

**Sixty-fifth Legislative Assembly of North Dakota  
In Regular Session Commencing Tuesday, January 3, 2017**

SENATE BILL NO. 2276  
(Senators Wardner, Armstrong)

AN ACT to amend and reenact subsection 7 of section 10-33-21, section 10-33-100, and subsection 4 of section 10-33-108 of the North Dakota Century Code, relating to the prohibition of the diversion of restricted assets and the priority of those assets in a dissolution.

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

**SECTION 1. AMENDMENT.** Subsection 7 of section 10-33-21 of the North Dakota Century Code is amended and reenacted as follows:

7. A corporation may make contracts and incur liabilities, borrow money, issue its securities, and secure any of its obligations by mortgage of or creation of a security interest in all or any of its property, franchises, and income. All assets received by a corporation from donors for special use or purpose must be designated as temporarily restricted or permanently restricted in accordance with the applicable generally accepted accounting principles and disclosed on the corporation's financial statements. A corporation may pledge as collateral, grant a security interest in, or borrow from assets initially designated as temporarily restricted only for purposes that are in accordance with the donor's restrictions. A corporation may not pledge as collateral, grant a security interest in, or borrow from assets designated as permanently restricted assets.

**SECTION 2. AMENDMENT.** Section 10-33-100 of the North Dakota Century Code is amended and reenacted as follows:

**10-33-100. Procedure in dissolution.**

1. When a notice of intent to dissolve has been filed with the secretary of state, the board, or the officers acting under the direction of the board, shall proceed as soon as possible to collect or make provision for the collection of debts owing to the corporation and to pay or make provision for the payment of debts, obligations, and liabilities of the corporation according to their priorities.
2. Notwithstanding section 10-33-94, when a notice of intent to dissolve has been filed with the secretary of state, the directors may sell, lease, transfer, or otherwise dispose of all or substantially all of the property and assets of a dissolving corporation without a vote of the members, subject to sections 10-33-95 and 10-33-122.
3. ~~Property, including money, remaining after the discharge of the debts, obligations, and liabilities of the corporation must be distributed under section 10-33-105.~~

**SECTION 3. AMENDMENT.** Subsection 4 of section 10-33-108 of the North Dakota Century Code is amended and reenacted as follows:

4. The assets of the corporation or the proceeds resulting from a sale, lease, transfer, or other disposition must be applied in the following order of priority to the payment and discharge of:
  - a. Assets received and held for a special use or purpose must be distributed pursuant to subsection 2 of section 10-33-105;
  - b. The costs and expenses of the proceedings, including attorney's fees and disbursements;

- b.c. Debts, taxes, and assessments due the United States, this state and its subdivisions, and other states and their subdivisions, in that order;
- e.d. Claims duly proved and allowed to employees under title 65. Claims under this subdivision may not be allowed if the corporation carried workforce safety and insurance coverage, as provided by law, at the time the injury was sustained;
- d.e. Claims, including the value of all compensation paid in any medium other than money, duly proved and allowed to employees for services performed within three months preceding the appointment of the receiver, if any; and
- e.f. Other claims duly proved and allowed.

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President of the Senate

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Speaker of the House

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Secretary of the Senate

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Chief Clerk of the House

This certifies that the within bill originated in the Senate of the Sixty-fifth Legislative Assembly of North Dakota and is known on the records of that body as Senate Bill No. 2276.

Senate Vote:    Yeas 47            Nays 0            Absent 0

House Vote:    Yeas 90            Nays 0            Absent 4

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Secretary of the Senate

Received by the Governor at \_\_\_\_\_ M. on \_\_\_\_\_, 2017.

Approved at \_\_\_\_\_ M. on \_\_\_\_\_, 2017.

\_\_\_\_\_  
Governor

Filed in this office this \_\_\_\_\_ day of \_\_\_\_\_, 2017,

at \_\_\_\_\_ o'clock \_\_\_\_\_ M.

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Secretary of State