 must be wound up and terminated under the following dissolution
- 24   provisions:
- 25    a.   When a limited liability company is dissolved under subdivision a of
- 26   subsection 1 by reason of the expiration of its limited period of duration, the
- 27   limited liability company must be wound up and terminated under sections
- 28   10-32-112 through 10-32-115 and sections 10-32-117, 10-32-118, and
- 29   10-32-131;

- 1           b. When a limited liability company is dissolved under subdivision b of  
2           subsection 1 by reason of a court order, the limited liability company must be  
3           wound up and terminated under sections 10-32-119 through 10-32-126;
- 4           c. When a limited liability company is dissolved under subdivision c of  
5           subsection 1 by its organizers, the limited liability company must be wound up  
6           and terminated under section 10-32-110 and sections 10-32-112 through  
7           10-32-118;
- 8           d. When a limited liability company is dissolved under subdivision d of  
9           subsection 1 by its members, the limited liability company must be wound up  
10          and terminated under sections 10-32-111 through 10-32-118 and section  
11          10-32-131; and
- 12          e. When a limited liability company is dissolved under subdivision e of  
13          subsection 1 by reason of a termination of the continued membership of a  
14          member, the limited liability company must be wound up and terminated  
15          under sections 10-32-112 through 10-32-115 and sections 10-32-117,  
16          10-32-118, and 10-32-131.
- 17          3. Notwithstanding any provision of law, articles of organization, member-control  
18          agreement, operating agreement, other agreement, resolution, or action to the  
19          contrary, a limited liability company is not dissolved and is not required to be  
20          wound up upon the granting of a security interest in a member's membership  
21          interest, governance rights or financial rights, or upon the foreclosure or other  
22          enforcement of a security interest in a member's financial rights, or upon the  
23          secured party's assignment, acceptance, or retention of a member's financial rights  
24          in accordance with title 41.

25           **SECTION 175. AMENDMENT.** Section 10-32-110 of the North Dakota Century Code  
26 is amended and reenacted as follows:

27           **10-32-110. Voluntary dissolution and termination by organizers.** A limited liability  
28 company that has not accepted contributions may be dissolved and terminated by the  
29 organizers in the manner set forth in this section.

- 30           1. A majority of the organizers or governors shall sign articles of dissolution and  
31           termination containing:

- 1           a.    The name of the limited liability company;
- 2           b.    The date of organization;
- 3           c.    A statement that contributions have not been accepted; and
- 4           d.    A statement that no debts remain unpaid.
- 5           2.    The articles of dissolution and termination must be filed with the secretary of state
- 6               together with the fees provided in section 10-32-150.
- 7           3.    When the articles of dissolution and termination have been filed with the secretary
- 8               of state, the limited liability company is terminated.
- 9           4.    The secretary of state shall issue to the terminated limited liability company or its
- 10               legal representative a certificate of termination that contains:
- 11           a.    The name of the limited liability company;
- 12           b.    The date the articles of dissolution and termination were filed with the
- 13               secretary of state; and
- 14           c.    A statement that the limited liability company is terminated.

15           **SECTION 176. AMENDMENT.** Section 10-32-113 of the North Dakota Century Code  
16 is amended and reenacted as follows:

17           **10-32-113. Procedure in winding up.**

- 18           1.    If the business of the limited liability company is wound up and terminated by
- 19               merging the dissolved limited liability company into a successor organization:
- 20           a.    The procedures stated in sections 10-32-100 through 10-32-107 must be
- 21               followed;
- 22           b.    Sections 10-32-114 through 10-32-116 and sections 10-32-128 and
- 23               10-32-129 do not apply; and
- 24           c.    Once the merger is effective, a creditor or claimant of the terminated limited
- 25               liability company, and all those claiming through or under the creditor or
- 26               claimant, are barred from suing the terminated limited liability company on
- 27               that claim or otherwise realizing upon or enforcing it against the terminated
- 28               limited liability company, but the creditor, claimant, and those claiming under
- 29               the creditor and claimant, may, if not otherwise barred by law, assert their
- 30               claims against the surviving organization of the merger.

- 1           2. If the business of the limited liability company is to be wound up and terminated  
2           other than by merging the dissolved limited liability company into a successor  
3           organization, the procedures stated in subsections 3 through 5 must be followed.
- 4           3. When a notice of dissolution has been filed with the secretary of state, the board of  
5           governors, or the managers acting under the direction of the board of governors,  
6           shall proceed as soon as possible:
- 7           a. To give notice to creditors and claimants under section 10-32-114 or to  
8           proceed under section 10-32-115;
- 9           b. Subject to any business continuation agreement, to collect or make provision  
10          for the collection of all known debts due or owing to the limited liability  
11          company, including unperformed contribution agreements; and
- 12          c. Except as provided in sections 10-32-114, 10-32-115, and 10-32-128, to pay  
13          or make provision for the payment of all known debts, obligations, and  
14          liabilities of the limited liability company according to their priorities under  
15          section 10-32-131.
- 16          4. Notwithstanding section 10-32-108, when a notice of dissolution has been filed  
17          with the secretary of state, the governors may sell, lease, transfer, or otherwise  
18          dispose of all or substantially all of the property and assets of a dissolved limited  
19          liability company without a vote of the members.
- 20          5. All tangible or intangible property, including money, remaining after the discharge  
21          of, or after making adequate provision for the discharge of, the debts, obligations,  
22          and liabilities of the limited liability company must be distributed to the members in  
23          accordance with section 10-32-131.

24           **SECTION 177. AMENDMENT.** Section 10-32-114 of the North Dakota Century Code  
25 is amended and reenacted as follows:

26           **10-32-114. Winding-up procedure for limited liability companies that give notice**  
27 **to creditors and claimants.**

- 28           4- When a notice of dissolution has been filed with the secretary of state, and the  
29           business of the limited liability company is not to be wound up and terminated by  
30           merging the dissolved limited liability company into a successor organization under  
31           subsection 3 of section 10-32-112, then the limited liability company may give

- 1 notice of the filing to each creditor of and claimant against the limited liability  
2 company known or unknown, present or future, and contingent or noncontingent.
- 3 1. If notice to creditors and claimants is given, it must be given by publishing the  
4 notice once each week for four successive weeks in an official newspaper as  
5 defined in chapter 46-06 in the county or counties where the registered office and  
6 the principal executive office of the limited liability company are located and by  
7 giving written notice to known creditors and claimants pursuant to subsection 32 of  
8 section 10-32-02.
- 9 2. The notice to creditors and claimants must contain:
- 10 a. A statement that the limited liability company has dissolved and is in the  
11 process of winding up its affairs;
- 12 b. A statement that the limited liability company has filed with the secretary of  
13 state a notice of dissolution;
- 14 c. The date of filing the notice of dissolution;
- 15 d. The address of the office to which written claims against the limited liability  
16 company must be presented; and
- 17 e. The date by which all claims must be received, which must be the later of  
18 ninety days after published notice or, with respect to a particular known  
19 creditor or claimant, ninety days after the date on which written notice was  
20 given to that creditor or claimant. Published notice is considered given on the  
21 date of first publication for the purpose of determining this date.
- 22 3. If the business of the limited liability company is being continued under a business  
23 continuation agreement, the notice to creditors may also contain all of the  
24 following:
- 25 a. A statement that the business of the dissolved limited liability company is  
26 being continued by a successor organization;
- 27 b. The name and address of the successor organization;
- 28 c. An undertaking by the successor organization to assume all the liabilities of  
29 the dissolved limited liability company; and

- 1           d. A statement that creditors of the dissolved limited liability company do not  
2           need to file claims against the limited liability company in order to preserve  
3           their rights to enforce those claims against the successor organization.  
4           Neither the existence of a business continuation agreement nor the giving of the  
5           information described in this subsection affects a creditor's or claimant's right to  
6           proceed against the dissolved limited liability company.
- 7           4. With respect to a limited liability company that gives notice to creditors and  
8           claimants:
- 9           a. A The limited liability company ~~that gives notice to creditors and claimants~~  
10           has thirty days from the receipt of each claim filed according to the  
11           procedures set forth by the limited liability company on or before the date set  
12           forth in the notice to accept or reject the claim by giving written notice to the  
13           person submitting it. A claim not expressly rejected in this manner is  
14           considered accepted.
- 15           b. A creditor or claimant to whom notice is given and whose claim is rejected by  
16           the limited liability company has sixty days from the date of rejection, or one  
17           hundred eighty days from the date the limited liability company filed with the  
18           secretary of state the notice of dissolution, whichever is longer, to pursue any  
19           other remedies with respect to the claim.
- 20           c. A creditor or claimant to whom notice is given who fails to file a claim  
21           according to the procedures set forth by the limited liability company on or  
22           before the date set forth in the notice is barred from suing the dissolved  
23           limited liability company on that claim or otherwise realizing upon or enforcing  
24           it against the dissolved limited liability company, except as provided in section  
25           10-32-128. If the dissolved limited liability company gave the additional  
26           information referred to in subsection 3, nothing in this section bars the creditor  
27           or claimant from seeking to enforce its rights against the successor  
28           organization.
- 29           d. A creditor or claimant whose claim is rejected by the limited liability company  
30           under subdivision b is barred from suing on that claim or otherwise realizing  
31           upon or enforcing it whether against the dissolved limited liability company or

- 1                   any successor organization, if the creditor or claimant does not initiate legal,  
2                   administrative, or arbitration proceedings with respect to the claim within the  
3                   time provided in subdivision b.
- 4           5.   Articles of termination for a limited liability company dissolving under this section  
5           that has given notice to creditors and claimants under this section must be filed  
6           with the secretary of state along with the fees provided in section 10-32-150 after:
- 7           a.   The ninety-day period in subdivision e of subsection 2 has expired and the  
8           payment of claims of all creditors and claimants filing a claim within that  
9           period has been made or provided for; or
- 10          b.   The longest of the periods described in subdivision b of subsection 4 has  
11          expired and there are no pending legal, administrative, or arbitration  
12          proceedings by or against the limited liability company commenced within the  
13          time provided in subdivision b of subsection 4.
- 14          6.   The articles of termination for a limited liability company that has given notice to  
15          creditors and claimants under this section must state:
- 16          a.   The last date on which the notice was given and that the payment of all  
17          creditors and claimants filing a claim within the ninety-day period in  
18          subdivision e of subsection 2 has been made or provided for, or the date on  
19          which the longest of the periods described in subdivision b of subsection 4  
20          expired;
- 21          b.   That the remaining property, assets, and claims of the limited liability  
22          company have been distributed in accordance with section 10-32-131, or that  
23          adequate provision has been made for that distribution; and
- 24          c.   That there are no pending legal, administrative, or arbitration proceedings by  
25          or against the limited liability company commenced within the time provided in  
26          subdivision b of subsection 4 or that adequate provision has been made for  
27          the satisfaction of any judgment, order, or decree that may be entered against  
28          it in a pending proceeding.

29           **SECTION 178. AMENDMENT.** Section 10-32-115 of the North Dakota Century Code  
30 is amended and reenacted as follows:

1           **10-32-115. Winding-up procedure for limited liability companies that do not give**  
2 **notice to creditors and claimants.** When a notice of intent to dissolve has been filed with the  
3 secretary of state and the limited liability company elected not to give notice to creditors and  
4 claimants in the manner provided in section 10-32-114:

5           1. Articles of termination for a limited liability company whose business is not to be  
6           wound up and terminated by merging the dissolved limited liability company into a  
7           successor organization under subsection 3 of section 10-32-112 and that has not  
8           given notice to creditors and claimants in the manner provided in section  
9           10-32-114 must be filed with the secretary of state after:

10           a. The payment of claims of all known creditors and claimants has been made  
11           or provided for; or

12           b. At least two years have elapsed from the date of filing the notice of  
13           dissolution.

14           2. The articles of termination for a limited liability company that has not given notice  
15 to creditors and claimants in the manner provided under section 10-32-114 must  
16 state:

17           a. If articles of termination are being filed pursuant to subdivision a of  
18           subsection 1 that all known debts, obligations, and liabilities of the limited  
19           liability company have been paid and discharged or that adequate provision  
20           has been made for payment or discharge;

21           b. That the remaining property, assets, and claims of the limited liability  
22           company have been distributed in accordance with section 10-32-131 or that  
23           adequate provision has been made for that distribution; and

24           c. That there are no pending legal, administrative, or arbitration proceedings by  
25           or against the limited liability company or that adequate provision has been  
26           made for the satisfaction of any judgment, order, or decree that may be  
27           entered against it in a pending proceeding.

28           3. If the limited liability company has paid or provided for all known creditors or  
29           claimants at the time articles of termination are filed, a creditor or claimant who  
30           does not file a claim or pursue a remedy in a legal, administrative, or arbitration



1 proceeding within two years after the date of filing the notice of dissolution is  
2 barred from suing on that claim or otherwise realizing upon or enforcing it.  
3 4. If the limited liability company has not paid or provided for all known creditors and  
4 claimants at the time articles of termination are filed, a person who does not file a  
5 claim or pursue a remedy in a legal, administrative, or arbitration proceeding within  
6 two years after the date of filing the notice of dissolution is barred from suing on  
7 that claim or otherwise realizing upon or enforcing it, except as provided in section  
8 10-32-128.

9 **SECTION 179. AMENDMENT.** Section 10-32-117 of the North Dakota Century Code  
10 is amended and reenacted as follows:

11 **10-32-117. Filing of article of termination - Effective date of termination and**  
12 **certificate - Certificate of termination.**

- 13 1. An original of the articles of termination must be filed with the secretary of state. If  
14 the secretary of state finds the articles of termination conform to the filing  
15 requirements of the chapter and all fees have been paid under section 10-32-150,  
16 the secretary of state shall issue a certificate of termination.  
17 2. When the articles of termination have been filed with the secretary of state, the  
18 limited liability company is terminated.  
19 ~~2.~~ 3. The secretary of state shall issue to the dissolved limited liability company or its  
20 legal representative a certificate of termination that contains:  
21 a. The name of the limited liability company;  
22 b. The date the articles of termination were filed with the secretary of state; and  
23 c. A statement that the limited liability company is terminated.

24 **SECTION 180. AMENDMENT.** Section 10-32-119 of the North Dakota Century Code  
25 is amended and reenacted as follows:

26 **10-32-119. Judicial intervention and equitable remedies, dissolution, and**  
27 **termination.**

- 28 1. A court may grant any equitable relief it considers just and reasonable in the  
29 circumstances or may dissolve, wind up, and terminate a limited liability company:  
30 a. In a supervised voluntary winding up and termination pursuant to section  
31 10-32-118;

- 1           b. In an action by a member when it is established that:
- 2           (1) The governors or the persons having the authority otherwise vested in
- 3           the board of governors are deadlocked in the management of the
- 4           affairs of the limited liability company and the members are unable to
- 5           break the deadlock;
- 6           (2) The governors or those in control of the limited liability company have
- 7           acted fraudulently, illegally, or in a manner unfairly prejudicial toward
- 8           one or more members in their capacities as members, or governors, of
- 9           any limited liability company or as managers; or employees of a closely
- 10          held limited liability company;
- 11          (3) The members of the limited liability company are so divided in voting
- 12          power that, for a period that includes the time when two consecutive
- 13          regular meetings were held, they have failed to elect successors to
- 14          governors whose terms have expired or would have expired upon the
- 15          election and qualification of their successors;
- 16          (4) The limited liability company assets are being misapplied or wasted; or
- 17          (5) An event of dissolution has occurred under subdivision a, d, or e of
- 18          subsection 1 of section 10-32-109 but the limited liability company is
- 19          not acting to wind up its affairs;
- 20          c. In an action by a creditor when:
- 21          (1) The claim of the creditor has been reduced to judgment and an
- 22          execution on the judgment has been returned unsatisfied; or
- 23          (2) The limited liability company has admitted in writing that the claim of
- 24          the creditor is due and owing and it is established that the limited
- 25          liability company is unable to pay its debts in the ordinary course of
- 26          business; or
- 27          d. In an action by the attorney general to dissolve the limited liability company in
- 28          accordance with section 10-32-122 when it is established that a decree of
- 29          termination is appropriate.
- 30          2. In determining whether to order relief under this section and in determining what
- 31          particular relief to order, the court shall take into consideration the financial

1 condition of the limited liability company but may not refuse to order any particular  
2 form of relief solely on the grounds that the limited liability company has  
3 accumulated or current operating profits.

4 3. In determining whether to order relief under this section and in determining what  
5 particular relief to order, the court shall take into consideration the duty that all  
6 members in a closely held limited liability company owe one another to act in an  
7 honest, fair, and reasonable manner in the operation of the limited liability  
8 company and the reasonable expectations of the members as they exist at the  
9 inception and develop during the course of the members' relationship with the  
10 limited liability company and with each other.

11 4. For purposes of this section, any written agreements, including employment  
12 agreements and buy-sell agreements between or among one or more members  
13 and the limited liability company are presumed to reflect the parties reasonable  
14 expectations concerning matters dealt with in the agreements.

15 5. In determining what relief to order, the court shall take into account that any relief  
16 that results in the termination of a member's membership interest will cause  
17 dissolution of the limited liability company. If the court orders relief that results in  
18 dissolution of the limited liability company, the court shall make appropriate orders  
19 providing for the winding up and termination of the dissolved limited liability  
20 company.

21 ~~5.~~ 6. In deciding whether to order winding up through liquidation, the court shall  
22 consider whether lesser relief suggested by one or more parties, or provided in a  
23 business continuation agreement, such as any form of equitable relief, or a buyout  
24 or partial liquidation coupled with the continuation of the business of the dissolved  
25 limited liability company through a successor organization, would be adequate to  
26 permanently relieve the circumstances established under subdivision b or c of  
27 subsection 1. Lesser relief may be ordered in any case where it would be  
28 appropriate under all the facts and circumstances of the case.

29 ~~6.~~ 7. If the court finds that a party to a proceeding brought under this section has acted  
30 arbitrarily, vexatiously, or otherwise not in good faith, it may in its discretion award

1 reasonable expenses, including attorneys' fees and disbursements, to any of the  
2 other parties.

3 ~~7.~~ 8. Proceedings under this section must be brought in a court within the county in  
4 which the registered office of the limited liability company is located. It is not  
5 necessary to make members parties to the action or proceeding unless relief is  
6 sought against them personally.

7 **SECTION 181. AMENDMENT.** Section 10-32-121 of the North Dakota Century Code  
8 is amended and reenacted as follows:

9 **10-32-121. Qualifications of receivers and powers.**

- 10 1. A receiver must be an individual or a domestic or foreign organization authorized  
11 to transact business or conduct activities in this state. A receiver shall give bond  
12 as directed by the court with the sureties required by the court.
- 13 2. A receiver may sue and defend in all courts as receiver of the limited liability  
14 company. The court appointing the receiver has exclusive jurisdiction of the  
15 limited liability company and its property.

16 **SECTION 182. AMENDMENT.** Section 10-32-122 of the North Dakota Century Code  
17 is amended and reenacted as follows:

18 **10-32-122. Action by attorney general.**

- 19 1. A limited liability company may be involuntarily dissolved, wound up, and  
20 terminated by a decree of a court in this state in an action filed by the attorney  
21 general when it is established that:
- 22 a. The articles of organization were procured through fraud;
- 23 b. The limited liability company was organized for a purpose not permitted by  
24 section 10-32-04;
- 25 c. The limited liability company failed to comply with the requirements essential  
26 to organization under this chapter;
- 27 d. The limited liability company has failed for thirty days to appoint and maintain  
28 a registered agent in this state; ~~or~~
- 29 e. The limited liability company has failed for thirty days after change of the  
30 registered office or registered agent to file in the office of the secretary of  
31 state a statement of such change; or

1            f. The limited liability company has acted, or failed to act, in a manner that  
2                                constitutes surrender or abandonment of the limited liability company  
3                                privileges or enterprise.

4            2. An action must not be commenced under this section until thirty days after notice  
5                                to the limited liability company by the attorney general of the reason for the filing of  
6                                the action. If the reason for filing the action is an act that the limited liability  
7                                company has done, or omitted to do, and the act or omission may be corrected by  
8                                an amendment of the articles of organization or the operating agreement or by  
9                                performance of or abstention from the act, the attorney general shall give the  
10                                limited liability company thirty additional days in which to effect the correction  
11                                before filing the action.

12            **SECTION 183. AMENDMENT.** Section 10-32-127 of the North Dakota Century Code  
13 is amended and reenacted as follows:

14            **10-32-127. Deposit with ~~state treasurer~~ administrator of abandoned property of**  
15 **amount due certain members persons.** Upon termination of a limited liability company, the  
16 portion of the assets distributable to a ~~member person~~ person who is unknown or cannot be found, or  
17 who is under disability, if there is no person legally competent to receive ~~the distributive portion~~  
18 it, must be reduced to money and deposited with the ~~state treasurer~~ administrator of  
19 abandoned property for disposition pursuant to chapter 47-30.1. The amount deposited is  
20 appropriated to the ~~state treasurer~~ administrator of abandoned property and must be paid over  
21 to the ~~member person~~ person or a legal representative, upon proof satisfactory to the ~~state treasurer~~  
22 administrator of abandoned property of a right to payment.

23            **SECTION 184.** Section 10-32-130.1 of the North Dakota Century Code is created and  
24 enacted as follows:

25            **10-32-130.1. Extension after duration expired.**

26            1. A limited liability company whose period of duration as provided in the articles has  
27 expired and which has continued to do business despite that expiration may  
28 reinstate its articles and extend the period of duration within one year after the date  
29 of expiration by filing an amendment to the articles as set forth in this section.

30            2. An amendment to the articles must be approved by the board of governors and  
31 must include:

- 1           a. The date the period of duration expired under the articles;
- 2           b. The date to which the period of duration is extended; and
- 3           c. A statement that the limited liability company has been in continuous
- 4                 operation since before the date of expiration of its original period of duration.
- 5        3. The amendment to the articles must be presented, after notice, at a meeting of the
- 6           members. The amendment is adopted when approved by the members pursuant
- 7           to section 10-32-16.
- 8        4. Articles of amendment, together with any fees and delinquent filings and reports,
- 9           conforming to section 10-32-18 must be filed with the secretary of state.

10        **SECTION 185.** Section 10-32-130.2 of the North Dakota Century Code is created and  
11 enacted as follows:

12        **10-32-130.2. Effect of extension.** Filing with the secretary of state of articles of  
13 amendment extending the period of duration of a limited liability company:

- 14        1. Relates back to the date of expiration of the original period of duration of the
- 15           limited liability company as provided in the articles;
- 16        2. Validates contracts or other acts within the authority of the articles, and the limited
- 17           liability company is liable for those contracts or acts; and
- 18        3. Restores to the limited liability company all the assets and rights of the limited
- 19           liability company to the extent they were held by the limited liability company
- 20           before expiration of its original period of duration, except those sold or otherwise
- 21           distributed after that time.

22        **SECTION 186. AMENDMENT.** Section 10-32-135 of the North Dakota Century Code  
23 is amended and reenacted as follows:

24        **10-32-135. Foreign limited liability company - Governing law.**

- 25        1. Subject to the constitution of this state, the laws of the jurisdiction under which a
- 26           foreign limited liability company is organized govern its organization and internal
- 27           affairs and the liability of its members. A foreign limited liability company may not
- 28           be denied a certificate of authority to transact business in this state by reason of
- 29           any difference between those laws and the laws of this state.
- 30        2. A foreign limited liability company holding a valid certificate of authority in this state
- 31           has no greater rights and privileges than a domestic limited liability company. The

1 certificate of authority does not authorize the foreign limited liability company to  
2 exercise any of its powers or purposes that a domestic limited liability company is  
3 forbidden by law to exercise in this state.

4 **SECTION 187. AMENDMENT.** Section 10-32-136 of the North Dakota Century Code  
5 is amended and reenacted as follows:

6 **10-32-136. Foreign limited liability company - Name.** A foreign limited liability  
7 company may apply for a certificate of authority under any name that would be available to a  
8 domestic limited liability company, whether or not the name is the name under which it is  
9 authorized in its jurisdiction of organization. A trade name must be registered as provided in  
10 chapter 47-25 when applying for the certificate of authority under a name other than the name  
11 as authorized in the jurisdiction of origin.

12 **SECTION 188. AMENDMENT.** Section 10-32-137 of the North Dakota Century Code  
13 is amended and reenacted as follows:

14 **10-32-137. Foreign limited liability company - Admission of foreign limited**  
15 **liability company - Transacting business and obtaining - Obtaining licenses and permits.**

16 ~~No~~ A foreign limited liability company may ~~transact~~ not:

- 17 1. Transact business in this state or obtain any license or permit required by this state  
18 until it has procured a certificate of authority from the secretary of state. ~~No foreign~~  
19 ~~limited liability company may transact~~
- 20 2. Transact in this state any business that is prohibited to a domestic limited liability  
21 company organized under this chapter. ~~A foreign limited liability company may not~~  
22 ~~be~~
- 23 3. Be denied a certificate of authority because the laws of the state or country where  
24 the limited liability company is organized differ from the laws of this state. ~~Nothing~~  
25 ~~in this chapter authorizes this state to regulate the organization or internal affairs of~~  
26 ~~a foreign limited liability company.~~

27 **SECTION 189. AMENDMENT.** Section 10-32-138 of the North Dakota Century Code  
28 is amended and reenacted as follows:

29 **10-32-138. Foreign limited liability company - Application for certificate of**  
30 **authority.**

- 1           1. An applicant for the certificate shall file with the secretary of state a certificate of  
2 status from the filing office in the jurisdiction in which the foreign limited liability  
3 company is organized and an application executed by an authorized person and  
4 setting forth:
- 5           a. The name of the foreign limited liability company and, if different, the name  
6 under which it proposes to transact business in this state;
- 7           b. The jurisdiction of its organization;
- 8           c. The name ~~and business address~~ of the proposed registered agent in this  
9 state, which agent must be ~~an individual resident of this state, a domestic~~  
10 ~~corporation, or a foreign corporation having a place of business in, and~~  
11 ~~authorized to do business in, this state as defined in section 10-32-12;~~
- 12           d. The address of the ~~principal executive~~ proposed registered office of the  
13 foreign limited liability company in this state; ~~and~~
- 14           e. The date the foreign limited liability company expires in the jurisdiction of its  
15 organization;
- 16           f. The purpose the foreign limited liability company proposes to pursue in  
17 transacting its business in this state;
- 18           g. The names and addresses of the governors and managers of the foreign  
19 limited liability company; and
- 20           h. Any additional information deemed appropriate by the secretary of state to  
21 determine whether the foreign limited liability company is entitled to a  
22 certificate of authority to transact business in this state.
- 23           2. The application must be accompanied by payment of the fees provided in section  
24 10-32-150 together with a certificate of good standing or a certificate of existence  
25 duly authenticated by the organizing officer of the state or country where the  
26 limited liability company is organized and the consent of the designated registered  
27 agent for service of process to serve in that capacity.

28           **SECTION 190. AMENDMENT.** Section 10-32-139 of the North Dakota Century Code  
29 is amended and reenacted as follows:



1           **10-32-139. Foreign limited liability company - Issuance of certificate of authority.**

2 If the secretary of state finds that an application for a certificate of authority conforms to law and  
3 all fees have been paid, the secretary shall:

- 4           1. Endorse on the application the word "filed" and the date of the filing;
- 5           2. File the application, the certificate of good standing or certificate of existence, and  
6           the consent of the registered agent; and
- 7           3. Issue to the limited liability company or its representative, a certificate of authority  
8           to transact business in this state.

9           **SECTION 191. AMENDMENT.** Section 10-32-140 of the North Dakota Century Code  
10 is amended and reenacted as follows:

11           **10-32-140. Foreign limited liability company - Amendments to the certificate of**  
12 **authority.** If any statement in the application for a certificate of authority by a foreign limited  
13 liability company was false when made or any arrangements or other facts described have  
14 changed, making the application inaccurate in any respect, the foreign limited liability company  
15 shall promptly file with the secretary of state an application for an amended certificate of  
16 authority executed by an authorized person correcting the statement and in the case of a  
17 change in its name, a certificate to that effect authenticated by the proper officer of the state or  
18 country under the laws of which the foreign limited liability company is organized. In the case  
19 of a termination or merger, a foreign limited liability company that is not the surviving  
20 organization need not file an application for an amended certificate of authority but shall  
21 promptly file with the secretary of state a certificate to that effect authenticated by the proper  
22 officer of the state or country under the laws of which the foreign limited liability company is  
23 organized.

24           **SECTION 192. AMENDMENT.** Section 10-32-141 of the North Dakota Century Code  
25 is amended and reenacted as follows:

26           **10-32-141. Foreign limited liability company - Registered agent and certain**  
27 **reports.** A foreign limited liability company authorized to transact business in this state shall:  
28           1. Appoint and continuously maintain a registered agent in the same manner as  
29           provided in section 10-32-12; ~~or~~ and

- 1           2.    File a report upon any change in the ~~name or business~~ address of ~~its~~ the  
2                    registered ~~agent~~ office or upon any change in the name of its registered agent in  
3                    the same manner as provided in subsection 3 of section 10-32-13.

4           **SECTION 193. AMENDMENT.** Section 10-32-142 of the North Dakota Century Code  
5 is amended and reenacted as follows:

6           **10-32-142. Foreign limited liability company - Merger of foreign limited liability**  
7 **company authorized to transact business in this state.** Whenever a foreign limited liability  
8 company authorized to transact business in this state is a party to a statutory merger permitted  
9 by the laws of the state or country under which it is organized, and the limited liability company  
10 is not the surviving organization, the surviving organization shall, within thirty days after the  
11 merger becomes effective, file with the secretary of state a certified statement of merger duly  
12 authenticated by the proper officer of the state or country where the statutory merger was  
13 effected. ~~It is not necessary for any~~ Any foreign organization, which is the surviving  
14 organization in a merger and which will continue to transact business in this state, ~~to shall~~  
15 procure either a new or amended certificate of authority ~~to transact business in this state unless~~  
16 ~~the name of the organization is changed thereby or unless the organization desires to pursue in~~  
17 ~~this state purposes other than those which it is authorized to transact in this state.~~

18           **SECTION 194. AMENDMENT.** Section 10-32-143 of the North Dakota Century Code  
19 is amended and reenacted as follows:

20           **10-32-143. Foreign limited liability company - Certificate of withdrawal.**

- 21           1.    A foreign limited liability company authorized to transact business in this state may  
22                    withdraw from this state upon procuring from the secretary of state a certificate of  
23                    withdrawal. In order to procure the certificate, the foreign limited liability company  
24                    shall file with the secretary of state an application for withdrawal, together with the  
25                    fees provided in section 10-32-150, which must set forth:
- 26                    a.    The name of the limited liability company and the state or country under the
  - 27                            laws of which it is organized;
  - 28                    b.    That the limited liability company is not transacting business in this state;
  - 29                    c.    That the limited liability company surrenders its authority to transact business
  - 30                            in this state;

- 1           d. That the limited liability company revokes the authority of its registered agent  
2           in this state to accept service of process and consents to that service of  
3           process on the limited liability company by service upon the secretary of state  
4           in any action, suit, or proceeding based upon any cause of action arising in  
5           this state during the time the limited liability company was authorized to  
6           transact business in this state; and
- 7           e. A post-office address to which a person may mail a copy of any process  
8           against the limited liability company.
- 9           2. The filing with the secretary of state of a certificate of termination, or a certificate of  
10          merger if the limited liability company is not the surviving organization, from the  
11          proper officer of the state or country under the laws of which the limited liability  
12          company is organized constitutes a valid application of withdrawal and the  
13          authority of the limited liability company to transact business in this state shall  
14          cease upon filing of the certificate.

15           **SECTION 195. AMENDMENT.** Section 10-32-144 of the North Dakota Century Code  
16 is amended and reenacted as follows:

17           **10-32-144. Foreign limited liability company - Revocation of certificate of**  
18 **authority.**

- 19          1. The certificate of authority of a foreign limited liability company to transact  
20          business in this state may be revoked by the secretary of state upon the  
21          occurrence of either of these events:
- 22           a. The foreign limited liability company has failed to appoint and maintain a  
23           registered agent as required by this chapter, file a report upon any change in  
24           the name or business address of the registered agent, or file in the office of  
25           the secretary of state any amendment to its application for a certificate of  
26           authority as specified in section 10-32-140; or
- 27           b. A misrepresentation has been made of any material matter in any application,  
28           report, affidavit, or other document submitted by the foreign limited liability  
29           company pursuant to this chapter.
- 30          2. No certificate of authority of a foreign limited liability company may be revoked by  
31          the secretary of state unless:

- 1           a.    The secretary has given the foreign limited liability company not less than  
2                    sixty days' notice by mail addressed to its registered office in this state or, if  
3                    the foreign limited liability company fails to appoint and maintain a registered  
4                    agent in this state, addressed to its principal executive office; and
- 5           b.    During the sixty-day period, the foreign limited liability company has failed to  
6                    file the report of change regarding the registered agent, to file any  
7                    amendment, or to correct the misrepresentation.
- 8           3.    Upon the expiration of sixty days after the mailing of the notice, the authority of the  
9                    foreign limited liability company to transact business in this state ceases. The  
10                   secretary of state shall issue a certificate of revocation and shall mail the certificate  
11                   to the principal executive office of the foreign limited liability company.

12           **SECTION 196. AMENDMENT.** Section 10-32-145 of the North Dakota Century Code  
13 is amended and reenacted as follows:

14           **10-32-145. Foreign limited liability company - Transaction of business without**  
15 **certificate of authority.**

- 16           1.    A foreign limited liability company transacting business in this state may not  
17                    maintain any action, suit, or proceeding in any court of this state until it possesses  
18                    a certificate of authority.
- 19           2.    The failure of a foreign limited liability company to obtain a certificate of authority  
20                    does not impair the validity of any contract or act of the foreign limited liability  
21                    company or prevent the foreign limited liability company from defending any action,  
22                    suit, or proceeding in any court of this state.
- 23           3.    A foreign limited liability company, by transacting business in this state without a  
24                    certificate of authority, appoints the secretary of state as its agent upon whom any  
25                    notice, process, or demand may be served.
- 26           4.    A foreign limited liability company that transacts business in this state without a  
27                    valid certificate of authority is liable to the state for the years or parts of years  
28                    during which it transacted business in this state without the certificate in an amount  
29                    equal to all fees that would have been imposed by this chapter upon that limited  
30                    liability company had it duly obtained the certificate, filed all reports required by this  
31                    chapter, and paid all penalties imposed by this chapter. The attorney general shall

1 bring proceedings to recover all amounts due this state under the provisions of this  
2 section.

3 5. A foreign limited liability company that transacts business in this state without a  
4 valid certificate of authority is subject to a civil penalty, payable to the state, not to  
5 exceed five thousand dollars. Each governor or, in the absence of governors,  
6 each member or agent who authorizes, directs, or participates in the transaction of  
7 business in this state on behalf of a foreign limited liability company that does not  
8 have a certificate is subject to a civil penalty, payable to the state, not to exceed  
9 one thousand dollars.

10 6. The civil penalties set forth in subsection 5 may be recovered in an action brought  
11 within the district court of Burleigh County by the attorney general. Upon a finding  
12 by the court that a foreign limited liability company or any of its members,  
13 governors, or agents have transacted business in this state in violation of this  
14 chapter, the court shall issue, in addition to the imposition of a civil penalty, an  
15 injunction restraining the further transaction of the business of the foreign limited  
16 liability company and the further exercise of any limited liability company's rights  
17 and privileges in this state. The foreign limited liability company must be enjoined  
18 from transacting business in this state until all civil penalties plus any interest and  
19 court costs that the court may assess have been paid and until the foreign limited  
20 liability company has otherwise complied with the provisions of this chapter.

21 7. A member of a foreign limited liability company is not liable for the debts and  
22 obligations of the limited liability company solely by reason of the company's  
23 having transacted business in this state without a valid certificate of authority.

24 **SECTION 197. AMENDMENT.** Section 10-32-146 of the North Dakota Century Code  
25 is amended and reenacted as follows:

26 **10-32-146. Foreign limited liability company - Transactions not constituting**  
27 **transacting business.**

28 1. The following activities of a foreign limited liability company, among others, do not  
29 constitute transacting business within the meaning of this chapter:

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

- 1           b. Holding meetings of its members or carrying on any other activities
- 2           concerning its internal affairs;
- 3           c. Maintaining bank accounts;
- 4           d. Maintaining offices or agencies for the transfer, exchange, and registration of
- 5           the foreign limited liability company's own securities or maintaining trustees or
- 6           depositories with respect to those securities;
- 7           e. Selling through independent contractors;
- 8           f. Soliciting or obtaining orders, whether by mail or through employees or
- 9           agents or otherwise, if the orders require acceptance outside this state before
- 10          they become contracts;
- 11          g. Creating or acquiring indebtedness, mortgages, and security interests in real
- 12          or personal property;
- 13          h. Securing or collecting debts or enforcing mortgages and security interests in
- 14          property securing the debts;
- 15          i. Holding, protecting, renting, maintaining, and operating real or personal
- 16          property in this state so acquired;
- 17          j. Selling or transferring title to property in this state to any person; or
- 18          k. Conducting an isolated transaction that is completed within thirty days and
- 19          that is not one in the course of repeated transactions of a like manner.
- 20          2. The term "transacting business" as used in this section has no effect on personal
- 21          jurisdiction under the North Dakota Rules of Civil Procedure.
- 22          3. For purposes of this section, any foreign limited liability company that owns
- 23          income-producing real or tangible personal property in this state, other than
- 24          property exempted under subsection 1, will be considered transacting business in
- 25          this state.
- 26          4. The list of activities in subsection 1 is not exhaustive. This section does not apply
- 27          in determining the contracts or activities that may subject a foreign limited liability
- 28          company to service of process or taxation in this state or to regulation under any
- 29          other law of this state.

30           **SECTION 198. AMENDMENT.** Section 10-32-147 of the North Dakota Century Code  
31 is amended and reenacted as follows:

1           **10-32-147. Foreign limited liability company - Action by attorney general.** The  
2 attorney general may bring an action to restrain a foreign limited liability company from  
3 transacting business in this state in violation of this chapter.

4           **SECTION 199. AMENDMENT.** Section 10-32-148 of the North Dakota Century Code  
5 is amended and reenacted as follows:

6           **10-32-148. Service of process on a foreign limited liability company.** Service of  
7 process on a foreign limited liability company must be as provided in section 10-32-132. When  
8 the certificate of authority of a foreign limited liability company is suspended or revoked, the  
9 secretary of state is an agent of the foreign limited liability company for service of process,  
10 notice, or demand.

11           **SECTION 200. AMENDMENT.** Section 10-32-149 of the North Dakota Century Code  
12 is amended and reenacted as follows:

13           **10-32-149. Secretary of state - Annual report of limited liability company and**  
14 **foreign limited liability company.**

- 15           1. Each limited liability company, and each foreign limited liability company  
16 authorized to transact business in this state, shall file, within the time prescribed by  
17 subsection 3, an annual report setting forth:
- 18           a. The name of the limited liability company or foreign limited liability company  
19 and the state or country under the laws of which it is organized.
  - 20           b. The address of the registered office of the limited liability company or foreign  
21 limited liability company in this state, the name of its registered agent in this  
22 state at that address, and the address of its principal executive office.
  - 23           c. A brief statement of the character of the business in which the limited liability  
24 company or foreign limited liability company is actually engaged in this state.
  - 25           d. The names and respective addresses of the managers and governors of the  
26 limited liability company or foreign limited liability company or the name or  
27 names and respective address or addresses of at least two the managing  
28 member or members of the limited liability company or foreign limited liability  
29 company.
- 30           2. The annual report must be submitted on forms prescribed by the secretary of state.  
31 The information provided must be given as of the date of the execution of the

1 report. The annual report must be signed as prescribed in subsection 46 of  
2 section 10-32-02, ~~or if~~ the articles, operating agreement, or a resolution approved  
3 by the affirmative vote of the required proportion or number of the governors or  
4 members entitled to vote. If the limited liability company or foreign limited liability  
5 company is in the hands of a receiver or trustee, it must be signed on behalf of the  
6 limited liability company or foreign limited liability company by the receiver or  
7 trustee. The secretary of state may destroy all annual reports provided for in this  
8 section after they have been on file for six years.

9 3. The annual report of a limited liability company or foreign limited liability company  
10 must be delivered to the secretary of state before November sixteenth of each  
11 year, except that the first annual report of a limited liability company or foreign  
12 limited liability company must be delivered before November sixteenth of the year  
13 following the calendar year in which the certificate of organization or certificate of  
14 authority was issued by the secretary of state.

15 a. An annual report in a sealed envelope postmarked by the United States  
16 postal service before November sixteenth, or an annual report in a sealed  
17 packet with a verified shipment date by any other carrier service before  
18 November sixteenth, is in compliance with this requirement.

19 b. The secretary of state must file the report if the report conforms to the  
20 requirements of subsection 2.

21 (1) If the report does not conform, it must be returned to the limited liability  
22 company or foreign limited liability company for any necessary  
23 corrections.

24 (2) If the report is filed before the deadlines prescribed in this subsection,  
25 penalties for the failure to file a report within the time provided do not  
26 apply; if a the report is corrected to conform to the requirements of  
27 subsection 2 and returned to the secretary of state within thirty days  
28 after the annual report was returned by the secretary of state for  
29 correction.



- 1           c. The secretary of state may extend the annual filing date of any limited liability  
2           company or foreign limited liability company, if a written application for an  
3           extension is delivered before November sixteenth.
- 4           4. ~~Each limited liability company or foreign limited liability company that fails or~~  
5           ~~refuses to file its annual report for any year within the time prescribed by~~  
6           ~~subsection 3 must pay an additional fee of fifty dollars. A limited liability company~~  
7           ~~that fails to file its annual report, along with the statutory filing and penalty fees,~~  
8           ~~within six months after November fifteenth, ceases to exist and is considered~~  
9           ~~involuntarily terminated by operation of law. The secretary of state shall revoke~~  
10           ~~the certificate of authority to transact business of any foreign limited liability~~  
11           ~~company which fails to file its annual report, along with the statutory filing and~~  
12           ~~penalty fees within six months after November fifteenth. The secretary of state's~~  
13           ~~determination that a certificate of authority must be revoked under this section is~~  
14           ~~final.~~
- 15           ~~5.~~ After the date established under subsection 3, the secretary of state shall notify  
16           any limited liability company or foreign limited liability company failing to file its  
17           annual report that its certificate of organization or certificate of authority is not in  
18           good standing and that it may be terminated or revoked pursuant to subsection 4  
19           5.
- 20           a. The secretary of state must mail notice of termination or revocation to the last  
21           registered agent at the last registered office of record.
- 22           b. If the limited liability company or foreign limited liability company files its  
23           annual report after the notice is mailed, together with the annual report filing  
24           fee and late filing penalty fee as prescribed by section 10-32-150 ~~and the late~~  
25           ~~filing penalty fee as prescribed by subsection 4,~~ the secretary of state will  
26           restore its certificate of organization or certificate of authority to good  
27           standing.
- 28           ~~6.~~ 5. A limited liability company that does not file its annual report, along with the  
29           statutory filing and penalty fees, within six months after the date established in  
30           subsection 3, ceases to exist and is considered involuntarily terminated by  
31           operation of law.

- 1           a. The secretary of state shall note the termination of the limited liability  
2           company's certificate of organization on the records of the secretary of state  
3           and shall give notice of the action to the terminated limited liability company.  
4           b. Notice by the secretary of state must be mailed to the foreign limited liability  
5           company's last registered agent at the last registered office of record.
- 6       7- 6. A foreign limited liability company that does not file its annual report, along with the  
7       statutory filing and penalty fees, within six months after the date established by  
8       subsection 3, forfeits its authority to transact business in ~~North Dakota~~ this state.
- 9           a. The secretary of state shall note the revocation of the foreign limited liability  
10          company's certificate of authority on the records of the secretary of state and  
11          shall give notice of the action to the foreign limited liability company.  
12          b. Notice by the secretary of state must be mailed to the foreign limited liability  
13          company's last registered agent at the last registered office of record.  
14          c. The secretary of state's decision that a certificate of authority must be  
15          revoked under this subsection is final.
- 16       8- 7. A limited liability company that was terminated for failure to file an annual report, or  
17       a foreign limited liability company whose authority was forfeited by failure to file an  
18       annual report, may be reinstated by filing a past-due report, together with the  
19       statutory filing and penalty fees for an annual report and a ~~one hundred twenty-five~~  
20       ~~dollar fee~~ reinstatement fee as prescribed in section 10-32-150. The fees must be  
21       paid and the report filed within one year following ~~November fifteenth for the~~  
22       ~~past due report~~ the involuntary dissolution or revocation. Reinstatement under this  
23       ~~section~~ subsection does not affect the rights or liability for the time from the  
24       termination or revocation to the reinstatement.

25           **SECTION 201. AMENDMENT.** Section 10-32-150 of the North Dakota Century Code  
26 is amended and reenacted as follows:

27           **10-32-150. Secretary of state - Fees and charges.**

- 28           1. The secretary of state shall charge and collect for:  
29           a. Filing articles of organization and issuing a certificate of organization, one  
30           hundred twenty-five dollars.  
31           b. Filing articles of amendment, fifty dollars.

Fifty-fifth  
Legislative Assembly

- 1 c. Filing restated articles of organization, one hundred twenty-five dollars.
- 2 d. Filing articles of merger and issuing a certificate of merger, fifty dollars.
- 3 e. Filing abandonment of merger or exchange, fifty dollars.
- 4 f. Filing an application to reserve a name, ten dollars.
- 5 g. Filing a notice of transfer of a reserved name, ten dollars.
- 6 h. Filing a cancellation of reserved name, ten dollars.
- 7 i. Filing a consent to use of name, ten dollars.
- 8 j. Filing a statement of change of address of registered office or change of  
9 registered agent or both, ten dollars.
- 10 k. Filing a statement of change of address of registered office by registered  
11 agent, ten dollars for each limited liability company affected by such change.
- 12 l. Filing a registered agent's consent to serve in such capacity, ten dollars.
- 13 m. Filing a resignation as registered agent, ten dollars.
- 14 n. Filing a resolution for the establishment of a class or series of membership  
15 interest, fifty dollars.
- 16 o. Filing a notice of dissolution, ten dollars.
- 17 p. Filing a statement of revocation of voluntary dissolution proceedings, ten  
18 dollars.
- 19 q. Filing articles of dissolution and termination, twenty dollars.
- 20 r. Filing an application of a foreign limited liability company for a certificate of  
21 authority to transact business in this state and issuing a certificate of  
22 authority, one hundred twenty-five dollars.
- 23 s. Filing an amendment to the certificate of authority by a foreign limited liability  
24 company, fifty dollars.
- 25 t. Filing a certificate of fact stating a merger of a foreign limited liability company  
26 holding a certificate of authority to transact business in this state, twenty  
27 dollars.
- 28 u. Filing an application for withdrawal of a foreign limited liability company and  
29 issuing a certificate of withdrawal, twenty dollars.
- 30 v. Filing an annual report of a limited liability company or foreign limited liability  
31 company, fifty dollars; ~~any other statement or report of either, ten dollars.~~

1           The secretary of state shall charge and collect additional fees for late filing of  
2           the annual report as follows:

3           (1) After the date prescribed in subsection 3 of section 10-32-149, fifty  
4           dollars; and

5           (2) After the termination of the limited liability company, or the revocation of  
6           the certificate of authority of a foreign limited liability company, the  
7           reinstatement fee of one hundred twenty-five dollars.

8           w. Filing any process, notice, or demand for service, ~~twenty~~ twenty-five dollars.

9           x. Filing any other statement or report of a limited liability company or foreign  
10          limited liability company, ten dollars.

11          2. The secretary of state shall charge and collect for:

12          a. Furnishing a copy of any document, instrument, or paper relating to a limited  
13          liability company or a foreign limited liability company, one dollar for every  
14          four pages, or fraction thereof.

15          b. A certificate certifying a copy or reciting facts related to a limited liability  
16          company or a foreign limited liability company, twenty dollars.

17          c. Each page of any document or form sent by electronic transmission, one  
18          dollar.

19          **SECTION 202. AMENDMENT.** Section 10-32-152 of the North Dakota Century Code  
20 is amended and reenacted as follows:

21          **10-32-152. Secretary of state - Powers - Enforcement - Appeal.**

22          1. The secretary of state has the power and authority reasonably necessary to  
23          efficiently administer this chapter and to perform the duties imposed thereby.

24          2. The secretary of state may propound to any limited liability company, domestic or  
25          foreign, subject to the provisions of this chapter and to any manager or governor  
26          thereof, such interrogatories as may be reasonably necessary and proper to  
27          ascertain whether such limited liability company has complied with all provisions of  
28          this chapter applicable to such limited liability company.

29          a. Such interrogatories must be answered within thirty days after mailing, or  
30          within such additional time as must be fixed by the secretary of state. The

- 1                    answers to such interrogatories must be full and complete and must be made  
2                    in writing and under oath.
- 3                    b. If such interrogatories be directed:
- 4                    (1) To an individual, they must be answered by that individual; or  
5                    (2) To a limited liability company, they must be answered by the president,  
6                    vice president, secretary, or assistant secretary of the limited liability  
7                    company.
- 8                    c. The secretary of state need not file any document to which such  
9                    interrogatories relate until such interrogatories have been answered, and not  
10                   then if the answers disclose that such document is not in conformity with the  
11                   provisions of this chapter.
- 12                   d. The secretary of state shall certify to the attorney general, for such action as  
13                   the attorney general may deem appropriate, all interrogatories and answers  
14                   thereto, which disclose a violation of any of the provisions of this chapter.
- 15                   e. Each manager or governor of a limited liability company, domestic or foreign,  
16                   who fails or refuses within the time provided by subdivision a of subsection 2  
17                   to answer truthfully and fully all interrogatories propounded to that person by  
18                   the secretary of state is guilty of an infraction.
- 19                   f. Interrogatories propounded by the secretary of state and the answers thereto  
20                   are not open to public inspection. The secretary of state may not disclose  
21                   any facts or information obtained from such interrogatories or answers except  
22                   insofar as may be permitted by law or insofar as is required for evidence in  
23                   any criminal proceedings or other action by this state.
- 24                   3. If the secretary of state rejects any document required by this chapter to be  
25                   approved by the secretary of state before the same may be filed, then the  
26                   secretary of state shall, ~~within ten days after receipt of the document,~~ give written  
27                   notice of the rejection to the person who delivered the document, specifying the  
28                   reasons for rejection.
- 29                   a. From such rejection such person may appeal to the district court of the county  
30                   in which the registered office of such limited liability company is, or is  
31                   proposed to be, situated by filing with the clerk of such court a petition setting

- 1                   forth a copy of the document sought to be filed and a copy of the written  
2                   rejection of the document by the secretary of state.
- 3                   b.   The matter must be tried de novo by the court. The court shall either sustain  
4                   the action of the secretary of state or direct the secretary of state to take such  
5                   action as the court may deem proper.
- 6                   4.   If the secretary of state revokes the certificate of authority to transact business in  
7                   this state of any foreign limited liability company, pursuant to the provisions of  
8                   section 10-32-144, such foreign limited liability company may appeal to district  
9                   court of the county where the registered office of such limited liability company in  
10                  this state is situated by filing with the clerk of such court a petition setting forth a  
11                  copy of its certificate of authority to transact business in this state and a copy of  
12                  the notice of revocation given by the secretary of state. The matter must be tried  
13                  de novo by the court. The court shall either sustain the action of the secretary of  
14                  state or direct the secretary of state to take such action as the court may deem  
15                  proper.
- 16                  5.   Appeals from all final orders and judgments entered by the district court under this  
17                  section in review of any ruling or decision of the secretary of state may be taken as  
18                  in other civil actions.

19                  **SECTION 203. AMENDMENT.** Section 10-32-153 of the North Dakota Century Code  
20 is amended and reenacted as follows:

21                  **10-32-153. Secretary of state - Certificates and certified copies to be received in**  
22 **evidence.**

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

1           bodies as prima facie evidence of the existence or nonexistence of the facts stated  
2           therein.

3           **SECTION 204. AMENDMENT.** Section 10-32-154 of the North Dakota Century Code  
4 is amended and reenacted as follows:

5           **10-32-154. 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 ~~which must be prescribed and furnished~~ by the secretary of state. Forms for all  
8 other documents to be filed in the office of the secretary of state ~~must~~ may be furnished by the  
9 secretary of state upon request. However, the use of such documents, unless otherwise  
10 specifically required by law, is not mandatory.

11           **SECTION 205. AMENDMENT.** Section 10-32-155 of the North Dakota Century Code  
12 is amended and reenacted as follows:

13           **10-32-155. 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.

20           b. "Private organization" means a limited liability company authorized under this  
21           chapter or corporation authorized under chapter 10-19.1, one of the purposes  
22           of which is to establish, operate, and maintain a foreign trade zone by itself or  
23           in conjunction with a public corporation.

24           c. "Public corporation" means:

25           (1) This state;

26           (2) Any political subdivision of this state;

27           (3) Any municipality of this state;

28           (4) Any public agency:

29           (a) Of this state;

30           (b) Of any political subdivision of this state; or

31           (c) Any municipality of this state; or

- 1                   (5) Any other corporate instrumentality of this state.
- 2           2. Any private organization or public organization has the power to apply to the
- 3           proper authorities of the United States for a grant of the privilege of establishing,
- 4           operating, and maintaining foreign trade zones and foreign trade subzones and to
- 5           do all things necessary and proper to carry into effect the establishment, operation,
- 6           and maintenance of such zones, all in accordance with the Act of Congress and
- 7           other applicable laws and rules.

8           **SECTION 206.** Section 10-32-156 of the North Dakota Century Code is created and

9           enacted as follows:

10           **10-32-156. Miscellaneous - Audit reports and audit of limited liability companies**

11 **receiving state subsidies for production of alcohol or methanol for combination with**

12 **gasoline.** Any limited liability company that produces agricultural ethyl alcohol or methanol

13 within this state and which receives a production subsidy from the state, whether in the form of

14 reduced taxes or otherwise, shall submit an annual audit report, prepared by a certified public

15 accountant based on an audit of all records and accounts of the limited liability company, to the

16 legislative audit and fiscal review committee. The audit must be submitted within ninety days of

17 the close of the limited liability company's taxable year. Upon request of the legislative audit

18 and fiscal review committee, the state auditor shall conduct an audit of the records and

19 accounts of any limited liability company required to submit an annual report under this section.

20           **SECTION 207. AMENDMENT.** Section 45-10.1-01 of the North Dakota Century Code

21           is amended and reenacted as follows:

22           **45-10.1-01. (101) Definitions.** As used in this chapter, unless the context otherwise

23           requires:

- 24           1. "Address" means:
- 25           a. In the case of a registered office or principal executive office, the mailing
- 26           address, including the zip code, of the actual office location which may not be
- 27           only a post-office box; and
- 28           b. In all other cases, the mailing address, including a zip code.
- 29           2. "Certificate of limited partnership" means the certificate referred to in section
- 30           45-10.1-08, and the certificate as amended or restated.





- 1           a. Is given to a limited partnership or to a partner of the limited partnership when  
2           in writing and mailed or delivered to the limited partnership or the partner at  
3           the registered office or principal executive office of the limited partnership.
- 4           b. In all other cases, is given to a person:
- 5           (1) When mailed to the person at an address designated by the person or  
6           at the last known address of the person;
- 7           (2) When handed to the person; or
- 8           (3) When left at the office of the person with a clerk or other person in  
9           charge of the office; or
- 10           (a) If there is no one in charge, when left in a conspicuous place in  
11           the office; or
- 12           (b) If the office is closed or the person to be notified has no office,  
13           when left at the dwelling house or usual place of abode of the  
14           person with some person of suitable age and discretion residing  
15           there.
- 16           c. Is given when deposited in the United States mail with sufficient postage  
17           affixed.
- 18           d. Is deemed received when it is given.
- 19    &- 11. "Partner" means a general or limited partner.
- 20    9- 12. "Partnership agreement" means any valid agreement, written or oral, of the  
21           partners as to the affairs of a limited partnership and the conduct of its business.
- 22    40- 13. "Partnership interest" means a partner's share of the profits and losses of a limited  
23           partnership and the right to receive distributions of partnership assets.
- 24    44- ~~"Person" means a natural person, partnership, limited partnership, trust, estate,~~  
25           ~~association, corporation, or limited liability company.~~
- 26    14. "Principal executive office" means:
- 27           a. An office from which the limited partnership conducts business; or
- 28           b. If the limited partnership has no office from which it conducts business, then  
29           the registered office of the limited partnership.
- 30    15. "Signed" means that the signature of a person has been placed on a document, as  
31           provided in subsection 39 of section 41-01-11, and:

- 1           a. With respect to a document required by this chapter to be filed with the  
2           secretary of state, means that the document has been signed by a person  
3           authorized to do so by this chapter or by a resolution approved by the  
4           affirmative vote of the required proportion or number of partners; and  
5           b. With respect to a document that is not required by this chapter to be filed with  
6           the secretary of state, means that the signature may be a facsimile affixed,  
7           engraved, printed, placed, stamped with indelible ink, or in any other manner  
8           reproduced on the document.

9   42- 16. "State" means a state, territory, or possession of the United States, the District of  
10           Columbia, or the Commonwealth of Puerto Rico.

11           **SECTION 208. AMENDMENT.** Section 45-10.1-02 of the North Dakota Century Code  
12 is amended and reenacted as follows:

13           **45-10.1-02. (102) Name Limited partnership name.**

- 14           1. The name of each limited partnership as set forth in its certificate of limited  
15           partnership:  
16           a. Must be in the English language or in another language expressed in English  
17           letters or characters.  
18           4- b. Must contain without abbreviation the words "limited partnership"; or the  
19           abbreviation "L.P." or "LP", either of which abbreviation may be used  
20           interchangeably for all purposes authorized by this chapter including real  
21           estate matters, contracts, and filings with the secretary of state;  
22           2- c. May not contain the name of a limited partner unless:  
23           a- (1) It is also the name of a general partner, ~~the corporate name of a~~  
24           ~~corporate general partner or the limited liability company name of a~~  
25           ~~limited liability company general partner;~~ or  
26           b- (2) The business of the limited partnership had been carried on under that  
27           name before the admission of that limited partner.  
28           d. May not contain a word or phrase that indicates or implies it may not be  
29           organized under this chapter.

- 1           e. May not contain a word or phrase indicating or implying it is organized for a  
2           purpose other than a legal business purpose for which a limited partnership  
3           may be organized under this chapter.
- 4           ~~3.~~ f. May not contain ~~any~~ a word or phrase indicating or implying ~~that~~ it is  
5           organized other than for a purpose stated in its certificate of limited  
6           partnership.
- 7           4. g. May not contain the word "corporation", "company", ~~or~~ "incorporated", "limited  
8           liability company", "limited liability partnership", or any abbreviation of those  
9           words.
- 10          ~~5. May not be the same as or deceptively similar to the name of any corporation,~~  
11          ~~limited liability company, or limited partnership organized under the laws of this~~  
12          ~~state or licensed or registered as a foreign corporation, foreign limited liability~~  
13          ~~company, or limited partnership in this state, or a trade name or fictitious name~~  
14          ~~certificate on file with the secretary of state, unless there is filed with the certificate~~  
15          ~~of limited partnership a written consent of the holder of the similar name to use the~~  
16          ~~name proposed by the limited partnership.~~
- 17          h. 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 in  
20               compliance with subsection 2 of this section, of:
- 21                     (a) Another limited partnership;  
22                     (b) A corporation;  
23                     (c) A limited liability company; or  
24                     (d) A limited liability partnership; or
- 25               (2) A name the right to which is, at the time of organization, reserved in the  
26               manner provided in section 10-19.1-14, 10-32-11, 10-33-11,  
27               45-10.1-03, or 45-22-05;
- 28               (3) A fictitious name registered in the manner provided in chapter 45-11; or  
29               (4) A trade name registered in the manner provided in chapter 47-25.
- 30          2. The secretary of state shall determine whether a limited partnership name is  
31          deceptively similar to another name for purposes of this chapter.

- 1           3. If the secretary of state determines a limited partnership name is deceptively  
2           similar to another name for purposes of this chapter, then the limited partnership  
3           name may not be used unless there is filed with the articles:
- 4           a. The written consent of the holder of the registered trade name or the holder of  
5           the rights to the name to which the proposed name has been determined to  
6           be deceptively similar; or
- 7           b. A certified copy of a judgment of a court in this state establishing the prior  
8           right of the applicant to the use of the name in this state.
- 9           4. Subsection 3 does not affect the right of a domestic limited partnership existing on  
10          the effective date of this chapter, or a foreign limited partnership authorized to do  
11          business in this state on that date to continue the use of its name.
- 12          5. This section and section 45-10.1-03 do not:
- 13          a. Abrogate or limit:
- 14               (1) The law of unfair competition or unfair practices;
- 15               (2) Chapter 47-25;
- 16               (3) The laws of the United States with respect to the right to acquire and  
17               protect copyrights, trade names, trademarks, service names, service  
18               marks; or
- 19               (4) Any other rights to the exclusive use of names or symbols; or
- 20          b. Derogate the common law or the principles of equity.
- 21          6. A limited partnership that is merged with another domestic or foreign organization,  
22          or that is organized by the reorganization of one or more domestic or foreign  
23          organizations, or that acquires by sale, lease, or other disposition to or exchange  
24          with a domestic organization all or substantially all of the assets of another  
25          domestic or foreign organization including its name, may include in its name the  
26          name of any of the other organizations, if the other organization:
- 27          a. Was incorporated, organized, formed, or registered under the laws of this  
28          state;
- 29          b. Is authorized to transact business or conduct activities in this state;
- 30          c. Holds a reserved name in the manner provided in section 10-19.1-14,  
31          10-32-11, 10-33-11, 45-10.1-03, or 45-22-05;

- 1           d. Holds a fictitious name registered in the manner provided in chapter 45-11; or  
2           e. Holds a trade name registered in the manner provided in chapter 47-25.  
3        7. The use of a name by a limited partnership in violation of this section does not  
4           affect or vitiate its limited partnership existence. However, a court in this state  
5           may, upon application of the state or of an interested or affected person, enjoin the  
6           limited partnership from doing business under a name assumed in violation of this  
7           section, although its certificate of limited partnership may have been filed with the  
8           secretary of state.

9           **SECTION 209. AMENDMENT.** Section 45-10.1-03 of the North Dakota Century Code  
10 is amended and reenacted as follows:

11           **45-10.1-03. (103) ~~Reservation of Reserved~~ name.**

- 12        1. The exclusive right to the use of a limited partnership name otherwise permitted by  
13           section 45-10.1-02 may be reserved by:  
14           a. ~~Any person intending to organize a limited partnership under this chapter and~~  
15           ~~to adopt that name.~~  
16           b. ~~Any domestic limited partnership or any foreign limited partnership registered~~  
17           ~~in this state which, in either case, intends to adopt that name.~~  
18           e. ~~Any foreign limited partnership intending to register in this state and adopt~~  
19           ~~that name.~~  
20           d. ~~Any person intending to organize a foreign limited partnership and intending~~  
21           ~~to have it register in this state and adopt that name~~ any person.  
22        2. The reservation must be made by filing with the secretary of state ~~an application,~~  
23           ~~executed by the applicant, to reserve a specified name. If the secretary of state~~  
24           ~~finds that the name is available for use by a domestic or foreign limited~~  
25           ~~partnership, the secretary of state shall reserve the name for the exclusive use of~~  
26           ~~the applicant for a period of one hundred twenty days~~ a request that the name be  
27           reserved, together with the fees provided in section 45-10.1-15:  
28           a. If the name is available for use by the applicant, the secretary of state shall  
29           reserve the name for the exclusive use of the applicant for a period of twelve  
30           months.  
31           b. The reservation may be renewed for successive twelve-month periods.

- 1           3.    The right to the exclusive use of a ~~reserved~~ limited partnership name reserved  
2           pursuant to this section may be transferred to ~~any other~~ another person by or on  
3           behalf of the applicant for whom the name was reserved by filing in the office of the  
4           secretary of state a notice of the transfer, ~~executed by the applicant for whom the~~  
5           ~~name was reserved~~ and specifying the name and address of the transferee,  
6           together with fees provided in section 45-10.1-15.
- 7           4.    The right to the exclusive use of a limited partnership name reserved pursuant to  
8           this section may be canceled by or on behalf of the applicant for whom the name  
9           was reserved by filing with the secretary of state a notice of cancellation, together  
10          with the fees provided in section 45-10.1-15.
- 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 210. AMENDMENT.** Section 45-10.1-04 of the North Dakota Century Code  
16 is amended and reenacted as follows:

17           **45-10.1-04. (104) Specified Registered office and - Registered agent.** ~~Each limited~~  
18 ~~partnership shall continuously maintain in this state:~~

- 19           1.    ~~An office, which may but need not be a place of its business in this state, at which~~  
20           ~~shall be kept the records required by section 45-10.1-05 to be maintained. A~~  
21           limited partnership shall continuously maintain a registered office in this state. A  
22           registered office need not be the same as the principal place of business or the  
23           principal executive office of the limited partnership.
- 24           2.    ~~An agent for service of process on the limited partnership, which agent must be an~~  
25           ~~individual resident of this state, a domestic corporation, a domestic limited liability~~  
26           ~~company, a foreign corporation, or a foreign limited liability company authorized to~~  
27           ~~do business in this state. The limited partnership shall appoint and continuously~~  
28           maintain a registered agent who may be:
- 29           a.    An individual residing in this state;  
30           b.    A domestic corporation;  
31           c.    A domestic limited liability company; or

1           d. A foreign corporation or foreign limited liability company authorized to transact  
2                 business in this state.

3           3. The registered agent shall maintain a business office identical to its registered  
4                 office.

5           **SECTION 211. AMENDMENT.** Section 45-10.1-07.1 of the 1995 Supplement to the  
6 North Dakota Century Code is amended and reenacted as follows:

7           **45-10.1-07.1. Registration of general partner.** A general partner must be registered  
8 separately with the secretary of state at the time of filing a certificate of limited partnership or  
9 the registration of foreign limited partnership whenever that general partner is either a domestic  
10 or foreign:

11           1. Corporation;

12           2. Limited liability company;

13           3. Limited liability partnership;

14           4. Limited partnership;

15           4- 5. General partnership using a fictitious name; or

16           5- 6. Any other organization that has a registration responsibility with the secretary of  
17 state.

18           **SECTION 212. AMENDMENT.** Section 45-10.1-08 of the North Dakota Century Code  
19 is amended and reenacted as follows:

20           **45-10.1-08. (201) Certificate of limited partnership.**

21           1. In order to form a limited partnership, a certificate of limited partnership must be  
22 executed and filed in the office of the secretary of state. The certificate must set  
23 forth:

24           a. The name of the limited partnership.

25           b. The general character of its business.

26           c. The address of the office and the name and address of the agent for service  
27 of process required to be maintained by section 45-10.1-04.

28           d. The name and address of the principal place of business of each general  
29 partner.

30           e. ~~The latest date upon which the limited partnership is to dissolve.~~

31           f. Any other matters the general partners determine to include therein.



- 1           2.    A limited partnership is formed at the time of the filing of the certificate of limited  
2                   partnership in the office of the secretary of state or at any later time specified in the  
3                   certificate of limited partnership if, in either case, there has been substantial  
4                   compliance with the requirements of this section.

5           **SECTION 213. AMENDMENT.** Section 45-10.1-51 of the North Dakota Century Code  
6 is amended and reenacted as follows:

7           **45-10.1-51. (901) Foreign limited partnership - Law governing.** Subject to the  
8 Constitution of North Dakota, the laws of the state under which a foreign limited partnership is  
9 organized govern its organization and internal affairs and the liability of its limited partners, and  
10 a foreign limited partnership may not be denied registration by reason of any difference  
11 between those laws and the laws of this state.

12          **SECTION 214. AMENDMENT.** Section 45-10.1-52 of the North Dakota Century Code  
13 is amended and reenacted as follows:

14          **45-10.1-52. (902) Foreign limited partnership - Registration.** Before transacting  
15 business in this state, a foreign limited partnership shall register with the secretary of state. In  
16 order to register, a foreign limited partnership shall submit to the secretary of state, on forms  
17 prescribed and furnished by the secretary of state, an application for registration as a foreign  
18 limited partnership, signed and sworn to by a general partner and setting forth all of the  
19 following:

- 20           1.    The name of the foreign limited partnership and, if different, the name under which  
21                   it proposes to register and transact business in this state.
- 22           2.    The state and date of its formation.
- 23           3.    The general character of the business it proposes to transact in this state.
- 24           4.    The name and address of any agent for service of process on the foreign limited  
25                   partnership whom the foreign limited partnership elects to appoint; the agent must  
26                   be an individual resident of this state, a domestic corporation, a domestic limited  
27                   liability company, a foreign corporation, or a foreign limited liability company having  
28                   a place of business in, and authorized to do business in, this state.
- 29           5.    A statement that the secretary of state is appointed the agent of the foreign limited  
30                   partnership for service of process if the agent's authority has been revoked or if the  
31                   agent cannot be found or served with the exercise of reasonable diligence.

- 1           6.    The address of the principal office of the foreign limited partnership.
- 2           7.    The name and address of the principal place of business of each general partner.
- 3           8.    The address of the office at which is kept a list of the names and addresses of the
- 4                 limited partners and their capital contributions, together with an undertaking by the
- 5                 foreign limited partnership to keep those records until the foreign limited
- 6                 partnership's registration in this state is canceled or withdrawn.
- 7    The application must be accompanied by a certificate of identification, existence, and status of
- 8    a foreign limited partnership, duly certified by the proper officer of the state or country under the
- 9    laws of which it is organized.

10           **SECTION 215. AMENDMENT.** Section 45-10.1-53 of the North Dakota Century Code  
11 is amended and reenacted as follows:

12           **45-10.1-53. (903) Foreign limited partnership - Filing of registration.** If the  
13 secretary of state finds that an application for registration conforms to law and all requisite fees  
14 have been paid, the secretary of state shall:

- 15           1.    Endorse on the application the word "Filed", and the month, day, and year of the
- 16                 filing.
- 17           2.    File the application in the office of the secretary of state.

18           **SECTION 216. AMENDMENT.** Section 45-10.1-54 of the North Dakota Century Code  
19 is amended and reenacted as follows:

20           **45-10.1-54. (904) Foreign limited partnership - Name.** A foreign limited partnership  
21 may register with the secretary of state under any name, whether or not it is the name under  
22 which it is registered in its state of organization, that includes without abbreviation the words  
23 "limited partnership" and that could be registered by a domestic limited partnership.

24           **SECTION 217. AMENDMENT.** Section 45-10.1-55 of the North Dakota Century Code  
25 is amended and reenacted as follows:

26           **45-10.1-55. (905) Foreign limited partnership - Changes and amendments.**

- 27           1.    If any statement in the application for registration of a foreign limited partnership
- 28                 was false when made or any arrangements or other facts described have changed,
- 29                 making the application inaccurate in any respect, the foreign limited partnership
- 30                 shall promptly file in the office of the secretary of state a certificate, signed and
- 31                 sworn to by a general partner, correcting the statement.

- 1           2. A foreign limited partnership that amends its name and is the owner of a  
2           trademark, or uses a fictitious name registered with the secretary of state, or is a  
3           general partner of another limited partnership on file with the secretary of state,  
4           must effect a change of name in each of such registrations simultaneously with the  
5           filing of the certificate amending the registration of foreign limited partnership.
- 6           3. A foreign limited partnership must file a certificate of amendment, signed and  
7           sworn to by a general partner, whenever a general partner that is a corporation  
8           files an amendment changing its corporate name, or when it files an application for  
9           an amended certificate of authority. This certificate of amendment must be filed  
10          simultaneously with the amendment to the articles of incorporation or application  
11          for amended certificate of authority.
- 12          4. A foreign limited partnership must notify the secretary of state in writing whenever  
13          a general partner changes the address of its principal place of business. A  
14          corporate annual report filed by the secretary of state that reflects a change of  
15          address of a general partner may serve as such notice. This notice is not subject  
16          to the amendment fee prescribed in 45-10.1-15.

17           **SECTION 218. AMENDMENT.** Section 45-10.1-56 of the North Dakota Century Code  
18 is amended and reenacted as follows:

19           **45-10.1-56. (906) Foreign limited partnership - Cancellation of registration.** A  
20 foreign limited partnership may cancel its registration by filing with the secretary of state a  
21 certificate of cancellation signed and sworn to by a general partner. A cancellation does not  
22 terminate the authority of the secretary of state to accept service of process on the foreign  
23 limited partnership with respect to claims for relief arising out of the transactions of business in  
24 this state.

25           **SECTION 219. AMENDMENT.** Section 45-10.1-57 of the North Dakota Century Code  
26 is amended and reenacted as follows:

27           **45-10.1-57. (907) Foreign limited partnership - Transaction of business without**  
28 **registration.**

- 29           1. A foreign limited partnership transacting business in this state may not maintain  
30           any action or proceeding in any court of this state until it has registered in this  
31           state.

- 1           2.    The failure of a foreign limited partnership to register in this state does not impair  
2                    the validity of any contract or act of the foreign limited partnership or prevent the  
3                    foreign limited partnership from defending any action or proceeding in any court of  
4                    this state.
- 5           3.    A limited partner of a foreign limited partnership is not liable as a general partner of  
6                    the foreign limited partnership solely by reason of having transacted business in  
7                    this state without registration.
- 8           4.    A foreign limited partnership, by transacting business in this state without  
9                    registration, appoints the secretary of state as its agent for service of process with  
10                   respect to claims for relief arising out of the transaction of business in this state.
- 11          5.    Without excluding other activities which may constitute transacting business in this  
12                   state, a foreign limited partnership shall not be considered to be transacting  
13                   business in this state, for the purposes of this chapter only, by reason of carrying  
14                   on in this state any one or more of the following activities:
  - 15               a.    Maintaining or defending any action or suit or any administrative or arbitration  
16                       proceeding, or effecting the settlement thereof or the settlement of claims or  
17                       disputes.
  - 18               b.    Holding meetings of its partners or carrying on other activities concerning its  
19                       internal affairs.
  - 20               c.    Maintaining bank accounts.
  - 21               d.    Maintaining offices or agencies for the transfer, exchange, and registration of  
22                       its securities, or appointing and maintaining trustees or depositaries with  
23                       relation to its securities.
  - 24               e.    Effecting sales through independent contractors.
  - 25               f.    Soliciting or procuring orders, whether by mail or through employees or  
26                       agents or otherwise, where such orders require acceptance without this state  
27                       before becoming binding contracts.
  - 28               g.    Creating evidences of debt, mortgages, or liens on real or personal property.
  - 29               h.    Securing or collecting debts or enforcing any rights in property securing the  
30                       same.
  - 31               i.    Transacting any business in interstate commerce.

1           j.     Conducting an isolated transaction completed within a period of thirty days  
2                     and not in the course of a number of repeated transactions of like nature.

3           This subsection does not establish a standard for activities which may or may not  
4                     subject a foreign limited partnership to taxation or service of process.

5           **SECTION 220. AMENDMENT.** Section 45-10.1-58 of the North Dakota Century Code  
6 is amended and reenacted as follows:

7           **45-10.1-58. (908) Foreign limited partnership - Action by secretary of state.** The  
8 secretary of state may revoke the registration of a foreign limited partnership for transacting  
9 business in this state in violation of sections 45-10.1-52 through 45-10.1-58, or that has failed  
10 to file a renewal statement as required by section 45-10.1-14. The secretary of state may not  
11 revoke the registration of a foreign limited partnership unless the secretary of state has given  
12 the foreign limited partnership not less than sixty days' notice by mail addressed to its  
13 registered office in this state and the principal office of record, and the foreign limited  
14 partnership has failed to remedy the deficiency prior to revocation.

15          **SECTION 221. AMENDMENT.** Section 45-20-01 of the 1995 Supplement to the North  
16 Dakota Century Code is amended and reenacted as follows:

17          **45-20-01. (801) ~~(Effective January 1, 1996)~~ Events causing dissolution and**  
18 **winding up of partnership business.** A partnership is dissolved, and its business must be  
19 wound up, only upon the occurrence of any of the following events:

- 20          1.     In a partnership at will, the partnership's having notice from a partner, other than a  
21                     partner who is dissociated under subsections 2 through 10 of section 45-18-01, of  
22                     that partner's express will to withdraw as a partner, or on a later date specified by  
23                     the partner.
- 24          2.     In a partnership for a definite term or particular undertaking:
- 25                a.    ~~The expiration of~~ Within ninety days after a partner's dissociation by death or  
26                     otherwise under subsections 6 through 10 of section 45-18-01 or wrongful  
27                     dissociation under subsection 2 of section 45-18-02, ~~unless before that time a~~  
28                     ~~majority in interest of the remaining partners, including partners who have~~  
29                     ~~rightfully dissociated pursuant to subdivision a of subsection 2 of section~~  
30                     45-18-02, agree to continue the partnership the express will of at least half of  
31                     the remaining partners to wind up the partnership business, for which purpose

- 1                   a partner's rightful dissociation under paragraph 1 of subdivision b of  
2                   subsection 2 of section 45-18-02 constitutes the expression of that partner's  
3                   will to wind up the partnership business;  
4                   b. The express will of all of the partners to wind up the partnership business; or  
5                   c. The expiration of the term or the completion of the undertaking.  
6                   3. An event agreed to in the partnership agreement resulting in the winding up of the  
7                   partnership business.  
8                   4. An event that makes it unlawful for all or substantially all of the business of the  
9                   partnership to be continued, but a cure of illegality within ninety days after notice to  
10                  the partnership of the event is effective retroactively to the date of the event for  
11                  purposes of this section.  
12                  5. On application by a partner, a judicial determination that:  
13                  a. The economic purpose of the partnership is likely to be unreasonably  
14                  frustrated;  
15                  b. Another partner has engaged in conduct relating to the partnership business  
16                  which makes it not reasonably practicable to carry on the business in  
17                  partnership with that partner; or  
18                  c. It is not otherwise reasonably practicable to carry on the partnership business  
19                  in conformity with the partnership agreement.  
20                  6. On application by a transferee of a partner's transferable interest, a judicial  
21                  determination that it is equitable to wind up the partnership business:  
22                  a. After the expiration of the term or completion of the undertaking, if the  
23                  partnership was for a definite term or particular undertaking at the time of the  
24                  transfer or entry of the charging order that gave rise to the transfer; or  
25                  b. At any time, if the partnership was a partnership at will at the time of the  
26                  transfer or entry of the charging order that gave rise to the transfer.

27                  **SECTION 222. AMENDMENT.** Section 45-22-01 of the 1995 Supplement to the North  
28                  Dakota Century Code is amended and reenacted as follows:

29                  **45-22-01. Definitions.** In this chapter, unless the context otherwise requires:

- 1           1.   "Address" means ~~mailing address. In the case of a registered office or principal~~  
2           ~~executive office, the term means the office address, which may not be a post office~~  
3           ~~box:~~  
4           a.   In the case of a registered office or principal executive office, the mailing  
5           address, including the zip code, of the actual office location which may not be  
6           only a post-office box; and  
7           b.   In all other cases, the mailing address, including a zip code.  
8           2.   "Domestic limited liability partnership" means a general partnership that is  
9           organized under the laws of this state with a registration or a renewal registration  
10          in effect and which is not a foreign limited liability partnership.  
11          3.   "Filed with the secretary of state" means ~~that a signed original of a document,~~  
12          ~~together with the fees provided in section 45-22-23, has been delivered to the~~  
13          ~~secretary of state and has been determined by the secretary of state to conform to~~  
14          ~~law:~~  
15          a.   That either:  
16               (1)   A signed original or a legible facsimile copy of a signed original of a  
17               request for reserved name; or  
18               (2)   A signed original of all other documents meeting the applicable  
19               requirements of this chapter, together with the fees provided in section  
20               45-22-23, has been delivered to the secretary of state and has been  
21               determined by the secretary of state to conform to law.  
22          b.   That the secretary of state shall then:  
23               (1)   Endorse on the original the word "filed" and the month, day, and year;  
24               and  
25               (2)   Record the document in the office of the secretary of state.  
26          4.   "Foreign limited liability partnership" means a limited liability partnership:  
27               a.   Which is organized under laws other than the laws of this state for a purpose  
28               or purposes for which a limited liability partnership may be organized under  
29               this chapter;  
30               b.   With a registration or renewal registration in effect; and

- 1           c. ~~Which continuously maintains its limited liability partnership status~~ In good  
2           standing in its jurisdiction of origin ~~during all periods of registration and~~  
3           ~~renewal registration.~~
- 4           5. "General partnership" means an association of two or more persons to carry on as  
5           coowners of a business for profit formed under North Dakota law, predecessor law,  
6           or comparable law of another jurisdiction.
- 7           6. "Jurisdiction of origin" refers to the jurisdiction in which the limited liability  
8           partnership status of the foreign limited liability partnership was created.
- 9           7. "Limited liability partnership" ~~and "partnership" mean either:~~
- 10          a. ~~A means a domestic limited liability partnership; or~~
- 11          b. ~~A foreign limited liability partnership.~~
- 12          ~~7.~~ 8. "Managing ~~partners~~ partner" means one of the partners charged with the  
13          management in this state of the limited liability partnership or foreign limited liability  
14          partnership and if no partners are so specifically designated, then all partners.
- 15          ~~8.~~ 9. "Notice" is:
- 16          a. Is given to a limited liability partnership or to a partner of the partnership when  
17          in writing and mailed or delivered to the partnership or the partner at the  
18          registered office or principal executive office of the partnership; and
- 19          a. b. In all other cases, ~~notice~~ is given to a person:
- 20               (1) When mailed to the person at an address designated by the person or  
21               at the last known address of the person; or
- 22               (2) When handed to the person; or
- 23               (3) When left at the office of the person with a clerk or other person in  
24               charge of the office; or
- 25               (a) If there is no one in charge, when left in a conspicuous place in  
26               the office; or
- 27               (b) If the office is closed or the person to be notified has no office,  
28               when left at the dwelling house or usual place of abode of the  
29               person with some person of suitable age and discretion then  
30               residing therein.





1            the partners, or by a resolution approved by the affirmative vote of the  
2            required proportion or number of partners. ~~A signature on; and~~  
3            b. With respect to a document not required by this chapter to be filed with the  
4            secretary of state the signature may be a facsimile affixed, engraved, printed,  
5            placed, stamped with indelible ink, or in any other manner reproduced on the  
6            document.

7            **SECTION 223. AMENDMENT.** Section 45-22-03 of the 1995 Supplement to the North  
8            Dakota Century Code is amended and reenacted as follows:

9            **45-22-03. Registration.**

- 10           1. In determining whether the underlying general partnership necessary for  
11           registration as a domestic limited liability partnership has been formed, the rules  
12           set forth in section 45-14-01 apply.
- 13           2. A limited liability partnership or foreign limited liability partnership must have in  
14           effect and filed with the secretary of state a registration that complies with this  
15           section.
- 16           a. For one year from its date of filing, the registration of:
- 17           (1) A domestic limited liability partnership establishes its status as a  
18           domestic limited liability partnership; and
- 19           (2) A foreign limited liability partnership authorizes it to transact business in  
20           this state.

21           Unless a renewal registration is properly filed with the secretary of state, the  
22           registration is subject to revocation by the secretary of state as provided in  
23           section 45-22-16.

- 24           b. The limited liability partnership or foreign limited liability partnership may file a  
25           renewal registration that complies with this section no earlier than sixty days  
26           before the expiration of the one-year period.
- 27           (1) ~~A limited liability partnership~~ registration may be renewed for  
28           successive one-year periods.
- 29           (2) A proper renewal registration extends the registration of a limited  
30           liability partnership or foreign limited liability partnership for another

1 one-year period, measured from the end of the previous one-year  
2 period.

3 (3) Unless a renewal registration is properly filed with the secretary of  
4 state, the registration shall be subject to revocation by the secretary of  
5 state as provided in section 45-22-16.

6 3. A registration or renewal registration must contain:

7 a. With respect to a domestic limited liability partnership:

8 (1) The name of the domestic limited liability partnership.

9 (2) The nature of the business to be transacted in this state.

10 (3) The address of the principal executive office of the domestic limited  
11 liability partnership.

12 (4) The address of the registered office of the domestic limited liability  
13 partnership and the name of its registered agent at that address.

14 (5) The name and address of each managing partner.

15 (6) An acknowledgment that the status of limited liability partnership will  
16 automatically expire, unless the partnership files a proper renewal  
17 registration.

18 (7) An acknowledgment that other jurisdictions, including other jurisdictions  
19 that have limited liability partnership statutes, may not provide any  
20 limited liability shield or may not provide as broad a limited liability  
21 shield as does this chapter.

22 b. With respect to a foreign limited liability partnership:

23 (1) The name of the foreign limited liability partnership and, if different, the  
24 name under which it proposes to transact business in this state.

25 (2) The jurisdiction of its original registration.

26 (3) The date on which the foreign limited liability partnership expires in the  
27 jurisdiction of its origin.

28 (4) The nature of the business to be transacted in this state.

29 (5) The address of the principal executive office of the foreign limited  
30 liability partnership.

- 1                   (6)    The address of the registered office of the foreign limited liability  
2   partnership and the name of its registered agent at that address.
- 3                   (7)    The name and address of each managing partner.
- 4                   (8)    An acknowledgment that the status of limited liability partnership in this  
5   state will automatically expire:
- 6   (a)    Unless the foreign limited liability partnership files a proper  
7   renewal registration; and
- 8   (b)    Unless the foreign limited liability partnership continuously  
9   maintains its limited liability partnership status in its jurisdiction of  
10    origin.
- 11                   c.    The registration must be accompanied by payment of the fees provided in  
12   section 45-22-22 together with a certificate of good standing or certificate of  
13   existence authenticated by the registering officer of the state or country where  
14   the foreign limited liability partnership is originally registered and the consent  
15   of the designated registered agent for service of process to serve in that  
16   capacity.
- 17                   4.    An original of the registration or renewal registration must be filed with the  
18   secretary of state.
- 19   a.    If the secretary of state finds that the registration or renewal registration  
20   conforms to law and that the fees provided in section 45-22-22 have been  
21   paid, the secretary of state shall endorse on the original the word "filed" and  
22   the day, month, and year of the filing and shall file the original in the office of  
23   the secretary of state.
- 24   b.    If any statement in the registration or renewal registration was false when  
25   made or becomes inaccurate after the registration or renewal registration is  
26   filed, making the registration or renewal registration false or inaccurate in any  
27   respect:
- 28   (1)   The limited liability partnership or foreign limited liability partnership  
29   shall file promptly with the secretary of state an amended or corrected  
30   registration or renewal registration or reflect the changes on its next  
31   renewal registration; and

- 1                   (2) With respect to foreign limited liability partnerships:
- 2                   (a) In the case of a change in its name, a certificate to that effect
- 3                                 authenticated by the proper officer of the state or country under
- 4                                 the laws of which the foreign limited liability partnership is
- 5                                 originally registered; or
- 6                   (b) In the case of a termination or merger:
- 7                                 [1] A foreign limited liability partnership that is not the
- 8   surviving organization need not file an amended
- 9   registration but, within thirty days after the merger or
- 10                                        termination becomes effective, shall file with the secretary
- 11                                       of state a certificate to that effect authenticated by the
- 12                                       proper officer of the state or country under the laws of
- 13                                       which the foreign limited liability partnership is originally
- 14                                       registered.
- 15                                 [2] It is not necessary for any foreign limited liability
- 16   partnership, which is the surviving organization in a
- 17   merger, to procure either a new or amended registration
- 18   unless the name of the foreign limited liability partnership
- 19   is changed or unless the foreign limited liability partnership
- 20   desires to pursue in this state purposes other than those
- 21   which it is authorized to transact in this state.
- 22                   c. With respect to renewals:
- 23                                 (1) A renewal registration received by the secretary of state in a sealed
- 24   envelope postmarked by the United States postal service on or before
- 25   the lapse, or a renewal registration in a sealed packet with a verified
- 26   shipment date by any other carrier service on or before the lapse, and
- 27   properly addressed to the secretary of state is deemed to be in
- 28   compliance with the requirement for timely delivery. When a lapse falls
- 29   on a Saturday, Sunday, or other holiday as defined in section 1-03-01,
- 30   a postmark or verified shipment date on the next business day is in
- 31   compliance with this requirement.

- 1                   (2) The secretary of state must file the renewal registration if the renewal  
2 registration conforms to the requirements of this section.
- 3                   (3) If the renewal registration does not conform, the registration must be  
4 returned to the limited liability partnership or foreign limited liability  
5 partnership for any necessary corrections. If the corrected renewal  
6 registration is filed after the lapse date, but within thirty days after it is  
7 returned for correction, the penalties for failure to file the renewal  
8 registration within the time required do not apply.
- 9                   (4) Each limited liability partnership or foreign limited liability partnership  
10 that fails or refuses to file its renewal registration on or before the lapse  
11 date of a registration, must pay an additional late renewal fee as  
12 provided in section 45-22-22.
- 13                   d. The secretary of state may destroy any registrations and renewal registrations  
14 which have been on file for seven years.
- 15                   5. A managing partner must be separately registered with the secretary of state at the  
16 time of the registration of a limited liability partnership whenever that managing  
17 partner is either a domestic or foreign:
- 18                   a. Corporation;
- 19                   b. Limited liability company;
- 20                   c. Limited partnership;
- 21                   d. Limited liability partnership; or
- 22                   e. General partnership using a fictitious name.
- 23                   6. With respect to a domestic limited liability partnership:
- 24                   a. A general partnership's decision to file a registration is an ordinary matter that  
25 may be decided by a majority of the partners.
- 26                   b. The decision to withdraw or not renew a registration may be undertaken only  
27 with the consent of all of the partners.
- 28                   7. A general partnership that registers as a limited liability partnership is not deemed  
29 to have dissolved as a result of the registration.
- 30                   8. If a limited liability partnership or foreign limited liability partnership dissolves  
31 without winding up its business or changes its jurisdiction of origin, a partnership

1           which is a successor to such limited liability partnership or foreign limited liability  
2           partnership and which intends to be a limited liability partnership or foreign limited  
3           liability partnership shall not be required to file a new registration or renewal and  
4           shall be deemed to have filed any documents required or permitted under this  
5           section which were filed by the predecessor partnership.

6           **SECTION 224. AMENDMENT.** Section 45-22-04 of the 1995 Supplement to the North  
7 Dakota Century Code is amended and reenacted as follows:

8           **45-22-04. Limited liability partnership - Name.**

- 9           1. The name of a limited liability partnership:
- 10           a. Must be in the English language or in any other language, expressed in  
11           English letters or characters.
- 12           b. Must contain the words "limited liability partnership" or either the abbreviation  
13           "L.L.P." or the abbreviation "LLP", either of which abbreviations can be used  
14           interchangeably for all purposes authorized by this chapter, including real  
15           estate matters, contracts, and filings with the secretary of state, or any other  
16           words or abbreviations as may be authorized or required under the laws of  
17           the jurisdiction of original registration.
- 18           c. May not contain a word or phrase that indicates or implies that it may not be  
19           formed under this chapter.
- 20           d. May not contain a word or phrase that indicates or implies that it is formed for  
21           a purpose other than one or more business purposes for which a partnership  
22           may be formed under North Dakota law.
- 23           e. ~~May not be the same as, or deceptively similar to, the name of a domestic or~~  
24           ~~foreign corporation, limited liability company, limited partnership or limited~~  
25           ~~liability partnership, whether for profit or nonprofit, authorized to do business~~  
26           ~~in this state, or a name the right to which is, at the time of formation, reserved~~  
27           ~~in the manner provided in section 45-22-05 or is a fictitious name registered~~  
28           ~~with the office of the secretary of state in the manner provided in chapter~~  
29           ~~45-11 or is a trade name registered with the office of the secretary of state in~~  
30           ~~the manner provided in chapter 47-25, unless there is filed with the~~  
31           ~~registration:~~

- 1                   (1) ~~The written consent of the domestic or foreign corporation, limited~~  
2                   liability company, limited partnership, limited liability partnership or  
3                   partnership authorized to do business in the state having a deceptively  
4                   similar name or the holder of a reserved name or registered trade name  
5                   to use the deceptively similar name; or
- 6                   (2) ~~A certified copy of a judgment of a court in this state establishing the~~  
7                   prior right of the applicant to the use of the name in this state.
- 8                   e. May not be the same as, or deceptively similar to:
- 9                   (1) The name, whether foreign and authorized to do business in this state,  
10                  or domestic, unless there is filed with the registration a document which  
11                  complies with subsection 2 of this section, or:
- 12                  (a) Another limited liability partnership;  
13                  (b) A corporation;  
14                  (c) A limited liability company; or  
15                  (d) A limited partnership; or
- 16                  (2) A name, the right to which is at the time of registration reserved in the  
17                  manner provided in section 10-19.1-14, 10-32-11, 10-33-11,  
18                  45-10.1-03, or 45-22-05;
- 19                  (3) A fictitious name registered in the manner provided in chapter 45-11; or  
20                  (4) A trade name registered in the manner provided in chapter 47-25.
- 21                  f. Need not be filed as provided in chapter 45-11 except when transacting  
22                  business under a name other than the name as registered under this chapter.
- 23                  2. The secretary of state shall determine whether a name is "~~deceptively similar~~"  
24                  deceptively similar to another name for purposes of this section.
- 25                  3. If the secretary of state determines that a limited liability partnership name is  
26                  deceptively similar to another name for purposes of this chapter, then the limited  
27                  liability partnership name may not be used unless there is filed with the  
28                  registration:
- 29                  a. The written consent of the holder of the rights to the name to which the  
30                  proposed name has been determined to be deceptively similar; or



- 1            b. A certified copy of a judgment of a court in this state establishing the prior  
2            right of the applicant to the use of the name in this state.
- 3            4. This section and section 45-22-05 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, and  
9            service marks; or
- 10           (4) Any other rights to the exclusive use of names or symbols.
- 11           b. Derogate the common law or principles of equity.
- 12           5. A limited liability partnership that is merged with another domestic or foreign  
13           organization, that is registered by the reorganization of one or more domestic or  
14           foreign organizations, or that acquires by sale, lease, or other disposition to or  
15           exchange with a domestic organization all or substantially all of the assets of  
16           another domestic or foreign organization including its name, may have the same  
17           name as that used in this state by any of the other organizations, if the other  
18           organization:
- 19           a. Was incorporated, organized, formed, or registered under the laws of this  
20           state;
- 21           b. Is authorized to transact business or conduct activities in this state;
- 22           c. Holds a reserved name in the manner provided in section 10-19.1-14,  
23           10-32-11, 10-33-11, 45-10.1-03, or 45-22-05;
- 24           d. Holds a fictitious name registered in the manner provided in chapter 45-11; or
- 25           e. Holds a trade name registered in the manner provided in chapter 47-25.
- 26           4. 6. The use of a name by a limited liability partnership in violation of this section does  
27           not affect or vitiate its limited liability partnership existence. However, a court of  
28           this state may, upon application of the state or of an interested or affected person,  
29           enjoin the limited liability partnership from doing business under a name assumed  
30           in violation of this section, even though its registration may have been filed with the  
31           secretary of state.

- 1       ~~5-~~ 7. With respect to foreign limited liability partnerships:
- 2           a. A foreign limited liability partnership may register under any name that would
- 3           be available to a domestic limited liability partnership, whether or not the
- 4           name is the same under which it is authorized in its jurisdiction of original
- 5           registration.
- 6           b. A fictitious name certificate must be filed as provided in chapter 45-11 only
- 7           when registering under a name other than the name as authorized in the
- 8           jurisdiction of original registration.

9           **SECTION 225. AMENDMENT.** Section 45-22-05 of the 1995 Supplement to the North  
10 Dakota Century Code is amended and reenacted as follows:

11           **45-22-05. Reserved name.**

- 12           1. The exclusive right to the use of a limited liability partnership or foreign limited
- 13           liability partnership name otherwise permitted by section 45-22-04 may be
- 14           reserved by any person.
- 15           2. The reservation is made by filing with the secretary of state a request that the
- 16           name be reserved together with the fees provided in section 45-22-22.
- 17           a. If the name is available for use by the applicant, the secretary of state shall
- 18           reserve the name for the exclusive use of the applicant for a period of twelve
- 19           months.
- 20           b. The reservation may be renewed for successive twelve-month periods.
- 21           3. The right to the exclusive use of limited liability partnership or foreign limited
- 22           liability partnership name reserved pursuant to this section may be transferred to
- 23           another person by or on behalf of the applicant for whom the name was reserved
- 24           by filing with the secretary of state a notice of the transfer and specifying the name
- 25           and address of the transferee together with the fees provided in section 45-22-22.
- 26           4. The right to the exclusive use of a limited liability partnership or foreign limited
- 27           liability partnership name reserved pursuant to this section may be canceled by or
- 28           on behalf of the applicant for whom the name was reserved by filing with the
- 29           secretary of state a notice of cancellation together with the fees provided in section
- 30           45-22-22.

1           5.   The secretary of state may accept for filing a legible facsimile copy of the signed  
2                    original of any request for reserved name.

3           6.   The secretary of state may destroy all reserved name requests and index thereof  
4                    one year after expiration.

5           **SECTION 226. AMENDMENT.** Section 45-22-06 of the 1995 Supplement to the North  
6 Dakota Century Code is amended and reenacted as follows:

7           **45-22-06. Failure to use required name.** If a person purports to enter into a contract  
8 or other undertaking on behalf of a limited liability partnership and with intent to defraud does  
9 not disclose to the other party that part of the limited liability partnership's name that complies  
10 with subsection 1 of section 45-22-04, then that person is personally liable on the contract or  
11 undertaking, unless that person can show in making the contract or accepting the undertaking  
12 that the other party had knowledge or notice that the partnership was a limited liability  
13 partnership, or did not rely on the partnership being an ordinary general partnership. Any  
14 partner of a limited liability partnership who with intent to defraud consents to a person not  
15 making the disclosure described in this section is also personally liable on the contract or  
16 undertaking, unless that partner can make the showing described in this section.

17           **SECTION 227. AMENDMENT.** Section 45-22-07 of the 1995 Supplement to the North  
18 Dakota Century Code is amended and reenacted as follows:

19           **45-22-07. Unauthorized assumption of limited liability partnership powers -**  
20 **Liability.** A person who assumes to act as a limited liability partnership ~~without a~~ knowing that  
21 no registration or renewal registration is in effect ~~is~~ jointly and severally liable for all debts and  
22 liabilities incurred or arising as a result.

23           **SECTION 228. AMENDMENT.** Section 45-22-08 of the 1995 Supplement to the North  
24 Dakota Century Code is amended and reenacted as follows:

25           **45-22-08. Limited liability partnership shield.** A partner of a limited liability  
26 partnership is not, merely on account of this status, personally liable for anything chargeable to  
27 the partnership under sections 45-15-05 and 45-15-06, or for any other debts or obligations of  
28 the limited liability partnership, if the charge, debt, or obligation arose or accrued while the  
29 partnership had a registration or renewal registration in effect. A registration or renewal  
30 registration remains in effect until revoked by the secretary of state pursuant to section  
31 45-22-16. This section does not limit or impair the right of the limited liability partnership or its

1 partners to make claims against any particular partner on the grounds that the particular  
2 partner:

- 3 4. ~~Has~~ has, in its capacity as a partner, breached a duty to the limited liability  
4 partnership or to the other partners; ~~or~~  
5 2. ~~Is obligated to contribute so that partners share losses of capital according to~~  
6 ~~section 45-16-01 and share the liabilities stated in subsections 2 and 3 of section~~  
7 ~~45-20-07.~~

8 **SECTION 229. AMENDMENT.** Section 45-22-11 of the 1995 Supplement to the North  
9 Dakota Century Code is amended and reenacted as follows:

10 **45-22-11. Registered office and agent.**

- 11 1. A limited liability partnership or foreign limited liability partnership shall  
12 continuously ~~shall~~ maintain a registered office in this state. A registered office  
13 need not be the same as the principal place of business or the principal executive  
14 office of the limited liability partnership or foreign limited liability partnership.  
15 2. A limited liability partnership or foreign limited liability partnership shall designate  
16 appoint and continuously maintain a registered agent in its registration who may  
17 be.  
18 a. ~~The registered agent may be an~~ An individual residing in this state; ~~a;~~  
19 b. A domestic corporation, a domestic limited liability company, or a domestic  
20 limited liability partnership; ~~i~~ or a  
21 c. A foreign corporation, foreign limited liability company, or foreign limited  
22 liability partnership authorized to transact business in this state.  
23 b. ~~The registered agent must maintain a business office that is identical with the~~  
24 ~~registered office.~~  
25 e. 3. Proof of the registered agent's consent to serve in that capacity must be filed with  
26 the secretary of state, together with the fees provided in section 45-22-22.

27 **SECTION 230. AMENDMENT.** Section 45-22-12 of the 1995 Supplement to the North  
28 Dakota Century Code is amended and reenacted as follows:

29 **45-22-12. Change of registered office or agent.**

- 30 1. A limited liability partnership or foreign limited liability partnership may change its  
31 registered office, change its registered agent, or state a change in the name of its

- 1 registered agent, by filing with the secretary of state, along with the fees provided  
2 in section 45-22-22, a statement containing:
- 3 a. The name of the limited liability partnership or foreign limited liability  
4 partnership.
  - 5 b. If the address of its registered office is to be changed, the new address of its  
6 registered office.
  - 7 c. If its registered agent is to be designated or changed, the name of its new  
8 registered agent.
  - 9 d. If the name of its registered agent is to be changed, the name of its registered  
10 agent as changed.
  - 11 e. A statement that the address of its registered office and the address of the  
12 business office of its registered agent, as changed, will be identical.
  - 13 f. A statement that the change of registered office or registered agent was  
14 authorized by resolution of the partnership.
- 15 2. A registered agent may resign by filing with the secretary of state a written notice  
16 of resignation, including a statement that a signed copy of the notice has been  
17 given to the limited liability partnership or foreign limited liability partnership at its  
18 principal executive office, or to a legal representative of the limited liability  
19 partnership or foreign limited liability partnership. The appointment of the agent  
20 terminates thirty days after the notice is filed with the secretary of state.
- 21 3. If the business address or name of a registered agent changes, the agent shall  
22 change the address of the registered office or name of the registered agent, ~~as the~~  
23 ~~case may be,~~ of each limited liability partnership or foreign limited liability  
24 partnership represented by that agent by filing with the secretary of state a  
25 statement for each limited liability partnership or foreign limited liability partnership  
26 as required in subsection 1, except that it need be signed only by the registered  
27 agent, need not be responsive to subdivision c or f of subsection 1, and must state  
28 that a copy of the statement has been mailed to each of those limited liability  
29 partnerships or foreign limited liability partnerships or to the legal representative of  
30 each of those limited liability partnerships or foreign limited liability partnerships.

- 1           4.   The fee prescribed in section 45-22-22 for the change of registered office must be  
2                   refunded when, in the opinion of the secretary of state, the change of address of  
3                   registered office results from rezoning or postal reassignment.

4           **SECTION 231. AMENDMENT.** Section 45-22-13 of the 1995 Supplement to the North  
5 Dakota Century Code is amended and reenacted as follows:

6           **45-22-13. Voluntary withdrawal of status.**

- 7           1.   A partnership may end its status as a limited liability partnership or foreign limited  
8                   liability partnership at any time by filing a withdrawal statement with the secretary  
9                   of state.
- 10          2.   The withdrawal statement must contain:
- 11           a.   With respect to a domestic limited liability partnership:
- 12                   (1)   The name of the domestic limited liability partnership.
- 13                   (2)   A statement that the domestic limited liability partnership is withdrawing  
14                           its current registration.
- 15                   (3)   An acknowledgment by the domestic limited liability partnership that the  
16                           withdrawal ends its limited liability partnership status.
- 17           b.   With respect to a foreign limited liability partnership:
- 18                   (1)   The name of the foreign limited liability partnership.
- 19                   (2)   The jurisdiction of ~~its original registration~~ origin.
- 20                   (3)   A statement ~~that~~ the foreign limited liability partnership is not  
21                           transacting business in this state as a foreign limited liability  
22                           partnership.
- 23                   (4)   A statement that the foreign limited liability partnership surrenders its  
24                           authority to transact business in this state as a foreign limited liability  
25                           partnership and is withdrawing its current registration.
- 26                   (5)   An acknowledgment by the foreign limited liability partnership that the  
27                           withdrawal ends its foreign limited liability partnership status in this  
28                           state.
- 29                   (6)   A statement ~~that~~ the foreign limited liability partnership revokes the  
30                           authority of its registered agent in this state to accept service of  
31                           process and consents that service of process based upon any cause of

1                   action arising in this state during the time the foreign limited liability  
2                   partnership was authorized to transact business in this state may be  
3                   made on the foreign limited liability partnership by service upon the  
4                   secretary of state.

5                   (7) A post-office address to which a person may mail a copy of any  
6                   process against the foreign limited liability partnership.

7                   3. The withdrawal statement may state a delayed withdrawal date, if that date is  
8                   before the expiration date of the current registration. If the withdrawal statement  
9                   does not state an effective date, then the statement is effective when filed.

10                  4. If the foreign limited liability partnership is not the surviving organization in a  
11                  merger or termination, then the filing with the secretary of state of a certificate to  
12                  that effect authenticated by the proper officer of the state or country under the laws  
13                  of which the foreign limited liability partnership is originally registered constitutes a  
14                  valid withdrawal statement.

15                  **SECTION 232. AMENDMENT.** Section 45-22-14 of the 1995 Supplement to the North  
16                  Dakota Century Code is amended and reenacted as follows:

17                  **45-22-14. Filing after dissolution.**

18                  1. A dissolved limited liability partnership or a foreign limited liability partnership that  
19                  is winding up its affairs may continue its status as a limited liability partnership or  
20                  foreign limited liability partnership through termination either by:

21                  a. Continuing to file annual renewal registrations until termination; or  
22                  b. Filing a final renewal registration that, in addition to providing the information  
23                  required by subsection 3 of section 45-22-03:

24                          (1) States ~~that~~ the partnership is dissolved and is winding up its affairs.

25                          (2) Identifies the cause of the dissolution.

26                          (3) States ~~that~~ the renewal registration is the final renewal registration and  
27                          will remain in effect until termination.

28                  2. A final renewal registration that complies with subdivision b of subsection 1 must  
29                  not contain the statement required in:

30                          a. Paragraph 6 of subdivision a of subsection 3 of section 45-22-03 in the case  
31                          of a domestic limited liability partnership; or

- 1           b. Paragraph 8 of subdivision b of subsection 3 of section 45-22-03 in the case  
2                   of a foreign limited liability partnership.
- 3           3. When the dissolved limited liability partnership or foreign limited liability partnership  
4           has wound up its affairs, it shall file with the secretary of state a termination notice,  
5           together with the fees provided in section 45-22-22. The termination notice must:
- 6           a. Contain:
- 7                   (1) The name of the limited liability partnership or foreign limited liability  
8                   partnership.
- 9                   (2) A statement ~~that~~ the limited liability partnership or foreign limited liability  
10                  partnership has dissolved and wound up its affairs.
- 11                  (3) A statement ~~that~~ the limited liability partnership or foreign limited liability  
12                  partnership is terminated.
- 13           b. Be signed by one former managing partner who has not wrongfully dissolved  
14           the partnership or, in the case of a foreign limited liability partnership, by a  
15           managing partner.

16           **SECTION 233. AMENDMENT.** Section 45-22-16 of the 1995 Supplement to the North  
17   Dakota Century Code is amended and reenacted as follows:

18           **45-22-16. Revocation of registration.**

- 19           1. The registration of a limited liability partnership or foreign limited liability  
20           partnership may be revoked by the secretary of state upon the occurrence of any  
21           of these events:
- 22           a. The limited liability partnership or foreign limited liability partnership has  
23           failed:
- 24                   (1) To appoint and maintain a registered agent as required by this chapter;
- 25                   (2) To file a report upon any change in the name or business address of  
26                   the registered agent;
- 27                   (3) To file any required amendment to its registration; or
- 28                   (4) To file a renewal registration as provided in subsection 2 of section  
29                   45-22-04.
- 30           b. A An intentional misrepresentation ~~or mistake~~ has been made in any material  
31           matter in any registration, report, affidavit, or other document submitted by the



- 1                   limited liability partnership or foreign limited liability partnership pursuant to  
2                   this chapter.
- 3           2.   The secretary of state may not revoke the registration of a limited liability  
4           partnership or foreign limited liability partnership unless:
- 5           a.   The secretary of state has given the limited liability partnership or foreign  
6           limited liability partnership at least sixty days' notice of the reason for the  
7           pending revocation by mail addressed to its registered office or, if the limited  
8           liability partnership or foreign limited liability partnership fails to appoint and  
9           maintain a registered agent in this state, then addressed to its principal  
10          executive office; and
- 11          b.   During the sixty-day period, the limited liability partnership or foreign limited  
12          liability partnership has failed:
- 13               (1)   To appoint and maintain a registered agent as required by this chapter;  
14               (2)   To file the report of change regarding the name or business address of  
15               the registered agent;  
16               (3)   To file the required amendment to its registration;  
17               (4)   To file a renewal registration as provided in subsection 2 of section  
18               45-22-04; or  
19               (5)   To correct the misrepresentation ~~or mistake~~.
- 20          3.   Upon the expiration of the sixty-day period without the limited liability partnership  
21          or foreign limited liability partnership having cured the reason for the pending  
22          revocation set forth in the notice, the registration is revoked. The secretary of state  
23          shall note the revocation in the records of the secretary of state and shall give  
24          notice of the revocation to the limited liability partnership or foreign limited liability  
25          partnership. Notice by the secretary of state must be mailed to the last registered  
26          agent at the last registered office of record. If the limited liability partnership or  
27          foreign limited liability partnership failed to appoint and maintain a registered office  
28          in this state, then to its principal executive office.

29           **SECTION 234. AMENDMENT.** Section 45-22-17 of the 1995 Supplement to the North  
30   Dakota Century Code is amended and reenacted as follows:

1           **45-22-17. Service of process on a limited liability partnership or foreign limited**  
2 **liability partnership.**

3           1. A process, notice, or demand required or permitted by law to be served on a  
4           limited liability partnership or foreign limited liability partnership may be served  
5           either on the registered agent ~~of the limited liability partnership~~ or on any  
6           responsible person found at the registered office ~~of the limited liability partnership~~  
7           or on the secretary of state as provided in this section.

8           2. If neither the registered agent nor a responsible person can be found at the  
9           registered office and if a responsible person affiliated with the limited liability  
10          partnership or foreign limited liability partnership cannot be found at the principal  
11          place of business in this state, the secretary of state is the agent of the limited  
12          liability partnership or foreign limited liability partnership on whom the process,  
13          notice, or demand may be served.

14          a. The return of the sheriff, or affidavit of a person not a party, that no registered  
15          agent or responsible person may be found at either the registered office or at  
16          the principal place of business ~~of the limited liability partnership~~ in this state is  
17          conclusive evidence that the limited liability partnership or foreign limited  
18          liability partnership has no registered agent or responsible person at its  
19          registered office or at its principal place of business in this state.

20          b. Service on the secretary of state of any process, notice, or demand is  
21          deemed personal service on the limited liability partnership or foreign limited  
22          liability partnership and may be made by filing with the secretary of state one  
23          original and two copies of the process, notice, or demand together with the  
24          fees provided in section 45-22-22.

25          c. The secretary of state immediately shall forward, by certified mail addressed  
26          to the limited liability partnership or foreign limited liability partnership at its  
27          registered office or at its principal place of business in this state, a copy of the  
28          process, notice, or demand.

29          d. Service on the secretary of state is returnable in not less than thirty days,  
30          notwithstanding a shorter period specified in the process, notice, or demand.

1           3.    The secretary of state shall maintain a record of every process, notice, and  
2                   demand served on the secretary of state under this section, including the date of  
3                   service and the action taken with reference to it.

4           4.    This section does not limit the right of a person to serve process, notice, or  
5                   demand required or permitted by law to be served on a limited liability partnership  
6                   or foreign limited liability partnership in any other manner permitted by law.

7           **SECTION 235. AMENDMENT.** Section 45-22-18 of the 1995 Supplement to the North  
8   Dakota Century Code is amended and reenacted as follows:

9           **45-22-18. Foreign limited liability partnership governing law.** The laws of the  
10   jurisdiction under which a foreign limited liability partnership is originally registered govern its  
11   organization ~~and its~~, internal affairs, ~~and the liability of partners for the debts, obligations, and~~  
12   liabilities of or chargeable to the partnership or another partner or partners. A foreign limited  
13   liability partnership may not be denied registration to transact business in this state by reason  
14   of any difference between those laws and the laws of this state. A foreign limited liability  
15   partnership holding a valid registration in this state has the same, but no greater, rights and  
16   privileges as a domestic limited liability partnership. The registration does not authorize the  
17   foreign limited liability partnership to exercise any of its powers for purposes that a domestic  
18   limited liability partnership is forbidden by law to exercise in this state.

19          **SECTION 236. AMENDMENT.** Section 45-22-20 of the 1995 Supplement to the North  
20   Dakota Century Code is amended and reenacted as follows:

21          **45-22-20. Transaction of business by a foreign limited liability partnership**  
22   **without registration.**

23          1.    A foreign limited liability partnership transacting business in this state may not  
24                   maintain any cause of action in any court of this state until the partnership has  
25                   registered with the secretary of state.

26          2.    The failure of a foreign limited liability partnership to register with the secretary of  
27                   state does not impair the validity of any contract or act of the foreign limited liability  
28                   partnership or prevent the foreign limited liability partnership from defending any  
29                   claim for relief in any court of this state.

1           3. A foreign limited liability partnership, by transacting business in this state without  
2           having registered with the secretary of state, appoints the secretary of state as its  
3           agent upon whom any notice, process, or demand may be served.

4           4. ~~All persons who assume to act as a foreign limited liability partnership without~~  
5           ~~registration are jointly and severally liable for all debts and liabilities incurred or~~  
6           ~~arising in this state as a result.~~

7           **SECTION 237. AMENDMENT.** Section 45-22-22 of the 1995 Supplement to the North  
8           Dakota Century Code is amended and reenacted as follows:

9           **45-22-22. Fees and charges.**

- 10          1. The secretary of state shall charge and collect for:
- 11           a. Filing a registration as a domestic limited liability partnership, twenty-five  
12           dollars. When there are more than two managing partners, an additional  
13           three dollars must be paid for each additional managing partner not to exceed  
14           two hundred fifty dollars.
- 15           b. Filing a renewal registration, twenty-five dollars.
- 16           c. Late filing of a renewal registration after the lapse of a registration, twenty  
17           dollars. This fee is in addition to the renewal registration fee.
- 18           d. Filing a statement of correction, or amended registration, twenty-five dollars.
- 19           e. Filing an application to reserve a name, ten dollars.
- 20           f. Filing a notice of transfer of a reserved name, ten dollars.
- 21           g. Filing a cancellation of reserved name, ten dollars.
- 22           h. Filing a consent to use of name, ten dollars.
- 23           i. Filing a statement of change of address of registered office or change of  
24           registered agent or both, ten dollars.
- 25           j. Filing a statement of change of address of registered office by registered  
26           agent, ten dollars for each limited liability partnership or foreign limited liability  
27           partnership affected by such change.
- 28           k. Filing a registered agent's consent to serve in such capacity, ten dollars.
- 29           l. Filing a resignation as registered agent, ten dollars.
- 30           m. Filing a notice of withdrawal, ten dollars.

- 1 n. Filing a certificate of fact stating a merger of a foreign limited liability  
2 partnership registered with the secretary of state, fifty dollars.  
3 o. Filing any other statement of a limited liability partnership, ten dollars.  
4 p. Filing any process, notice, or demand for service, twenty-five dollars.  
5 q. Filing a registration as a foreign limited liability partnership, fifty dollars.  
6 2. The secretary of state shall charge and collect for:  
7 a. Furnishing a copy of any document, instrument, or paper relating to a limited  
8 liability partnership or foreign limited liability partnership, one dollar for every  
9 four pages, or fraction thereof.  
10 b. A certificate certifying a copy or reciting facts related to a limited liability  
11 partnership or foreign limited liability partnership, twenty dollars.  
12 c. Each page of any document or form sent by electronic transmission, one  
13 dollar.

14 **SECTION 238. AMENDMENT.** Section 45-22-23 of the 1995 Supplement to the North  
15 Dakota Century Code is amended and reenacted as follows:

16 **45-22-23. Powers - Enforcement - Penalty - Appeal.**

- 17 1. The secretary of state shall administer this chapter.  
18 2. The secretary of state may propound to any limited liability partnership or foreign  
19 limited liability partnership subject to this chapter and to any partner, any  
20 interrogatory reasonably necessary and proper to ascertain whether the  
21 partnership has complied with this chapter.  
22 a. Any interrogatory must be answered within thirty days after mailing, or within  
23 any additional time fixed by the secretary of state. The answers to the  
24 interrogatory must be full and complete and be made in writing and under  
25 oath.  
26 b. If an interrogatory is directed:  
27 (1) To an individual, it must be answered by that individual; or  
28 (2) To a limited liability partnership or foreign limited liability partnership, it  
29 must be answered by a managing partner.

- 1 c. The secretary of state need not file any document to which an interrogatory  
2 relates until the interrogatory has been answered, and not then if the answers  
3 disclose that such document is not in conformity with this chapter.
- 4 d. The secretary of state shall certify to the attorney general, for any action the  
5 attorney general determines appropriate, any interrogatory and answers  
6 which disclose a violation of this chapter.
- 7 e. Each managing partner of a limited liability partnership or foreign limited  
8 liability partnership who fails or refuses within the time provided by this  
9 section to answer truthfully and fully every interrogatory propounded to that  
10 person by the secretary of state is guilty of an infraction.
- 11 f. Any interrogatory propounded by the secretary of state and the answers are  
12 not open to public inspection under section 44-04-18. The secretary of state  
13 may not disclose any facts or information obtained from an interrogatory  
14 except insofar as may be permitted by law or insofar as is required for  
15 evidence in any criminal proceedings or other action by this state.
- 16 3. If the secretary of state rejects any document required by this chapter to be  
17 approved by the secretary of state before the document may be filed, the secretary  
18 of state, within ten days after receipt of the document, shall give written notice of  
19 the rejection to the person who delivered the document, specifying the reasons for  
20 rejection. That person may appeal to the district court of the county in which the  
21 registered office of the limited liability partnership or foreign limited liability  
22 partnership is, or is proposed to be, situated by filing with the clerk of such court a  
23 petition setting forth a copy of the document sought to be filed and a copy of the  
24 written rejection of the document by the secretary of state. The court shall try the  
25 matter de novo. The court shall either sustain the action of the secretary of state  
26 or direct the secretary of state to take any action the court determines proper.
- 27 4. If the secretary of state revokes the registration of any foreign limited liability  
28 partnership; pursuant to section 45-22-16, the partnership may appeal to district  
29 court of the county where the registered office of the partnership in this state is  
30 situated by filing with the clerk of such court a petition setting forth a copy of its  
31 registration and a copy of the notice of revocation given by the secretary of state.

1           The court shall try the matter de novo. The court shall either sustain the action of  
2           the secretary of state or direct the secretary of state to take any action the court  
3           determines proper.

4           **SECTION 239. AMENDMENT.** Section 45-22-24 of the 1995 Supplement to the North  
5   Dakota Century Code is amended and reenacted as follows:

6           **45-22-24. Certificates and certified copies to be received in evidence.**

- 7           1. All copies of documents filed in accordance with this chapter, when certified by the  
8           secretary of state, must be taken and received in all courts, public offices, and  
9           official bodies as prima facie evidence of the facts stated.
- 10          2. A certificate by the secretary of state under the great seal of this state, as to the  
11          existence or nonexistence of the facts relating to limited liability partnerships or  
12          foreign limited liability partnerships which would not appear from a certified copy of  
13          any of the foregoing documents or certificates, must be taken and received in all  
14          courts, public offices, and official bodies as prima facie evidence of the existence  
15          or nonexistence of the facts stated.

16          **SECTION 240. AMENDMENT.** Section 45-22-25 of the 1995 Supplement to the North  
17   Dakota Century Code is amended and reenacted as follows:

18          **45-22-25. Forms to be furnished by the secretary of state.** All renewal registrations  
19   must be made on forms prescribed ~~and furnished~~ by the secretary of state. Upon request, the  
20   secretary of state ~~shall~~ may furnish forms for all other documents to be filed in the office of the  
21   secretary of state. However, the use of these documents, unless otherwise specifically  
22   required by law, is not mandatory.

23          **SECTION 241. AMENDMENT.** Section 45-22-26 of the 1995 Supplement to the North  
24   Dakota Century Code is amended and reenacted as follows:

25          **45-22-26. Audit reports and audit of limited liability partnerships receiving state**  
26   **subsidies for production of alcohol or methanol for combination with gasoline.** Any  
27   limited liability partnership or foreign limited liability partnership that produces agricultural ethyl  
28   alcohol or methanol within this state and which receives a production subsidy from the state,  
29   whether in the form of reduced taxes or otherwise, shall submit an annual audit report,  
30   prepared by a certified public accountant based on an audit of all records and accounts of the  
31   limited liability partnership or foreign limited liability partnership, to the legislative audit and

1 fiscal review committee. The audit must be submitted within ninety days of the close of the  
2 taxable year of the limited liability partnership or foreign limited liability partnership. Upon  
3 request of the legislative audit and fiscal review committee, the state auditor shall conduct an  
4 audit of the records and accounts of any limited liability partnership or foreign limited liability  
5 partnership required to submit an annual report under this section.

6 **SECTION 242. AMENDMENT.** Section 45-22-27 of the 1995 Supplement to the North  
7 Dakota Century Code is amended and reenacted as follows:

8 **45-22-27. Foreign trade zones.**

- 9 1. As used in this section, unless the context otherwise requires:
- 10 a. "Act of Congress" means the Act of Congress approved June 18, 1934,  
11 entitled an act to provide for the establishment, operation, and maintenance  
12 of foreign trade zones and ports of entry of the United States, to expedite and  
13 encourage foreign commerce and for other purposes, as amended, and  
14 commonly known as the Foreign Trade Zone Act of 1934 [48 Stat. 998; 19  
15 U.S.C. 81a et seq.], as amended.
- 16 b. "Private limited liability partnership" means a limited liability partnership or  
17 foreign limited liability partnership, one of the purposes of which is to  
18 establish, operate, and maintain a foreign trade zone by itself or in  
19 conjunction with a public corporation.
- 20 c. "Public corporation" means this state, any political subdivision of this state,  
21 any public agency of this state or any political subdivision of this state, or any  
22 corporate instrumentality of this state.
- 23 2. Any private limited liability partnership or public corporation may apply to the  
24 proper authorities of the United States for a grant of the privilege of establishing,  
25 operating, and maintaining foreign trade zones and foreign trade subzones and to  
26 do all things necessary and proper to carry into effect the establishment, operation,  
27 and maintenance of such zones, in accordance with the Act of Congress and other  
28 applicable laws and rules.

29 **SECTION 243. AMENDMENT.** Section 57-38-07.1 of the North Dakota Century Code  
30 is amended and reenacted as follows:



1           **57-38-07.1. Taxation of two or more member limited liability companies.** For  
2 purposes of this chapter, a limited liability company having two or more members that is formed  
3 under either the laws of this state or under similar laws of another state, and that is considered  
4 to be a partnership for federal income tax purposes, is considered to be a partnership and the  
5 members must be considered to be partners. A limited liability company having two or more  
6 members that is not treated as a partnership for federal income tax purposes must be treated  
7 as a corporation for state tax purposes.

8           **SECTION 244.** Section 57-38-07.2 of the North Dakota Century Code is created and  
9 enacted as follows:

10           **57-38-07.2. Taxation of single-member limited liability companies.** For purposes  
11 of this chapter, a limited liability company having a single member that is formed under either  
12 the laws of this state or under similar laws of another state and that is considered to be a  
13 corporation for federal income tax purposes, is considered to be a corporation for state tax  
14 purposes. A limited liability company having a single member that is not treated as a  
15 corporation for federal income tax purposes is disregarded as an entity separate from its owner  
16 for state tax purposes.

17           **SECTION 245. AMENDMENT.** Section 57-38.1-17.2 of the North Dakota Century  
18 Code is amended and reenacted as follows:

19           **57-38.1-17.2. Taxation of two or more member limited liability companies.** For  
20 purposes of this chapter, a limited liability company having two or more members that is formed  
21 under either the laws of this state or under similar laws of another state, and that is considered  
22 to be a partnership for federal income tax purposes, is considered to be a partnership and the  
23 members must be considered to be partners. A limited liability company having two or more  
24 members that is not treated as a partnership for federal income tax purposes must be treated  
25 as a corporation for state tax purposes.

26           **SECTION 246.** Section 57-38.1-17.3 of the North Dakota Century Code is created and  
27 enacted as follows:

28           **57-38.1-17.3. Taxation of single-member limited liability companies.** For purposes  
29 of this chapter, a limited liability company having a single member that is formed under either  
30 the laws of this state or under similar laws of another state and that is considered to be a  
31 corporation for federal income tax purposes, is considered to be a corporation for state tax

1 purposes. A limited liability company having a single member that is not treated as a  
2 corporation for federal income tax purposes is disregarded as an entity separate from its owner  
3 for state tax purposes.

4           **SECTION 247. REPEAL.** Sections 10-19.1-54, 10-19.1-73.1, 10-19.1-77, 10-19.1-78,  
5 10-19.1-79, 10-19.1-80, chapters 10-22, 10-23, sections 10-32-41, 10-32-45, 10-32-46,  
6 10-32-90, and 10-32-151 of the North Dakota Century Code are repealed.