

Sixty-eighth
Legislative Assembly
of North Dakota

ENGROSSED HOUSE BILL NO. 1371

Introduced by

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

Senators Conley, Hogue, Luick, Wanzek

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

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

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

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

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

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

1 3. "Authorized livestock farm corporation" means a corporation, joint-stock company or
2 association formed for cattlelivestock backgrounding, cattlelivestock finishing, or the
3 production of poultry or poultry products, milk or dairy products, or swine or swine
4 products which is allowed to engage in the business of farming or ranching under
5 section 13 of this Act, which, at all times, complies with the requirements of this
6 chapter.

7 4. "Authorized livestock farm limited liability company" means a limited liability company
8 formed for cattlelivestock backgrounding, cattlelivestock finishing, or the production of
9 poultry or poultry products, milk or dairy products, or swine or swine products which is
10 allowed to engage in the business of farming or ranching under section 13 of this Act,
11 which, at all times, complies with the requirements of this chapter.

12 5. ~~"Cattle backgrounding" means the feeding or growing of cattle from weaning until the~~
13 ~~cattle enter a cattle finishing feedlot.~~

14 ~~6.~~ ~~"Cattle finishing" means the feeding or growing of cattle for the purpose of~~
15 ~~expeditiously preparing the cattle for harvest"~~ Beekeeping" means the breeding or
16 rearing of bee colonies or the owning, maintenance, or management of bee apiaries.

17 ~~7.6.~~ "Custom harvesting" means the business of providing crop harvesting services for
18 others.

19 ~~8.7. a.~~ "Farming or ranching" means cultivating land for production of agricultural crops
20 ~~or livestock, or the raising or producing of~~ agricultural crops, fruit, horticultural
21 products, or livestock or livestock products, poultry or poultry products, milk or
22 ~~dairy products, or fruit or horticultural products. It~~ or livestock backgrounding, or
23 livestock finishing.

24 b. The term does not include:

25 a. (1) Agricultural support services;

26 b. (2) Aquaculture or greenhouse agriculture by a person that has farmland or
27 ranchland holdings not exceeding forty acres [16.19 hectares];

28 (3) Beekeeping;

29 (4) The production of timber or forest products, the;

30 e. (5) The growing or processing of marijuana under chapter 19-24.1;

31 ~~d. Custom harvesting;~~

1 ~~e.~~ ~~Aquaculture agriculture or greenhouse agriculture by a person that has~~
2 ~~agricultural landholding not exceeding forty acres [16.19 hectares];~~ or a

3 ~~f.~~ (6) ~~A contract whereby~~under which a processor or distributor of farm products
4 or supplies provides grain, harvesting, or other farm services.

5 ~~2.9.8.~~ "Farming or ranching corporation" means a farm or ranch corporation, joint-stock
6 company, or association which is allowed to engage in the business of farming or
7 ranching under section 10-06.1-12, which, at all times, complies with the requirements
8 of this chapter.

9 ~~3.10.9.~~ "Farming or ranching limited liability company" means a farm or ranch limited liability
10 company which is allowed to engage in the business of farming or ranching under
11 section 10-06.1-12, which, at all times, complies with the requirements of this chapter.

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

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

17 4.12. "Livestock" includes beef cattle, dairy cattle, elk, bison, poultry, swine, sheep, goats,
18 llamas, and alpacas.

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

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

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

25 a. An organization that was in existence on December 31, 1984, and that is
26 organized and operated exclusively for religious, charitable, scientific, testing for
27 public safety, literary, or educational purposes, or for the prevention of cruelty to
28 children or animals under section 501(c)(3), or is a domestic fraternal
29 organization under section 501(c)(10).

- 1 b. A charitable, religious, educational, or scientific organization classified as either a
2 private foundation or as a public charity having status as an organization
3 described in section 509(a)(1) or (3).
4 c. A trust described in section 4947 for which a deduction is allowable under
5 section 170.

6 ~~5.13.16.~~ "Operating the farm or ranch" means engaging in ~~day-to-day~~ personal labor or
7 ~~day-to-day~~ management activities on or off the farm or ranch, which contribute
8 ~~significantly~~ to the farm or ranch operations.

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

11 **10-06.1-02. Farming or ranching by corporations and limited liability companies**
12 **prohibited.**

13 1. All corporations and limited liability companies, except as otherwise provided in this
14 chapter, are prohibited from owning or leasing ~~land used for farming or~~
15 ~~ranching~~ farmland or ranchland and from engaging in the business of farming or
16 ranching.

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

21 3. Notwithstanding any other provision of law, an authorized livestock farm corporation or
22 authorized livestock farm limited liability company ~~is prohibited from being~~ may not be
23 a partner in a partnership ~~owning or leasing land used for farming or ranching or~~
24 ~~engaging~~ under title 45 which owns or leases farmland or ranchland or engages in the
25 business of farming or ranching. ~~a shareholder of an authorized livestock farm~~
26 ~~corporation, or a member of an authorized livestock farm limited liability company.~~

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

29 **10-06.1-03. Retention of mineral interests prohibited.**

30 For land and minerals acquired after July 1, 1985, any corporation or limited liability
31 company that acquires mineral interests through foreclosure or in lieu of foreclosure which were

1 not specifically valued at the time the security interest in the minerals was acquired, and which
2 is prohibited from owning or leasing ~~land used in farming or ranching~~ farmland or ranchland, is
3 prohibited from retaining mineral interests in ~~land used for farming or ranching~~ farmland or
4 ranchland when the corporation or limited liability company divests itself of the land, and the
5 mineral interests must be passed with the surface estate of the land when the corporation or
6 limited liability company divests itself of the land under this chapter.

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

9 **10-06.1-04. Conversion of corporations.**

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

17 2. A farming or ranching corporation or an authorized livestock farm corporation may
18 convert to a business corporation by adopting an amendment to its articles of
19 incorporation or by applying for an amended certificate of authority. The amendment
20 must be filed with the secretary of state with the prescribed fee. The amendment must
21 be accompanied by a report outlining the information, as of the date of the
22 amendment, which is required under section 10-06.1-17 ~~and~~ section 1121 of this
23 Act, and the manner in which the corporation has divested itself of its owned or leased
24 land holdings and its business of farming or ranching.

25 ~~**SECTION 8. AMENDMENT. Subsection 2 of section 10-06.1-12 of the North Dakota**~~
26 ~~**Century Code is amended and reenacted as follows:**~~

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

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

3 **10-06.1-05. Conversion of limited liability company.**

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

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

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

22 **10-06.1-06. Surface coal mining - Exception.**

23 A corporation or limited liability company not engaged in the business of farming or ranching
24 may own or lease ~~lands used for farming or ranching~~ farmland or ranchland, when the business
25 of ~~such a~~ the corporation or limited liability company is ~~the~~ conducting ~~of~~ surface coal mining
26 operations or related energy conversion, and when the owning or leasing of ~~lands used for~~
27 ~~farming or ranching~~ farmland or ranchland is reasonably necessary in the conduct of the
28 business of surface coal mining or related energy conversion. When the necessity for owning or
29 leasing of ~~lands used for farming or ranching~~ farmland or ranchland no longer exists, the
30 exception provided in this section ceases and the corporation or limited liability company
31 owning or leasing ~~such~~ the lands is subject to this chapter.

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

3 **10-06.1-07. Industrial and business purpose ~~exception~~- Exception.**

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

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

16 **10-06.1-08. Cooperative corporations allowed to engage in the business of farming or**
17 **ranching - Requirements.**

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

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

- 24 1. A nonprofit organization or a trust for the benefit of an individual or a class of
25 individuals related within the degrees of kinship specified in subsection 2 of section
26 10-06.1-12 may own or lease farmland or ranchland if that land is leased to a person
27 who farms or ranches the land as a sole proprietorship or partnership, or a farming or
28 ranching corporation or a farming or ranching limited liability company ~~allowed to~~
29 ~~engage in farming or ranching under section 10-06.1-12.~~

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

1 **10-06.1-10. Acquisition of certain farmland or ranchland by certain nonprofit**
2 **organizations.**

3 A nonprofit organization may acquire farmland or ranchland only in accordance with the
4 following:

- 5 1. Unless it is permitted to own or lease farmland or ranchland under section 10-06.1-09,
6 the nonprofit organization must have been either incorporated in this state or issued a
7 certificate of authority to do business in this state before January 1, 1985, or, before
8 January 1, 1987, have been incorporated in this state if the nonprofit organization was
9 created or authorized under Public Law No. 99-294 [100 Stat. 418]. A nonprofit
10 organization created or authorized under Public Law No. 99-294 [100 Stat. 418] may
11 acquire no more than twelve thousand acres [4856.228 hectares] of land from interest
12 derived from state, federal, and private sources held in its trust fund.
- 13 2. The ~~land~~ farmland or ranchland may be acquired only for the purpose of conserving
14 natural areas and habitats for biota, and, after acquisition:
 - 15 a. The land must be maintained and managed for the purpose of conserving natural
16 area and habitat for biota.
 - 17 b. Any agricultural use of the land is in accordance with the management of the land
18 for conservation and agricultural use, and is by a sole proprietorship or
19 partnership, or a farming or ranching corporation or a farming or ranching limited
20 liability company ~~allowed to engage in farming or ranching under section~~
21 ~~10-06.1-12.~~
 - 22 c. If any parcel of the land is open to hunting, it must be open to hunting by the
23 general public.
 - 24 d. The nonprofit organization must fully comply with all state laws relating to the
25 control of noxious and other weeds and insects.
 - 26 e. The nonprofit organization must make payments in lieu of property taxes on the
27 property, calculated in the same manner as if the property was subject to full
28 assessment and levy of property taxes.
 - 29 f. All property subject to valuation must be assessed for the purpose of making the
30 payments under subdivision e in the same manner as other real property in this
31 state is assessed for tax purposes. Before June thirtieth of each year, the county

1 auditor of any county in which property subject to valuation is located shall give
2 written notice to the nonprofit organization and the tax commissioner of the value
3 placed by the county board of equalization upon each parcel of property subject
4 to valuation in the county.

5 3. a. Before farmland or ranchland may be purchased by a nonprofit organization for
6 the purpose of conserving natural areas and habitats for biota, the governor must
7 approve the proposed acquisition.

8 b. A nonprofit organization that desires to purchase farmland or ranchland for the
9 purpose of conserving natural areas and habitats for biota shall first submit a
10 proposed acquisition plan to the agriculture commissioner who shall convene an
11 advisory committee consisting of the director of the parks and recreation
12 department, the agriculture commissioner, the state forester, the director of the
13 game and fish department, the president of the North Dakota farmers union, the
14 president of the North Dakota farm bureau, the president of the North Dakota
15 stockmen's association, and the chairman of the county commission of any
16 county affected by the acquisition, or their designees.

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

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

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

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

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

1 **10-06.1-11. Required nonprofit organization divestiture of ~~agricultural land~~ farmland**
2 **or ranchland.**

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

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

13 **10-06.1-12. ~~Corporation~~ Farming or ranching corporation or farming or ranching**
14 **limited liability company allowed to engage in the business of farming or ranching -**
15 **Requirements.**

16 This chapter does not prohibit a farming or ranching corporation or a farming or ranching
17 limited liability company from owning ~~real-estate~~ or leasing farmland or ranchland and engaging
18 in the business of farming or ranching, if the corporation meets all the requirements of chapter
19 10-19.1 or the limited liability company meets all the requirements of chapter 10-32.1 which are
20 not inconsistent with this chapter. The following requirements also apply:

21 1. a. If a farming or ranching corporation, the corporation must not have more than
22 fifteen shareholders.

23 b. If a farming or ranching limited liability company, the limited liability company
24 must not have more than fifteen members.

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

30 3. Each shareholder or member must be an individual or one of the following:

- 1 a. A trust for the benefit of an individual or a class of individuals who are related to
2 every shareholder of the corporation or member of the limited liability company
3 within the degrees of kinship or affinity specified in this section.
- 4 b. An estate of a decedent who was related to every shareholder of the corporation
5 or member of the limited liability company within the degrees of kinship or affinity
6 specified in this section.
- 7 4. A trust or an estate may not be a shareholder or member if the beneficiaries of the
8 trust or the estate together with the other shareholders or members are more than
9 fifteen in number.
- 10 5. Each individual who is a shareholder or member must be a citizen of the United States
11 or a permanent resident alien of the United States.
- 12 6. a. If a farming or ranching corporation, the officers and directors of the corporation
13 must be shareholders who are actively engaged in operating the farm or ranch
14 ~~and at least one of the corporation's shareholders must be an individual residing~~
15 ~~on or operating the farm or ranch.~~
- 16 b. If a farming or ranching limited liability company, the governors ~~and~~ managers,
17 and members authorized under a statement of authority of the limited liability
18 company must be members who are actively engaged in operating the farm or
19 ranch ~~and at least one of its members must be an individual residing on or~~
20 ~~operating the farm or ranch.~~
- 21 7. An annual average of at least sixty-five percent of the gross income of the farming or
22 ranching corporation or farming or ranching limited liability company over the previous
23 five years, or for each year of its existence, if less than five years, must have been
24 derived from engaging in the business of farming or ranching ~~operations.~~
- 25 8. The income of the farming or ranching corporation or farming or ranching limited
26 liability company from nonfarm rent, nonfarm royalties, dividends, interest, and
27 annuities cannot exceed twenty percent of the gross income of the corporation or
28 limited liability company.
- 29 9. The farming or ranching corporation or farming or ranching limited liability company
30 must own or lease farmland or ranchland ~~in this state.~~

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

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

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

- 11 1. a. If an authorized livestock farm corporation, the corporation may not have more
12 than ten shareholders.
- 13 b. If an authorized livestock farm limited liability company, the limited liability
14 company may not have more than ten members.
- 15 2. a. If an authorized livestock farm corporation, shareholders holding seventy-five
16 percent or more of the shares entitled to vote and the shares entitled to
17 distributions must be individuals who are actively engaged in ~~operating a farm or~~
18 ~~ranch~~ the business of farming or ranching, farming or ranching corporations ~~that~~
19 ~~meet the requirements of chapter 10-06.1-12, or farming or ranching limited~~
20 liability companies ~~that meet the requirements of chapter 10-06.1-12.~~
- 21 b. If an authorized livestock farm limited liability company, members holding
22 fifty-one percent or more of interests entitled to vote and interests entitled to
23 distributions in the limited liability company must be individuals who are actively
24 engaged in ~~operating a farm or ranch~~ the business of farming or ranching, farming
25 or ranching corporations ~~that meet the requirements of chapter 10-06.1-12, or~~
26 farming or ranching limited liability companies ~~that meet the requirements of~~
27 ~~chapter 10-06.1-12.~~
- 28 3. a. If an authorized livestock farm corporation, ~~all~~
29 (1) All shareholders who are individuals must be citizens of the United States ~~or~~
30 permanent resident aliens of the United States, ~~and all or an authorized~~
31 individual under section 47-10.1-02.

1 (2) All shareholders that are persons otherwise eligible under this chapter, and
2 any controlling ~~person~~ individual or entity of the ~~corporation~~ person, must be
3 organized in the United States and one hundred percent of the stock must
4 be owned by citizens of the United States ~~or~~, permanent resident aliens of
5 the United States, or an authorized individual under section 47-10.1-02.

6 b. If ~~a~~ an authorized livestock farm limited liability company, ~~all~~:

7 (1) All members who are individuals must be citizens of the United States ~~or~~,
8 permanent resident aliens of the United States, ~~and all or an authorized~~
9 individual under section 47-10.1-02; and

10 (2) All members that are persons otherwise eligible under this chapter, and any
11 controlling ~~person limited liability company~~ individual or entity of the person,
12 must be organized in the United States and one hundred percent of the
13 interests must be owned by citizens of the United States ~~or~~, permanent
14 resident aliens of the United States, or an authorized individual under
15 section 47-10.1-02.

16 4. The authorized livestock farm corporation or authorized livestock farm limited liability
17 company may not ~~at any time, directly or indirectly~~ own, lease, or otherwise have an
18 interest in more than one hundred sixty acres [64.75 hectares] of ~~land~~ farmland or
19 ranchland.

20 5. a. If ~~a~~ an authorized livestock farm corporation, none of its shareholders ~~are~~
21 ~~shareholders in~~ may hold direct or indirect interests in other authorized livestock
22 farm corporations; or ~~members~~ in authorized livestock farm limited liability
23 companies; that ~~directly or indirectly~~ in combination with the corporation own,
24 lease, or otherwise have an interest in more than six hundred forty acres [259
25 hectares] of ~~land~~ farmland or ranchland.

26 b. If ~~a~~ an authorized livestock farm limited liability company, none of its members
27 ~~are members~~ may hold direct or indirect interests in other authorized livestock
28 farm limited liability companies or ~~shareholders~~ in other authorized livestock farm
29 corporations that ~~directly or indirectly~~ in combination with the limited liability
30 company own, lease, or otherwise have an interest more than six hundred forty
31 acres [259 hectares] of ~~land~~ farmland or ranchland.

- 1 c. This section does not restrict the number of acres [hectares] of farmland or
2 ranchland directly owned or leased by shareholders or members who are
3 individuals, farming or ranching corporations, farming or ranching limited liability
4 companies, or partnerships that meet the requirements of subsection 2 of section
5 10-06.1-02.
- 6 6. a. If an authorized livestock farm corporation, the officers and directors of the
7 corporation must be shareholders who are individuals and who are actively
8 engaged in operating the authorized livestock farm corporation.
- 9 b. If an authorized livestock farm limited liability company, the governors,
10 managers, and officers members authorized under a statement of authority, must
11 be members who are individuals and who are actively engaged in operating the
12 authorized farm-limited liability company.
- 13 7. An annual average of at least sixty-five percent of the gross income of the authorized
14 livestock farm corporation or authorized livestock farm limited liability company over
15 the previous five years, or for each year of its existence, if less than five years, must
16 have been derived from livestock backgrounding, livestock finishing, or the production
17 of cattle, poultry or poultry products, milk or dairy products, or swine or swine
18 products.
- 19 8. The income of the authorized livestock farm corporation or authorized livestock farm
20 limited liability company from nonfarm rent, nonfarm royalties, dividends, interest, and
21 annuities may not exceed twenty percent of the gross income of the authorized
22 livestock farm corporation or authorized livestock farm limited liability company.
- 23 9. The authorized livestock farm corporation or authorized livestock farm limited liability
24 company may not directly or indirectly engage in the cultivation of land for
25 the production of crops or the grazing of livestock on farmland or ranchland.
- 26 10. The authorized livestock farm corporation or authorized livestock farm limited
27 liability company must begin is intended to primarily comprise an animal feeding
28 operation or concentrated animal feeding operation on farmland or ranchland, the
29 corporation or limited liability company must:

1 a. Begin construction of the facilities used in the animal feeding operation or
2 concentrated animal feeding operation within one year of obtaining the
3 agricultural landholding;

4 ~~11. The corporation or limited liability company must have; and~~

5 b. Have a fully operational animal feeding operation or concentrated animal feeding
6 operation within ~~three~~six years of obtaining the ~~agricultural landholding~~farmland
7 or ranchland.

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

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

14 **10-06.1-13. Applicability of North Dakota Business Corporation Act.**

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

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

22 **10-06.1-14. Applicability of North Dakota limited liability company laws.**

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

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

1 **10-06.1-15. Initial report - ~~Shareholder~~Farming or ranching corporation shareholder**
2 **and farming or ranching limited liability member requirements.**

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

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

10 b. With respect to each shareholder or member:

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

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

13 (2) The number of shares or membership interests or percentage of shares or
14 membership interests owned by each;

15 (3) The relationship of each;

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

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

20 c. With respect to management:

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

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

26 d. If the purchase or lease of farmland or rangeland is final at the time of the initial
27 report, a statement listing the acreage [hectarage] and location listed by section,
28 township, range, and county of all ~~land in the state~~ farmland or rangeland owned
29 or leased by the farming or ranching corporation or farming or ranching limited
30 liability company ~~and used for farming or ranching~~. If the purchase or lease of
31 farmland or rangeland is not yet final at the time of the initial report, a statement

1 that there is a bona fide and imminent intent and a plan to purchase or lease
2 farmland or ranchland ~~in the state.~~

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

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

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

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

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

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

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

27 The provisions of chapter 47-10.1 ~~supersede this chapter~~ take precedence in the event of
28 any conflict with this chapter.

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

1 **Initial report - Authorized livestock farm ~~corporations~~corporation shareholder and**
2 **authorized livestock farm limited liability ~~companies~~company member requirements.**

3 1. Every authorized livestock farm corporation or authorized livestock farm limited liability
4 company shall file an initial report with its articles of incorporation ~~or~~, articles of
5 organization, ~~or certificate of authority~~. The report must be signed by the incorporators
6 or organizers, ~~or in the case of a certificate of authority, an authorized person, and~~
7 must contain the following:

8 a. The name of the ~~authorized livestock farm~~ corporation or ~~authorized livestock~~
9 ~~farm~~ limited liability company.

10 b. With respect to each shareholder or member:

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

13 (2) If ~~an organization~~ a person other than an individual, the state of
14 ~~incorporation organization or~~ domicile;

15 (3) The number of shares or membership interests ~~or percentage of shares or~~
16 ~~membership interests of each;~~

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

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

20 (6) ~~As to individuals, a statement of whether each is a citizen or permanent~~
21 ~~resident alien of the United States; ~~and~~~~

22 (7) As to individuals, a statement of whether each will be actively engaged in
23 ~~operating the farm or ranch and whether each will reside on the farm or~~
24 ~~ranch~~the business of farming or ranching; and

25 (8) As to a person other than an individual, a statement of whether the person,
26 ~~and any controlling person of the person, is incorporated in the United~~
27 ~~States and one hundred percent of the stock or interests is owned by~~
28 ~~citizens of the United States, permanent aliens of the United States, or~~
29 ~~individuals or persons in compliance with section 47-10.1-02.~~

30 c. With respect to management:

- 1 (1) If ~~aan~~ authorized livestock farm corporation, the names and addresses of
2 the officers and members of the board of directors, and a statement
3 whether each will be actively engaged in the operation of the corporation; or
4 (2) If ~~aan~~ authorized livestock farm limited liability company, the names and
5 addresses of the managers, members of the board of governors, and
6 ~~officers~~members authorized under a statement of authority, and a statement
7 whether each will be actively engaged in the operation of the limited liability
8 company.

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

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

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

1 g. A statement that at least sixty-five percent of the gross income of the authorized
2 livestock farm corporation or authorized livestock farm limited liability company
3 will be derived from ~~farming or ranching~~authorized livestock farm operations, and
4 that twenty percent or less of the gross income of the corporation or limited
5 liability company will be from nonfarm rent, nonfarm royalties, dividends, interest,
6 and annuities.

7 h. A statement that the authorized livestock farm corporation or authorized livestock
8 farm limited liability company will not engage in the ~~cultivation of land for the~~
9 production of crops or the grazing of livestock on farmland or ranchland.

10 i. If the authorized livestock farm corporation facility or authorized livestock farm
11 limited liability company facility is not operational, a statement as to the planned
12 date of the commencement of facility operations.

13 ~~j. A statement that the corporation or limited liability company does not hold an~~
14 ~~interest in any other authorized livestock farm corporation or authorized livestock~~
15 ~~farm limited liability company.~~

16 2. An authorized livestock farm corporation or ~~a~~authorized livestock farm limited liability
17 company may not commence farming or ranching in this state until the secretary of
18 state has received and filed the initial report required by this section and the articles of
19 incorporation ~~or~~, articles of organization, or certificate of authority.

20 3. The authorized livestock farm corporation or authorized livestock farm limited liability
21 company shall furnish to the official county newspaper of each county ~~or counties~~ in
22 which it has ~~any~~an interest in any landfarmland and ranchland a legal notice reporting
23 the following:

24 a. The name of the authorized livestock farm corporation or authorized livestock
25 farm limited liability company and its shareholders or members as listed in the
26 initial report.

27 b. A statement ~~to the effect~~ that the authorized livestock farm corporation or
28 authorized livestock farm limited liability company has reported that it holds an
29 interest in landfarmland or ranchland in the county, the use of the land, and that a
30 description of that land is available for inspection at the ~~secretary of state's~~ office
31 of the secretary of state.

1 c. A statement ~~to the effect~~ that each of the shareholders of the authorized livestock

2 farm corporation or members of the authorized livestock farm limited liability

3 company do not ~~directly or indirectly in combination with interests in any other~~

4 ~~person own~~ hold a direct or indirect interest in authorized livestock farm

5 corporations or authorized livestock farm limited liability companies that in

6 aggregate, own, lease, or otherwise hold an interest in more than six hundred

7 forty acres [259 hectares] of ~~agricultural land~~ farmland or ranchland. An interest

8 disclosed under this subdivision does not include the number of acres of

9 farmland or ranchland directly owned or leased by shareholders or members that

10 are individuals, farming or ranching corporations, farming or ranching limited

11 liability companies, or partnerships that meet the requirements of subsection 2 of

12 section 10-06.1-02.

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

15 **10-06.1-16. Share and membership interest transfer records.**

16 1. a. Every corporation owning or leasing ~~land used for farming or ranching~~farmland or

17 ranchland or engaged in the business of farming or ranching ~~after June 30, 1981,~~

18 shall keep a record of transfers of shares or transfers of interests in the

19 corporation.

20 b. Every limited liability company owning or leasing ~~land used for farming or~~

21 ranchingfarmland or ranchland or engaged in the business of farming or ranching

22 shall keep a record of transfers of membership interests in the limited liability

23 company.

24 2. a. If a corporation, the corporation's secretary shall cause to be recorded in the

25 record all transfers of shares or transfers of interests among and between the

26 corporation and its respective shareholders or holders of interest.

27 b. If a limited liability company, the limited liability company's secretary shall cause

28 to be recorded in the record all transfers of membership interests among and

29 between the limited liability company and its respective members.

30 3. The record must contain at least the following: the names of the transferor and

31 transferee, their relationship, the date of the transfer and, if a corporation, the number

1 of shares or the percentage of interests transferred or, if a limited liability company, the
2 number or percentage of membership interests transferred.

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

5 **10-06.1-17. Annual report - Farming or ranching corporations and farming or**
6 **ranching limited liability companies - Contents - Filing requirements.**

7 1. Except for the first annual report, the annual report of a farming or ranching
8 corporation ~~engaged in farming or ranching after June 30, 1981, and~~ or a farming or
9 ranching limited liability company engaged in the business of farming or ranching must
10 be delivered to the secretary of state before April sixteenth of each year. The first
11 annual report must be delivered before April sixteenth in the year following the
12 calendar year of the effective date of the articles of incorporation, articles of
13 organization, or certificate of authority.

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

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

23 ~~1.~~ a. The name of the farming or ranching corporation or farming or ranching limited
24 liability company.

25 ~~2.~~ b. The name of the registered agent of the farming or ranching corporation or
26 farming or ranching limited liability company as provided in chapter 10-01.1 and,
27 if a noncommercial registered agent, the address of the registered office of the
28 corporation or limited liability company in this state.

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

1 ~~6-7.~~ g. ___ A statement providing the land description and listing the acreage [hectarage]
2 and location listed by section, township, range, and county of all ~~land in the~~
3 ~~state~~ farmland or ranchland owned or leased by the farming or ranching
4 corporation or farming or ranching limited liability company ~~and used for farming~~
5 ~~or ranching~~. The statement must also designate which, if any, of the acreage
6 [hectarage] is leased from or jointly owned with any shareholder or member and
7 list the name of the shareholder or member with that acreage [hectarage].

8 ~~7-8.~~ h. ___ A statement of the percentage of the annual average gross income of the farming
9 or ranching corporation or farming or ranching limited liability company which has
10 been derived from engaging in the business of farming or ranching ~~operations~~
11 over the previous five years or for each year of existence if less than five years.

12 ~~8-9.~~ i. ___ A statement of the percentage of gross income of the farming or ranching
13 corporation or farming or ranching limited liability company derived from nonfarm
14 rent, nonfarm royalties, dividends, interest, and annuities during the period
15 covered by the report.

16 ~~9-10.4.~~ A farming or ranching corporation engaged in the business of farming or ranching
17 which fails to file an annual report is subject to the penalties for failure to file an annual
18 report as provided in chapter 10-19.1, except that the penalties must be calculated
19 from the date of the report required ~~by~~ under this section.

20 ~~10-11.5.~~ A farming or ranching limited liability company engaged in the business of farming or
21 ranching which fails to file an annual report is subject to the penalties for failure to file
22 an annual report as provided in chapter 10-32.1, except that the penalties must be
23 calculated from the date of the report required ~~by~~ under this section.

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

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

- 28 1. Except for the first annual report, the annual report of an authorized livestock farm
29 corporation or authorized livestock farm limited liability company must be delivered to
30 the secretary of state before April sixteenth of each year. The first annual report must
31 be delivered before April sixteenth in the year following the calendar year of the

1 effective date of the articles of incorporation ~~or~~, articles of organization, or certificate of
2 authority.

3 2. The annual report must be signed as defined in subsection 58 of section 10-19.1-01 if
4 ~~a~~an authorized livestock farm corporation ~~or~~ and subsection 49 of section 10-32.1-02 if
5 ~~a~~an authorized livestock farm limited liability company and submitted on a form
6 prescribed by the secretary of state. If the authorized livestock farm corporation or
7 authorized livestock farm limited liability company is in the hands of a receiver or
8 trustee, the annual report must be signed on behalf of the authorized livestock farm
9 corporation or authorized livestock farm limited liability company by the receiver or
10 trustee.

11 3. An annual report of the authorized livestock farm corporation or the authorized
12 livestock farm limited liability company must include the following information with
13 respect to the preceding calendar year:

14 a. The name of the ~~registered agent of the~~ authorized livestock farm corporation or
15 authorized livestock farm limited liability company ~~as provided in chapter 10-01.1~~
16 ~~and, if a noncommercial registered agent, the address of the registered office of~~
17 ~~the corporation or limited liability company in this state.~~

18 b. The name of the ~~corporation or limited liability company~~ registered agent of the
19 authorized livestock farm corporation or authorized livestock farm limited liability
20 company as provided in chapter 10-01.1 and, if a noncommercial registered
21 agent, the address of the registered office of the authorized livestock farm
22 corporation or authorized livestock farm limited liability company in this state.

23 c. With respect to each authorized livestock farm corporation:

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

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

30 d. With respect to each authorized livestock farm limited liability company:

1 (1) A statement of the aggregate ~~number of units~~ membership interests the
2 authorized livestock farm limited liability company has authority to issue,
3 itemized by classes and series, if any, within a class.

4 (2) A statement of the aggregate number of issued ~~units~~ membership interests,
5 itemized by classes and series, if any, within a class.

6 e. With respect to each shareholder or member:

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

9 (2) If ~~an organization~~ a person other than an individual, the state of
10 incorporation, organization, or domicile;

11 (3) The number of shares or membership interests ~~or percentage of shares or~~
12 membership interests of each;

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

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

16 (6) ~~AAs to individuals, a statement of whether each is a citizen or permanent~~
17 resident alien of the United States; ~~and~~

18 (7) As to individuals, a statement of whether each will be actively engaged in
19 ~~operating the farm or ranch and whether each will reside on the farm or~~
20 ~~ranch~~the business of farming or ranching; and

21 (8) As to persons other than an individual, a statement of whether the person,
22 and any controlling person of the person, is incorporated or organized in the
23 United States and one hundred percent of the stock or interests is owned by
24 citizens of the United States, permanent resident aliens of the United
25 States, or individuals or persons in compliance with section 47-10.1-02.

26 f. With respect to management:

27 (1) If ~~a~~an authorized livestock farm corporation, the names and addresses of
28 the officers and members of the board of directors, ~~and a statement~~
29 whether each actively is engaged in the operation of the corporation; or

30 (2) If ~~a~~an authorized livestock farm limited liability company, the names and
31 addresses of the managers and members of the board of governors, ~~and a~~

1 statement whether each actively is engaged in the operation of the limited
2 liability company.

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

7 h. A statement providing the land farmland or ranchland description and listing the
8 acreage, the total number of hectares [hectarage] and location listed by section,
9 township, range, and county of all land in the state farmland or ranchland in which
10 the authorized livestock farm corporation or authorized livestock farm limited
11 liability company has an ownership, leasehold, or other interest.

12 i. A statement that no investors are shareholders or members hold a direct or
13 indirect interest in any other authorized livestock farm corporation corporations or
14 authorized livestock farm limited liability company companies that directly or
15 indirectly in combination with the corporation or limited liability company own,
16 lease, or hold any interest in more than six hundred forty acres [259 hectares] of
17 farmland or ranchland. The interest disclosed under this subdivision does not
18 include the number of acres [hectares] of farmland or ranchland directly owned or
19 leased by shareholders or members who are individuals, farming or ranching
20 corporations, farming or ranching limited liability companies, or partnerships that
21 meet the requirements of subsection 2 of section 10-06.1-02.

22 j. ~~A statement that at least sixty-five percent of the gross income of the corporation~~
23 ~~or limited liability company will be derived from farming or ranching operations,~~
24 ~~and that twenty percent or less of the gross income of the corporation or limited~~
25 ~~liability company is from nonfarm rent, nonfarm royalties, dividends, interest, and~~
26 ~~annuities.~~

27 ~~k.~~ A statement that the authorized livestock farm corporation or authorized livestock
28 farm limited liability company does not engage in the cultivation of land for the
29 production of crops or the grazing of livestock on farmland or ranchland.

30 ~~l.~~ k. The first date of livestock operations.

1 ~~m.~~ ~~A statement that the corporation or limited liability company does not hold an~~
2 ~~interest in any other authorized livestock farm corporation or authorized livestock~~
3 ~~farm limited liability company.~~

4 ~~n.~~ ~~The statement also must designate which, if any, of the acreage and the total~~
5 ~~number of hectares is leased from or jointly owned with any shareholder or~~
6 ~~member and list the name of the shareholder or member with that acreage and~~
7 ~~the total number of hectares.~~

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

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

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

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

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

1 **10-06.1-18. Reports of corporations and limited liability companies not engaged in**
2 **farming or ranching.**

3 Any business ~~or nonprofit~~ corporation ~~and any~~, limited liability company, or nonprofit
4 organization not engaged in the business of farming or ranching which owns or leases a tract of
5 ~~land used for farming or ranching~~ farmland or ranchland which is larger than twenty acres [8.09
6 hectares] in size shall file with the attorney general, within twelve months of any transaction
7 involving the purchase, sale, or surface leasing of ~~such~~the farmland or ranchland by that
8 corporation or limited liability company, a report containing all of the following information:

- 9 1. The name of the corporation or limited liability company and its place of incorporation
10 or organization and, if a nonprofit ~~corporation~~organization, a copy of its section 501(c)
11 (3) exemption letter from the internal revenue service.
- 12 2. The name of the registered agent of the corporation or limited liability company as
13 provided in chapter 10-01.1 and, if a noncommercial registered agent, then the
14 address of the noncommercial registered agent in this state.
- 15 3. The acreage [hectarage] and location listed by section, township, range, and county of
16 all ~~such land in the state~~the farmland or ranchland owned or leased by the corporation
17 or limited liability company ~~and used for farming or ranching~~.
- 18 4. The date and method of acquisition or disposal of ~~such~~the farmland or ranchland.

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

21 **10-06.1-19. Exemption from certain disclosure and other requirements for certain**
22 **organizations.**

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

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

1 **10-06.1-20. Failure to file report - Penalty.**

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

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

7 **10-06.1-21. Secretary of state to transmit information of noncompliance.**

8 If the secretary of state finds from the annual report that the corporation or limited liability
9 company is not in compliance with the requirements of section 10-06.1-12 or section 513 of this
10 Act, the secretary of state shall transmit ~~such~~the information to the attorney general and the
11 governor.

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

14 **10-06.1-22. Tax commissioner to compare returns and reports.**

15 Each year the tax commissioner shall select at random at least five percent of the income
16 tax returns filed by corporations or limited liability companies which report on income from
17 engaging in the business of farming or ranching ~~operations~~ and shall compare ~~such~~the returns
18 with the annual report required to be filed with the secretary of state by section 10-06.1-17 and
19 section 4121 of this Act and shall forward any apparent violations to the attorney general and
20 the governor.

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

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

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

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

3 **10-06.1-24. Enforcement - Penalty.**

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

1 corporate or limited liability company successor, or corporation or limited liability
2 company assignee of the corporation or limited liability company not authorized to
3 ~~do~~engage in the business of farming or ranching under this chapter.

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

- 1 7. The disposition requirement does not apply to a corporation or limited liability company
2 that has acquired title to the ~~land~~farmland or ranchland through the process of
3 foreclosure of a mortgage, or a deed from the mortgagor instead of foreclosure, if, by
4 the expiration of one month after what is or what would have been the redemption
5 period of the mortgage if the mortgage had been foreclosed, that corporation or limited
6 liability company contracts for the sale of the land to the prior mortgagor from whom it
7 was acquired, and if documents evidencing the purchase agreement have been filed
8 with the recorder of each county in which the land is located. A copy of a notice of the
9 contract for deed is sufficient evidence. An exemption under this subsection is valid
10 only if an appraisal has been made in accordance with subsection 8, and if it is valid,
11 the exemption is unlimited in duration. The sale price may not exceed the price
12 determined by the appraisers.
- 13 8. If an appraisal is required, the appraisal must be made by three independent
14 appraisers, one selected by the corporation or limited liability company, one selected
15 by the prior mortgagor, and the third selected by the first two appraisers.
- 16 9. If a corporation or limited liability company holds ~~land~~farmland or ranchland pending
17 divestiture, and the holding is not otherwise ~~governed by~~regulated under this section,
18 the land must be leased to persons actually engaged in the business of farming or
19 ranching and a disposal may not be to a corporation or limited liability company unless
20 ownership by that corporation or limited liability company is authorized under this
21 chapter.
- 22 10. The civil penalty for a violation of section 10-06.1-10 may not exceed one hundred
23 thousand dollars.
- 24 11. Except as provided in subsection 10, any corporation or limited liability company
25 continuing to violate this chapter is subject to a civil penalty not to exceed twenty-five
26 thousand dollars and may be dissolved or terminated by the attorney general in
27 accordance with the laws of this state.

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

10-06.1-25. Private enforcement.

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

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

10-06.1-26. Protection of minority shareholders.

1. If a shareholder owns less than fifty percent of the shares of a farming or ranching corporation or authorized livestock farm corporation ~~doing~~engaged in the business of farming and ranching under this chapter, and if the terms and conditions for the repurchase of those shares by the corporation or by the other shareholders are not set forth in the bylaws or the instrument which transferred the shares to the shareholder, or are not the subject of a shareholders' agreement or an agreement between that shareholder and the corporation, then the disposition of such shares must be determined by this section upon the withdrawal of the shareholder.

2. Any shareholder who desires to withdraw from the farming and ranching corporation or authorized livestock farm corporation shall first offer the shares for sale to the remaining shareholders in proportion to the shares owned by them. If not all of the shareholders wish to purchase the shares, any one shareholder may purchase all of the shares of the withdrawing shareholder. If no shareholder desires to purchase the shares of a withdrawing shareholder, then the corporation may purchase the shares. If the corporation chooses not to purchase the shares of the withdrawing shareholder, then the withdrawing shareholder may sell the shares to any other person eligible to be a shareholder. If the withdrawing shareholder is unable to sell the shares to any

1 other person eligible to become a shareholder, then the withdrawing shareholder may
2 bring an action in district court to dissolve the corporation.

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

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

17 **10-06.1-27. Protection of minority members.**

18 1. If a member owns less than fifty percent of the membership interest of a farming or
19 ranching limited liability company or authorized livestock farm limited liability company
20 ~~doing~~engaged in the business of farming and ranching under this chapter and if the
21 terms and conditions for the repurchase of that membership interest by the limited
22 liability company or by the other members are not set forth in the bylaws, the
23 instrument that transferred the membership interest to the member, or are not the
24 subject of a member-control agreement or other agreement between that member and
25 the limited liability company, the disposition of the membership interest must be
26 determined ~~by~~under this section upon the withdrawal of the member.

27 2. Any member who desires to withdraw from the farming or ranching limited liability
28 company or authorized livestock farm limited liability company shall first offer the
29 membership interest for sale to the remaining members in proportion to the
30 membership interests owned by the remaining members. If not all of the members
31 wish to purchase the membership interest, any one member can purchase all of the

1 membership interest of the withdrawing member. If no member desires to purchase
2 the membership interest of the withdrawing member, the limited liability company may
3 purchase the membership interest. If the limited liability company chooses not to
4 purchase the membership interest of the withdrawing member, the withdrawing
5 member may sell the membership interest to any other person eligible to be a
6 member. If the withdrawing member is unable to sell the membership interest to any
7 other person eligible to become a member, the withdrawing member may bring an
8 action in district court to terminate the limited liability company.

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