

David W. Cobie

COMPILED COOPERATIVE LAWS

1967
CUMULATIVE SUPPLEMENT

Containing the Laws Enacted by the
1961, 1963, 1965 and 1967 SESSIONS OF THE
LEGISLATURE OF THE STATE OF NORTH DAKOTA

COOPERATIVES
CREDIT UNIONS
ELECTRIC COOPERATIVES
COOPERATIVE INSURANCE
COOPERATIVE GRAZING ASSOCIATIONS
MUTUAL AID CORPORATION
HIGH SCHOOLS
TELEPHONE AND TELEGRAPH COMPANIES



Issued by
DIVISION OF COOPERATIVES
THE DEPARTMENT OF AGRICULTURE
ARNE DAHL, Commissioner
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"Buy North Dakota Products"



BISMARCK TRIBUNE 20663

INTRODUCTION

The laws contained in this pamphlet are a compilation of all North Dakota laws relating to cooperatives, up to and including 1967 session laws.

The cooperative laws of the State, scattered throughout the Century Code under various titles, have been assembled and compiled in this pamphlet according to the various types designated in the titles. The index of the pamphlet will aid you in finding the particular cooperative law you are interested in and the sub-titles of sections of the law will assist in finding the particular section you wish to consult.

This pamphlet is published primarily for the purpose of providing directors and officers of cooperatives convenient access to laws under which they operate their organizations. These compiled laws will also be found very useful in the process of organizing new cooperative enterprises.

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NORTH DAKOTA COOPERATIVE LAWS

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Chapter 4-06

COOPERATIVES

4-06-09. Division of Co-operatives — Purpose. — In the department of agriculture and labor, there shall be a division of cooperatives, the purpose of which shall be to aid cooperatives by serving as a source of cooperation and information in the establishment and maintenance of cooperatives generally.

Source: S.L. 1939, ch. 4, § 1; R.C. 1943, § 4-0609.

4-06-10. Administrative official. — The commissioner of agriculture shall be the chief administrative official of the division of cooperatives.

Source: N.D.C.C.; S.L. 1967, ch. 74, § 5.

4-06-11. Commissioner of agriculture — Duties. — The commissioner of agriculture shall assemble, compile, and maintain files of statistical data relating to the work and progress of cooperative enterprises, the statutes of the several states, and so far as reasonably convenient, those of foreign countries, affecting cooperatives. He also shall carry standard forms and outlines for use and reference in organization work. He shall disseminate information and materials for the use and benefit of established cooperatives and new cooperative projects in process of organization, and shall render such personal assistance to cooperatives generally as may be possible within the means and facilities at his disposal.

Source: N.D.C.C.; S.L. 1967, ch. 74, § 6.

Chapter 10-15
COOPERATIVE ASSOCIATIONS

10-15-01. Definitions. — As used in this chapter, unless the context requires otherwise, the term:

1. "Co-operative" means an association incorporated under this chapter.
2. "Foreign co-operative" means an association incorporated under a co-operative law of another state which has members residing within this state and which is operating on the following co-operative basis:
 - a. Either no member of the foreign co-operative who is an individual is allowed more than one vote because of the amount of stock or membership capital he owns therein, *or* the foreign co-operative does not pay dividends on stock or membership capital in excess of eight per cent per annum; and
 - b. The foreign co-operative shall not deal in the products of or for nonmembers to an amount greater in value than such as are handled by it for members; and
 - c. The foreign co-operative distributes its proceeds according to either the law governing co-operatives of this state or the law of the state of its incorporation.
3. "Association" includes both co-operatives and foreign co-operatives.
4. "Corporation" means all corporations not associations.
5. "Member" means a person who has been qualified and accepted for membership in an association.

Source: S.L. 1957, ch. 104, § 1; R.C. 1943, 1957 Supp., § 10-1501.

10-15-02. Purposes. — Co-operatives may be organized under this chapter for any lawful purpose except banking, insurance, and building or operating public railroads, but subject to statutes relating to the organization or operation of specified kinds of corporations or associations.

Source: S.L. 1957, ch. 104, § 1; R.C. 1943, 1957 Supp., § 10-1502.

10-15-03. General powers. — Unless otherwise provided by its articles, a co-operative may:

1. Exist perpetually;

2. Sue and be sued;
3. Have a seal;
4. Make contracts, incur liabilities and borrow money; issue certificates representing indebtedness, or representing equity interests in its assets; acquire property; dispose of, mortgage, pledge, lease or otherwise use in any manner any of its property, or any interest therein, wherever situated;
5. Invest its funds, lend money for its purposes, and hold any property as security for repayment;
6. Conduct its business and affairs and have offices and exercise its powers in the United States or in any foreign country;
7. Elect officers and appoint agents, define their duties and fix their compensation;
8. Make and alter bylaws, consistent with its articles and the laws of this state, for the administration and regulation of its affairs;
9. Make donations for charitable, scientific, educational, or religious purposes;
10. Indemnify any present or former director, officer, or agent against actual expenses necessarily incurred in defense of any proceeding in which he is a party because he is or was such director, officer, or agent. This subsection does not apply to those proceedings in which he is adjudged liable for negligence or misconduct in the performance of duty. Such indemnification shall not be exclusive of other rights to which he may be entitled;
11. Cease its activities and surrender its franchise;
12. Exercise all powers necessary or convenient to effect its purposes.

Source: S.L. 1957; ch. 104, § 1; R.C. 1943, 1957 Supp., § 10-1503.

10-15-04. Incorporators. — Five or more adults, one of whom must be a resident, may form a cooperative by signing, acknowledging, and filing articles of association.

Source: N.D.C.C.; S.L. 1967, ch. 98, § 2.

10-15-05. Articles — Provisions. — The articles of association shall set forth:

1. The name of the co-operative;

2. The period of existence, unless perpetual. Co-operatives now organized under the provisions of chapter 4-07 or 10-15 of the code are granted perpetual existence irrespective of the period of existence set forth in articles of incorporation. Any such co-operative may nevertheless amend its articles to provide for a limited period of existence;
3. The purposes for which organized. It is sufficient to state that the co-operative may engage in any activity within the purposes for which co-operatives may be organized, and all such activities shall then be deemed within its purposes, subject to express limitations;
4. Whether the co-operative is organized with or without capital stock;
- ✓ 5. The designation of classes of members, if more than one;
6. The number and par value of shares of each authorized class of stock; if more than one class is authorized, the designation, preferences, limitations, and relative rights of each class shall also be set forth;
7. Which classes of stock are membership stock;
8. As to each class of stock, the rate of dividend, or that the rate of dividend may be fixed by the board, or that no dividend will be paid;
9. Any reservation of a right to acquire or recall any stock;
- ✓ 10. The basis of distribution of assets in the event of liquidation;
- ✓ 11. The city, village, or town in this state in which the co-operative's principal office is to be located, or the complete address in this state of its registered agent;
- ✓ 12. The name and address of each incorporator; and
- ✓ 13. The names and addresses of at least five incorporators who will act as the temporary board.

Source: S.L. 1957, ch. 104, § 1; R.C. 1943, 1957 Supp., § 10-1505.

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10-15-06. **Articles — Scope.** — It is not necessary to set forth in the articles of association any of the powers granted by this chapter. The articles may include additional provisions, consistent with law, including provisions which are required or permitted to be set forth in the bylaws. Any provision re-

quired or permitted in the bylaws has equal force and effect if stated in the articles. Whenever a provision of the articles is inconsistent with a bylaw, the articles control.

Source: S.L. 1957, ch. 104, § 1; R.C. 1943, 1957 Supp., § 10-1506.

10-15-07. Articles, filing—Cooperative existence. — Duplicate originals of the articles of association, duly signed and acknowledged, shall be delivered to the secretary of state for filing. The legal corporate existence of a cooperative begins when the duplicate original articles are so delivered. The secretary of state shall stamp on both originals the date of filing and return one to the cooperative with his certificate of such filing.

Source: N.D.C.C.; S.L. 1967, ch. 98, § 3.

10-15-08. Certificate of association. — Upon receipt of the articles of association and payment of the required fees the secretary of state shall issue a certificate of association. The certificate of association shall be conclusive evidence, except as against the state in a proceeding to cancel or revoke such certificate, that all conditions precedent to corporate existence have been met.

Source: S.L. 1957, ch. 104, § 1; R.C. 1943, 1957 Supp., § 10-1508.

10-15-09. Organization meetings — Temporary board. — After articles have been filed, an organization meeting of the temporary board shall be held at the call of a majority of the incorporators or of a majority of the temporary directors for the adoption of bylaws, election of temporary officers, and transaction of other business.

Source: N.D.C.C.; S.L. 1967, ch. 98, § 4.

10-15-10. Members' first meeting. — The first meeting of the members shall be called by the temporary president or a majority of the temporary directors. Such meeting shall be held as soon as reasonably possible after the organization meeting of the temporary board, but not later than six months after filing the articles. Failure to hold such meeting within the time specified does not affect the validity of organization.

Source: N.D.C.C.; S.L. 1967, ch. 98, § 5.

10-15-11. Bylaws. — The initial bylaws of a co-operative may be adopted by the temporary board. Thereafter, bylaws may be adopted and amended only by the members, unless the members adopt a bylaw which permits the board to make and amend specified bylaws. Any bylaw adopted or amended by the board shall be reported at the next regular member meet-

ing. Any such bylaw shall be at any time subject to amendment or repeal by the members. Unless the bylaws provide otherwise, any bylaw may be adopted, amended, or repealed by a majority of the members present at a meeting, provided that the members voting must be sufficient in number to constitute a quorum as provided in this chapter or the bylaws.

Source: S.L. 1957, ch. 104, § 1; R.C. 1943, 1957 Supp., § 10-1511.

10-15-12. Principal office — Registered agent. — A cooperative shall maintain in this state either its principal office or a registered agent.

The board may establish or change the location of the principal office or name and address of the registered agent by causing a statement in writing to be filed as an amendment to the articles as provided in section 10-15-53. Such statement shall set forth the name of the cooperative, and the location of its principal office or the name and address of the registered agent as established or changed. For the purposes of this chapter, the post-office address of an existing cooperative becoming subject to this chapter, as set forth in the articles for its business office, shall be considered its registered office and the secretary of the cooperative shall be considered its registered agent unless the articles are amended otherwise.

A registered agent may resign by mailing a written notice to both the secretary of state and the cooperative. The resignation becomes effective when the cooperative names a new registered agent or sixty days after the receipt of notice by the secretary of state, whichever is sooner.

Source: N.D.C.C.; S.L. 1967, ch. 98, § 6.

10-15-13. Service of process. — The registered agent appointed by a co-operative shall be an agent of the co-operative and any nonresident director upon whom any process, notice or demand required or permitted by law to be served upon the co-operative or its directors may be served.

Whenever a co-operative shall fail to appoint or maintain a registered agent in this state, or whenever its registered agent cannot with reasonable diligence be found at the registered office, then the secretary of state shall be an agent of such co-operative upon whom any such process, notice, or demand may be served. Service on the secretary of state of any such process, notice, or demand shall be made by delivering to and leaving with him, or with any clerk having charge of the corporation department of his office, duplicate copies of such process, notice, or demand. In the event any such process, notice, or demand is served on the secretary of state, he shall

immediately cause one of the copies thereof to be forwarded by registered or certified mail, addressed to the co-operative at its registered office or to the nonresident director at his filed address, as the case may be. Any service so had on the secretary of state shall be returnable in not less than thirty days.

The secretary of state shall keep a record of all processes, notices, and demands served upon him under this section, and shall record therein the time of such service and his action with reference thereto.

Nothing herein contained shall limit or affect the right to serve any process, notice, or demand required or permitted by law to be served upon a co-operative or its directors in any other manner permitted by law.

Source: S.L. 1957, ch. 104, § 1; R.C. 1943, 1957 Supp., § 10-1513.

10-15-14. Promotion expense — Limitation. — No co-operative funds may be used, nor any stock issued, in payment of any promotion expenses in excess of ten per cent of the paid-up capital stock or membership fees. No commission or expenses shall be paid on the sale of stock in excess of ten per cent of the par value thereof, and the commission or expense shall be added to the selling price of the stock.

Source: S.L. 1957, ch. 104, § 1; R.C. 1943, 1957 Supp., § 10-1514.

10-15-15. Membership. — A co-operative may have one or more classes of members. Provisions for qualifications, requirements, method of acceptance, terms, conditions, termination, and other incidents of membership shall be set forth in the bylaws. Any person, including a partnership, incorporated or unincorporated association, corporation, or body politic, may become a member in accordance with the bylaws.

Source: S.L. 1957, ch. 104, § 1; R.C. 1943, 1957 Supp., § 10-1515.

10-15-16. Voting. — Except as permitted in this section, no person other than a member may vote at any member meeting.

1. A person who has not fully paid for his membership may not vote except as expressly permitted in the bylaws. If the co-operative permits two or more persons to hold one membership, the bylaws may provide how such member vote is to be cast;
2. At any member meeting of a co-operative composed of individual members and member associations, each of such individual member or association member shall be entitled to only one vote. In the case of a co-operative composed only of member associations, such member associations shall have only one vote, except that the articles may permit either or both:

- a. A member association to cast additional votes not exceeding a number equal to its membership;
 - b. A co-operative whose member - patrons include other associations to base voting in whole or in part on a patronage basis;
3. A member owning membership stock gains no additional vote thereby;
 4. Voting by proxy shall not be allowed in any co-operative, except the bylaws may provide for representation of members by delegates apportioned territorially. A delegate shall cast the votes to which members represented by him are entitled;
 5. An absent member may submit a signed vote if he has been previously notified in writing of the exact motion or resolution upon which the vote is taken. The bylaws may limit use of signed votes;
 6. In the absence of written notice that some persons has been designated to represent a member who is other than a natural person, such member may be represented by any of its principal officers. Unless the bylaws provide otherwise, an individual may represent more than one such member, and may also vote as an individual if he is a member;
 7. The bylaws may be set forth provisions, not inconsistent with this chapter, relating to the methods and procedures for voting;
 8. Whenever the articles require the vote of a greater proportion of the members than required by this chapter, the articles control.

Source: S.L. 1957, ch. 104, § 1; R.C. 1943, 1957 Supp., § 10-1516.

10-15-17. Member meetings.—

1. Unless the bylaws provide otherwise, member meetings shall be held at the principal office or such other place as the board may determine.
2. An annual member meeting shall be held at the time fixed in or pursuant to the bylaws. In the absence of a bylaw provision, such meeting shall be held within six months after the close of the fiscal year at the call of the president or board.
3. Special member meetings may be called by the presi-

dent, board, or members having one-fifth of the votes entitled to be cast at such meeting.

4. Written notice, stating the place, day, and hour, and in case of a special member meeting the purposes for which the meeting is called, shall be given not less than ten nor more than thirty days before the meeting at the direction of the person calling the meeting.
5. At any meeting at which members are to be represented by delegates, notice to such members may be given by notifying such delegates and their alternates. Notice may consist of a notice to all members or may be in the form of an announcement at the meeting at which such delegates or alternates were elected.
6. Action without a meeting may be taken pursuant to section 10-15-28.

Source: S.L. 1957, ch. 104, § 1; R.C. 1943, 1957 Supp., § 10-1517.

10-15-18. Quorum. — A quorum at a member meeting shall be ten per cent of the first one hundred members plus five per cent of additional members, present in person or represented by delegates. Unless the bylaws fix a larger number of members to constitute a quorum, a quorum shall never be more than fifty members nor less than five members, or a majority of all members, whichever is the smaller. Members represented by signed vote may be counted in computing a quorum only on those questions as to which the signed vote is taken. The provisions of this section shall not apply to an electric generation or transmission co-operative as provided in subsection 10 of section 10-13-03 and a quorum for such co-operative at a meeting of its membership shall be as provided in its bylaws.

Source: N.D.C.C.; S.L. 1961, ch. 118, § 3.

10-15-19. Notice — Waiver. — Whenever notice is required by this chapter to be given to any person, such notice shall be given either personally or by mail. If mailed, such notice is given when deposited in the United States mail, with postage prepaid thereon, addressed to such person at his address as it appears on the records of the co-operative.

A signed waiver is equivalent to personal notice to the person so signing.

Source: S.L. 1957, ch. 104, § 1; R.C. 1943, 1957 Supp., § 10-1519.

10-15-20. Stock — Authorization, control, use, right. —

1. A co-operative organized with capital stock may issue

the amount of stock stated in its articles. Such stock may be divided into two or more classes with such designations, preferences, limitations, and relative rights as shall be stated in the articles, except that:

- a. Stock as such has no voting power;
 - b. Stock without par value shall not be authorized or issued;
 - c. The rate of dividends upon stock shall not exceed six per cent of its par value for any year, and dividends may not be cumulative.
2. The articles may require that members own one or more shares of membership stock. Such stock shall be issued or transferred only to a person eligible to become a member, and only when such person satisfies other requisites for membership. Unless restricted by the articles, stock other than membership stock may be issued or transferred to any person.
 3. Unless the articles provided otherwise, a co-operative may acquire, recall, exchange, redeem, and reissue its own stock. Provisions in the articles and on the stock certificate may reserve to the co-operative a prior right to acquire any stock offered for sale, or a right to recall the stock of any stockholder, or both of said rights. The consideration paid for stock recalled by the co-operative shall be its par value and accrued unpaid dividends, provided that if the book value of such stock is less than the par value, the consideration shall be such book value. The co-operative may set off obligations of the stockholder to it. If the remaining assets would be less than the aggregate amount payable to creditors and persons holding stock with preferential rights upon liquidation, no stock shall be acquired, recalled, exchanged, or redeemed for a consideration other than stock or certificates of equity interest of equal or subordinate rank.
 4. When stock is acquired, recalled, exchanged, or redeemed by the co-operative, such stock is restored to the status of authorized but unissued stock.
 5. Stockholders as such have no pre-emptive right to purchase additional stock.

Source: S.L. 1957, ch. 104, § 1; R.C. 1943, 1957 Supp., § 10-1520.

10-15-21. Stock certificates. — No stock certificate may be

issued except upon payment of the par value of the stock it represents. No co-operative shall issue stock or bonds except for money, labor done, or money, or property actually received; and all fictitious increase of stock or indebtedness shall be void. If payment for stock is not in money, the value of the consideration shall be determined by the board and such determination, if made in good faith, shall be conclusive.

Each certificate for stock shall bear the manual or facsimile signature of a principal officer and shall state:

1. The name of the co-operative, the number, par value and class of the shares represented by the certificate, and whether or not it is membership stock.
2. Any restrictions on the issuance or transfer of such stock, including those provided by law and the articles.
3. If more than one class of stock is authorized, the designation of the several classes, and their respective preferences, limitations, and relative rights. In lieu of the full statement, this information may be given in summary form, or the certificate may state that the co-operative will, upon request, furnish the information required by this subsection.

Source: S.L. 1957, ch. 104, § 1; R.C. 1943, 1957 Supp., § 10-1521.

10-15-22. Stock subscriptions — Liability. — A subscription for stock of a co-operative is irrevocable for six months unless otherwise provided by the subscription agreement, or unless all subscribers consent to the revocation.

A stockholder or subscriber is under no obligation to any person with respect to his stock or subscription other than the obligation to pay to the co-operative the full consideration for which such stock was to be issued.

limited liability

Source: S.L. 1957, ch. 104, § 1; R.C. 1943, 1957 Supp., § 10-1522.

10-15-23. Missing securities or records. —

1. When a security issued by a co-operative is missing, the co-operative shall issue a duplicate security if the owner so requests and furnishes an indemnity acceptable to the co-operative.
2. When records showing ownership of securities or apportionment of equity interest in the assets are missing and the information therein contained is necessary to a proposed redemption of the interest, the co-operative may give notice and redeem as follows:

- a. The co-operative shall set aside an amount equal to the value of the interests to be redeemed;
- b. The co-operative shall give notice of such redemption to all owners of interests of which the co-operative has knowledge;
- c. If there are interests, the ownership of which is unknown to the co-operative, it shall publish notice of the redemption at least once a month for four months both in a publication circulated among members of co-operatives in the area, if any, and in a newspaper of general circulation in the area;
- d. Any unclaimed outstanding interest represented by the missing records may then be terminated in accordance with section 10-15-34.

Source: S.L. 1957, ch. 104, § 1; R.C. 1943, 1957 Supp., § 10-1523.

10-15-24. Liability of co-operative for wrongful transfers of its securities. —

1. A co-operative is not liable for acting upon wrongful transfers of its securities unless it has notice that the certificate was not transferred by a proper person or has notice that the transfer was wrongful.
2. As used in this section:
 - a. "Proper person" means the registered owner or last prior transferee, whether or not described as fiduciary for another, or his authorized agent, legal representative, or successor to his interest by operation of law.
 - b. "Wrongful transfer" means a transfer which is in excess of the authorization or capacity of the transferor, or which is made in breach of the transferor's fiduciary duty.
 - c. "Transfer" includes a redemption or recall of stock.

Source: S.L. 1957, ch. 104, § 1; R.C. 1943, 1957 Supp., § 10-1524.

10-15-25. Directors — Number, election, removal, and vacancies. —

1. The business and affairs of a co-operative shall be managed by a board of directors. Every director shall be a member or a representative of a member who is other than a natural person. The bylaws shall prescribe any other qualifications for directors and may

provide that directors be from specified territorial districts.

2. The number of directors shall ~~not be less than five~~, provided that in a co-operative with less than fifty members, the number of directors shall ~~not be less than three~~. Subject to such limitation, the number shall be fixed in the articles, or if the articles so provide, in the bylaws.
3. The directors constituting the temporary board, named in the articles, shall hold office until the first member meeting. At that meeting and thereafter, directors shall be elected by the members at a member meeting in the manner and for the terms provided in the bylaws. If the bylaws provide that directors be from specified territorial districts, the articles may limit voting for any director to members from within the territorial district from which such director is to be elected. ~~Unless the bylaws provide otherwise, a director's term of office shall be one year.~~ Each director shall hold office for the term for which elected and until his successor takes office. The bylaws may permit selection of alternates to take the place of directors absent at a meeting of the board.
4. Unless the bylaws provide otherwise, a director may be removed upon a majority vote of all members.
5. Unless the bylaws provide otherwise, any vacancy existing in the board may be filled until the next annual meeting by appointment by a majority vote of the directors then in office.

Source: S.L. 1957, ch. 104, § 1; R.C. 1943, 1957 Supp., § 10-1525.

10-15-26. Directors — Meetings, quorum, and waiver of notice. —

1. Meetings of the board shall be held at such place and upon such notice as is prescribed in or pursuant to the bylaws.
2. Unless a greater number is required in the bylaws, a majority of the directors in office shall constitute a quorum for transaction of business. Unless a greater number is required in the bylaws, an act of the majority of the directors present at a meeting at which a quorum is present shall be the act of the board.

3. A signed waiver of notice of a board meeting is equivalent to personal notice to the person so signing. Attendance at a meeting is a waiver of notice of such meeting, except when a director attends the meeting and objects thereto to the transaction of business because the meeting was not lawfully convened.
4. Unless the bylaws provide otherwise, the purposes of any meeting of the board need not be specified in the notice or waiver of notice of such meeting.

Source: S.L. 1957, ch. 104, § 1; R.C. 1943, 1957 Supp., § 10-1526.

Cross-Reference. Limitations on powers of directors of corporations, see § 10-19-44.

10-15-27. Executive committee. — If the bylaws so provide, the board may elect an executive committee to consist of three or more directors. When the board is not in session, such committee shall have all powers of the board except in respect to:

1. Powers reserved by the board to itself;
2. Apportionment or distribution of proceeds;
3. Election of officers;
4. Filling of vacancies in the board; and
5. Amendments to the bylaws.

The board may elect other directors as alternates for members of the executive committee.

Source: S.L. 1957, ch. 104, § 1; R.C. 1943, 1957 Supp., § 10-1527.

10-15-28. Action without meeting by directors or members. — Any action which may be taken at a meeting, may be taken without a meeting if a writing setting forth and approving the action taken shall be signed by a majority of the members entitled to vote on such action. Any action which may be taken at a meeting of the directors or executive committee may be taken without a meeting if a writing setting forth and approving the action taken shall be signed by all of the directors or executive committee members entitled to vote on such action. In such cases, such consent shall have the same force and effect as if a meeting had been held.

Source: S.L. 1957, ch. 104, § 1; R.C. 1943, 1957 Supp., § 10-1528.

10-15-29. Officers. —

1. The principal officers of a co-operative are a president, one or more vice-presidents as prescribed in the bylaws, a secretary, and a treasurer. They shall be

elected annually by the board at such time and in such manner as the bylaws provide. Each principal officer except the secretary and the treasurer must be a director of the co-operative. The offices of secretary and treasurer may be combined in one person.

2. Any other officer may be chosen by the board or as provided in the bylaws.
3. All officers shall have authority and perform such duties as the bylaws provide, or as the board may determine not inconsistent with the bylaws. Any officer may be removed by the board whenever in its judgment and best interests of the co-operative will be served thereby. Election or appointment shall not of itself create contract rights.

Source: S.L. 1957, ch. 104, § 1; R.C. 1943, 1957 Supp., § 10-1529.

10-15-30. Compensation and benefits to directors, officers, and employees. —

1. Unless the bylaws provide otherwise, only the members may establish compensation or other benefits for a director, not available generally to officers and employees, for services as a director.
2. Unless the bylaws provide otherwise, for prior or future services of any officer or employee, the board may provide reasonable compensation, pension, bonuses, or other benefits to such officer or employee, and pension or other benefits to a member of his family or his beneficiaries. No officer or employee who is a director may take part in the vote on his salary for services rendered the co-operative.

Source: S.L. 1957, ch. 104, § 1; R.C. 1943, 1957 Supp., § 10-1530.

10-15-31. Liability of directors and members. —

1. Directors who negligently or in bad faith vote for any distribution of assets contrary to this chapter or the articles are jointly and severally liable to the co-operative for the value of assets distributed in excess of the amount which could have been distributed without violating this chapter or the articles.
2. Members, stockholders, and patrons of a co-operative are neither obligated to pay, nor liable upon, any co-operative obligation.

Source: S.L. 1967, ch. 104, § 1; R.C. 1943, 1957 Supp., § 10-1531.

10-15-32. Disposition of assets — Right to secure debts. —

1. Except as authorized by the members, the board may not dispose of all or substantially all of a co-operative's fixed assets. At any meeting the members may authorize the disposition of all or substantially all of a co-operative's fixed assets if:
 - a. Notice that such disposition will be considered at such meeting has been given to all persons entitled to vote thereon; and
 - b. Such disposition has been approved by three-fourths of those voting at the meeting.
2. Unless the bylaws provide otherwise, the board may secure payment of a co-operative's debts by mortgaging the co-operative's rights, privileges, authority and franchises, revenues and other property.

Source: S.L. 1957, ch. 104, § 1; R.C. 1943, 1957 Supp., § 10-1532.

Patrons Refunds
10-15-33. Apportionment and distribution of proceeds. —

At least once annually the directors shall determine and distribute net proceeds as follows:

1. There shall be deducted from total proceeds:
 - a. All operating expenses and costs;
 - b. The cost of supplies, commodities, equipment, and other property or services procured or sold for patrons;
 - c. The cost of services performed for patrons;
 - d. All taxes and all other expenses;
 - * e. Reasonable and necessary reserves for depreciation, depletion, and obsolescence of physical property, doubtful accounts and other valuation reserves, all of which shall be established in accordance with usual and customary accounting practices.
- * 2. The remainder of the total proceeds are net proceeds and shall be distributed and paid as follows:
 - a. An amount, not to exceed five per cent thereof may be set aside as an educational fund to be used in teaching or promoting co-operative organization or principles when approved by a majority of the members voting at any annual meeting. Such fund shall for all purposes except the computation

of net proceeds be deemed an expense of operation of the co-operative. Such funds shall not be used in any political activity. Such educational funds shall not be paid to any other co-operative mutual aid corporation, or other general farm organization unless such co-operative, mutual aid corporation, or general farm organization receiving such funds provides in its bylaws or articles that officers and directors shall be elected by secret ballot and that only active or retired farmers and ranchers, their wives or husbands as the case may be, and their children, are eligible to vote on the affairs of the co-operative, mutual aid corporation, or general farm organization.

- b. A ~~share of the net~~ ^{profit share} proceeds may be set aside for or paid to employees. Such amount shall for all purposes except the computation of net proceeds be deemed an expense of operation of the co-operative.
- c. In a co-operative organized with capital stock such dividend may be paid upon capital stock as is authorized by the articles. No dividend may be paid if the capital is impaired or if payment of such dividend would result in an impairment of capital.
3. Unless the articles or bylaws otherwise expressly provide, none of the remainder of the net proceeds shall constitute income of the co-operative but all thereof shall be distributed and paid to patrons, whether members or not, as follows:
- a. Reasonable reserves for necessary purposes may be created, which shall be credited to patrons in accordance with the ratio which their patronage bears to total patronage.
- b. All the remainder of the net proceeds shall be distributed and paid to patrons in accordance with the ratio which their patronage bears to total patronage.
- c. There shall be no distinction between the persons entitled thereto, but such reserves and distribution may be based upon the business done with particular departments or in particular commodities, supplies or services, or upon classification of business according to the type or nature thereof.

4. If the articles or bylaws so provide:
 - a. Any of the net proceeds may be credited to allocated or unallocated surplus or reserves of the co-operative.
 - b. None of the remainder shall constitute income to the co-operative, but all thereof shall be distributed and paid in accordance with the ratio which individual patronage bears to total patronage, either to all patrons, to member patrons only, or to all patrons with nonmembers receiving a lower proportion than members, as the bylaws may provide. There shall be no other distinction between members and nonmembers, but distribution may be based on business done with particular departments, or in particular commodities, supplies or services, or upon classification of business according to type or nature thereof.
5. The distribution and payment of net proceeds under subsections 3 and 4 may be in cash, credits, stocks, certificates of interest, revolving fund certificates, letters of advice, or other certificates or securities of the co-operative or of other associations or corporations, in other property, or in any combination thereof.
6. All or any part of the net proceeds may be applied to losses incurred in prior years, and the bylaws may also include any reasonable provisions for the apportionment of losses.
7. When authorized by a majority of the members voting at any annual meeting the directors may provide for the deduction from patronage dividends of membership dues in any other co-operative, mutual aid corporation or other general farm organization.

Source: S.L. 1957, ch. 104, § 1; R.C. 1943, 1957 Supp., § 10-1533; S.L. 1959, ch. 114, § 1.

10-15-34. Unclaimed distributions, redemptions, or payments. —

1. Any distribution of proceeds, redemption of or payment based upon any security by a co-operative which remains unclaimed six years after the date authorized for retirement or payment in cash or other property may be forfeited by the board. Any amount forfeited may revert to the co-operative, if, at least six months

prior to the declared date of forfeiture, notice that such payment is available has been mailed to the last known address of the person shown by the records to be entitled thereto, or if the address is unknown, is published under section 10-15-23.

2. This section applies to all such payments authorized before or after the effective date of this section, except this section does not authorize the forfeiture prior to July 1, 1957 of any right to any such amount which would not otherwise have been barred prior to such date.

Source: S.L. 1957, ch. 104, § 1; R.C. 1943, 1957 Supp., § 10-1534.

10-15-35. Books and records — Penalty for refusal to produce. —

1. A co-operative shall keep correct and complete books and records of account, and shall also keep minutes of the proceedings of meetings of its members, board, and executive committee. The co-operative shall keep at its principal office records of the names and addresses of all members and stockholders with the amount of stock held by each, and of ownership of equity interests. At any reasonable time, any member or stockholder, or his agent or attorney, upon written notice stating the purposes thereof, delivered or sent to the co-operative at least one week in advance, may examine for a proper purpose any books or records pertinent to the purpose specified in such notice.
2. In any proceedings, or upon petition for such purpose any court of record may, upon notice and after hearing at which proper cause is shown, and upon suitable terms, order any of the co-operative's books or records, and any other pertinent documents in its possession, or duly authenticated copies thereof, to be brought within this state. Such documents shall be kept at such place and for such time and purposes as the order designates. Any co-operative failing to comply with the order is subject to dissolution, and its directors and officers are liable for contempt of court.

Source: S.L. 1957, ch. 104, § 1; R.C. 1943, 1957 Supp., § 10-1535.

10-15-36. Annual reports — Filing thereof — Fees — Penalties. —

1. A co-operative shall file an annual report signed by a

- principal officer or the general manager setting forth:
- a. Its name and complete address.
 - b. The names and addresses of its directors and principal officers.
 - c. A statement, by class and par value, of the amount of stock which it has authority to issue, and the amount issued.
 - d. A statement as to the general type of business engaged in during the prior year.
2. Such annual report shall be made on forms furnished by the secretary of state, and the information therein contained shall be given as of the date of the execution of the report. Each December the secretary of state shall forward report blanks to each co-operative in good standing required to make an annual report.
 3. The annual report shall be delivered to the secretary of state between January first and March thirty-first of each year following incorporation. A fee of five dollars shall be paid to the secretary of state for filing the report. If the report does not conform to requirements, it shall be returned to the cooperative for necessary corrections. The penalties for failure to file such report shall not apply if it is corrected and returned within thirty days after receipt thereof. The secretary of state may extend the filing date for the annual report of any cooperative whenever in his discretion he considers such an extension of time advisable and proper.
 4. Any report filed after March thirty-first may be filed only upon payment to the secretary of state of the following fees:
 - a. If filed prior to May first, ten dollars.
 - b. If filed thereafter but not later than the following December first, fifteen dollars.
 5. If the report is not filed before the following December second, the cooperative is not in good standing and shall be considered to be inactive. Until restored to good standing, the secretary of state may not accept for filing any document respecting such cooperative except those incident to its dissolution. The secretary of state, on or before the first day of July of each year following the year a cooperative is found to be inactive,

shall certify to the attorney general the names of all cooperatives which have failed to file their reports in accordance with this section, together with the facts pertinent thereto, and shall also mail a copy of such certificate to the cooperative involved. Upon the receipt of such certification, the attorney general may in his discretion file an action in the name of the state against such cooperative for its dissolution.

6. The co-operative may be restored to good standing by delivering to the secretary of state a current annual report and by paying fifteen dollars for each calendar year or part thereof during which it was not in good standing, not exceeding a total of one hundred fifty dollars.

Source: S.L. 1957, ch. 104, § 1; R.C. 1943, 1957 Supp., § 10-1536; N.D.C.C.; S.L. 1967, ch. 98, § 7.

10-15-37. Amendments to articles. — At any member meeting a co-operative may adopt any amendment to its articles which is lawful under section 10-15-05, if a statement of the nature of the amendment was contained in the notice of the meeting.

An amendment is adopted when approved by members holding a majority of the member votes cast thereon.

Source: S.L. 1957, ch. 104, § 1; R.C. 1943, 1957 Supp., § 10-1537.

10-15-38. Filing amendments — Limitation of action. —

1. Amendments to articles shall be signed by the president or a vice-president and the secretary or an assistant secretary, such signatures shall be acknowledged, the amendments shall be sealed with the cooperative's seal, and shall set forth:
 - a. The name of the cooperative;
 - b. The amendments and date of adoption;
 - c. The number of members; and
 - d. The number of members voting for and against such amendment.
2. One copy of such amendment shall be retained in the records of the association, and one copy shall be filed in the office of the secretary of state, who shall issue a certificate of amendment thereon.
3. No amendment may effect any existing cause of action

or proceedings to which the cooperative is a party, or existing rights of persons other than members or stockholders.

4. No action may be maintained to invalidate any amendment because of the manner of its adoption unless commenced within two years after the date of filing.

Source: N.D.C.C.; S.L. 1967, ch. 98, § 8.

10-15-39. Restated articles. — A co-operative may, by action taken in the manner required for an amendment, adopt restated articles which shall state they supersede existing articles and amendments. Restated articles shall meet all requirements of original articles except:

1. Incorporators constituting the temporary board and the names and addresses of the incorporators may be omitted; and
2. The location of the principal office, or the complete address of the present registered agent, shall be set forth as of the time of adoption of the restated articles. The name and address of a new registered agent may be set forth in lieu thereof.

Source: S.L. 1957, ch. 104, § 1; R.C. 1943, 1957 Supp., § 10-1539.

10-15-40. Amendments by bankruptcy court. — Certified copies of any order of a court of the United States, in proceedings under the bankruptcy laws, shall be filed as an amendment if the order affects an amendment to the articles. The principal officers of a cooperative shall cause each order to be promptly filed after it becomes final.

Source: N.D.C.C.; S.L. 1967, ch. 98, § 9.

10-15-41. Merger and consolidation. — If otherwise lawful, any two or more associations may merge or consolidate under this chapter or under the law of the state where the surviving or new association will exist. Before a co-operative may merge or consolidate with any other association, a written plan of merger or consolidation shall be prepared by the board or by a committee selected by the board or the members for that purpose. Such plan shall set forth all the terms of the merger or consolidation and the proposed effect thereof on all members and stockholders of the co-operative. In case of consolidation, the plan shall also contain the articles of the new association. The members shall approve the plan in the manner provided in section 10-15-37 for amendments to the articles.

Source: S.L. 1957, ch. 104, § 1; R.C. 1943, 1957 Supp., § 10-1541.

10-15-42. Articles of merger or consolidation — Effect. —

1. Articles of merger or consolidation shall set forth the approved plan and such other information as is required by section 10-15-38. They shall be signed by two principal officers of each association merging or consolidating, sealed with the seal of each such association, and filed as an amendment to the articles. Unless otherwise specified in the plan, the merger or consolidation is effective when the articles are so filed.
2. After the effective date, the associations which are parties to the plan become a single association. In the case of a merger, the surviving association is that association so designated in the plan. In the case of a consolidation, the new association is the association provided for in the plan. The separate existence of all associations which are parties to the plan, except the surviving or new association, then ceases.
3. The surviving or new association possesses all the rights and all the property of each of the individual associations, and is responsible for all their obligations. Title to any property is vested in the surviving or new association with no reversion or impairment thereof caused by the merger or consolidation. No right of any creditor may be impaired by the merger or consolidation without his consent.
4. The articles of the surviving association are deemed amended to the extent provided in the plan of merger.

Source: S.L. 1957, ch. 104, § 1; R.C. 1943, 1957 Supp., § 10-1542; N.D.C.C.; S.L. 1967, ch. 98, § 10.

10-15-43. Division of a co-operative. —

1. Any co-operative may divide itself into two or more co-operatives under this chapter. A written plan of division shall be prepared by the board or by a committee selected by the board for that purpose. Such plan shall set forth all the terms of the division and the proposed effect thereof on all members and stockholders of the co-operative. The plan shall also contain the articles of each new co-operative being formed and any amendments to the articles of the remaining co-operative.
2. The members shall approve the plan in the manner provided in section 10-15-37 for amendments to articles.

3. Articles of division shall set forth the approved plan and such other information as is required by section 10-15-38 and shall be filed as an amendment to the articles. Each part of the plan which contains the articles of a new cooperative shall be separately filed as articles of association for such new cooperative.

Source: S.L. 1957, ch. 104, § 1; R.C. 1943, 1957 Supp., § 10-1543; N.D.C.C.; S.L. 1967, ch. 98, § 11.

~~X~~ **10-15-44. Conversion of corporation.** — A corporation may convert itself into a cooperative by adopting an amendment to its articles by which it elects to become subject to this chapter, together with changes in its articles required by this chapter and other desirable changes permitted by this chapter. Such amendment shall be adopted and filed in the manner provided by the law then applicable to the corporation.

Source: N.D.C.C.; S.L. 1967, ch. 98, § 12.

10-15-45. Voluntary dissolution. —

1. At any member meeting, whether or not a quorum is present, a co-operative may dissolve if:
 - a. Notice that a resolution for dissolution will be considered and acted upon has been given to all members and to all other persons entitled by the articles to vote thereon; and
 - b. Such resolution is adopted by members holding three-fourths of the member votes cast thereon. The articles may permit stockholders to vote on the resolution for dissolution.
2. When the resolution is adopted, either a committee designated by the resolution or the board shall liquidate all assets and pay the net proceeds of such liquidation available for distribution to all persons entitled to the same by law, the articles, and the bylaws.
3. Articles of dissolution shall be signed by a majority of directors or of committee members and shall be sealed with the co-operative's seal, if any. They shall set forth:
 - a. The name of the co-operative;
 - b. The name and address of each director or committee member;
 - c. The date of adoption of the resolution of dissolution;

- d. A statement that all liquidation activities have been completed.
4. The articles of dissolution shall be filed as provided in section 10-15-53, and thereupon the existence of the cooperative ceases.

Source: S.L. 1957, ch. 104, § 1; R.C. 1943, 1957 Supp., § 10-1545; N.D.C.C.; S.L. 1967, ch. 98, § 13.

10-15-46. Involuntary dissolution. —

1. A co-operative may be dissolved involuntarily by a decree of the district court where the principal office or registered agent is located in an action commenced by the attorney general when it is established that:
- a. The co-operative failed to file its annual report as required by this chapter; or
 - b. The co-operative's certificate of association was procured through fraud; or
 - c. The co-operative has continued to exceed or abuse the authority conferred upon it by this chapter; or
 - d. The co-operative failed to comply with a court order for the production of books, records, or other documents of the co-operative as provided in section 10-15-35.
2. If the cooperative cures its defaults other than those under subsections 1b and 1c prior to the entry of the court's final decree and pays all penalties and court costs that have accrued, the cause of action with respect to the defaults so cured will abate.

Source: S.L. 1957, ch. 104, § 1; R.C. 1943, 1957 Supp., § 10-1546.

10-15-47. Liquidation under court supervision. —

1. The district court of the county where the principal office or registered agent of the co-operative is located may liquidate the assets and business of such co-operative when an action for that purpose is filed by or on behalf of:
- a. A majority of the designated committee or directors when a resolution is adopted pursuant to section 10-15-45.
 - b. The attorney general when a decree of dissolution has been obtained pursuant to section 10-15-46.
 - c. A judgment creditor whose execution is returned

unsatisfied when it is established that the co-operative is unable to pay its debts as they become due in the usual course of its business.

- d. Any creditor when it is established that the co-operative is dissolving pursuant to section 10-15-45 without making adequate provision for payment of all creditors.
2. Upon filing of any such action, the court acquires exclusive jurisdiction of all matter pertaining to the liquidation of such co-operative and the distribution of its assets to persons entitled thereto and may determine and order paid the expense of such liquidation proceedings. The court has power to issue injunctions, appoint receivers with such duties and powers as the court may direct, and take any other action necessary to the co-operative's liquidation. A receiver appointed in such proceedings has authority to sue and be sued as receiver for the co-operative.
3. The court shall fix the time within which creditors may file claims and shall prescribe the notice to be given to interested persons. Creditors who do not file their claims within the time limit may not participate in any distribution thereafter made, unless the court upon good cause shown extends their time for filing.
4. When the court approves the final distribution of a cooperative's assets, it shall enter a decree in the nature of articles of dissolution which shall be filed in the secretary of state's office.
5. The filing of an action under this section operates as a stay of all other proceedings against the co-operative until such time as the court issues its final judgment or directs otherwise.
6. The court upon proper cause shown may at any time order the proceedings dismissed upon such terms and conditions as the court may impose.

Source: S.L. 1957, ch. 104, § 1; R.C. 1943, 1957 Supp., § 10-1547; N.D.C.C.; S.L. 1967, ch. 98, § 14.

10-15-48. Property omitted from final distribution. —

1. Upon filing the articles or decree of dissolution, title to any property omitted from the final distribution vests in the surviving directors or committee members who signed the articles, as trustees. They have all

the powers of the cooperative with respect to such property and shall distribute the property or its proceeds to the persons beneficially entitled thereto.

2. When no trustee can be found, the district court of the county where the property is located has power to appoint trustees upon application of any person having an interest in such property or its disposition.
3. Any trustee may at any time make application to the proper district court for supervision of liquidation pursuant to section 10-15-47.

Source: S.L. 1957, ch. 104, § 1; R.C. 1943, 1957 Supp., § 10-1548; N.D.C.C.; S.L. 1967, ch. 98, § 15.

10-15-49. Amounts due unknown persons. — Upon liquidation of a co-operative, the assets distributable to persons who are unknown or cannot be found may be reduced to cash and deposited with the state treasury. If claimed within ten years thereafter such funds shall be paid without interest to persons entitled thereto upon proof satisfactory to the state treasurer of their right thereto. If not claimed within ten years, such funds shall become the property of the state to be deposited in the general fund of the state treasury.

Source: S.L. 1957, ch. 104, § 1; R.C. 1943, 1957 Supp., § 10-1549.

10-15-50. Survival of remedy after dissolution. — Except as provided in section 10-15-47, the dissolution of a cooperative does not impair any remedy available to or against such cooperative, its directors, stockholders, or members for any claim existing or any liability incurred prior to such dissolution if a proceeding thereon is commenced within two years after the date of filing the articles or decree of dissolution.

Source: N.D.C.C.; S.L. 1967, ch. 98, § 16.

10-15-51. Admission of foreign cooperatives. — A foreign cooperative is authorized to do business in this state upon issuance of a certificate of authority to that effect by the secretary of state. In order to procure such certificate, it shall make application therefor to the secretary of state, and file a certified copy of the articles of association and all amendments on file in the state or country of incorporation. The application shall set forth:

1. The name of the cooperative and the state or country under the laws of which it is incorporated;
2. The date of incorporation and the period of duration of the corporation;

3. The address of the principal office of the cooperative in the state or country under the laws of which it is incorporated;
4. The address of the proposed registered office of the cooperative in this state, and the name of its proposed registered agent in this state at such address;
5. The purpose or purposes of the cooperative which it proposes to pursue in the transaction of business in this state;
6. The names and respective addresses of the directors and officers of the cooperative;
7. A statement of its aggregate number of members, and of the number of members by classes, if any;
8. A statement of the aggregate amount of authorized and issued capital stock itemized by classes, par value of stock, stock without par value, and series, if any, within a class; and
9. Such additional information as may be necessary or appropriate in order to enable the secretary of state to determine whether such cooperative is entitled to a certificate of authority to transact business in this state and to determine and assess fees payable.

Such application shall be made on forms prescribed and furnished by the secretary of state and shall be executed in duplicate by the cooperative by its president or a vice-president and by its secretary or an assistant secretary, and verified by one of the officers signing such application.

Source: N.D.C.C.; S.L. 1967, ch. 98, § 17.

10-15-52. Foreign co-operative authority. — Upon issuance of the secretary of state's certificate of authority a foreign co-operative is entitled to all rights, exemptions, and privileges of a co-operative organized for the same purposes under the laws of this state.

Source: S.L. 1957, ch. 104, § 1; R.C. 1943, 1957 Supp., § 10-1552.

10-15-52.1. Merger of foreign cooperative authorized to transact business in this state. — Whenever a foreign cooperative authorized to transact business in this state shall be a party to a statutory merger permitted by the laws of the state or country under the laws of which it is associated, and such co-operative shall be the surviving cooperative, it shall, within

thirty days after such merger becomes effective, file with the secretary of state a copy of the articles of merger duly authenticated by the proper officer of the state or country under the laws of which such statutory merger was effected; and it shall not be necessary for such cooperative to procure either a new or amended certificate of authority to transact business in this state unless the name of such cooperative be changed thereby or unless the cooperative desires to pursue in this state other or additional purposes than those which it is then authorized to transact in this state.

Source: S.L. 1967, ch. 98, § 18.

10-15-52.2. Amendment to articles of association of foreign cooperatives.—Whenever the articles of association of a foreign cooperative authorized to transact business in this state are amended, such foreign cooperative shall, within thirty days after such amendment becomes effective; file in the office of the secretary of state a copy of such amendment duly authenticated by the proper officer of the state or country under the laws of which it is associated; but the filing thereof shall not of itself enlarge or alter the purpose or purposes which such cooperative is authorized to pursue in the transaction of business in this state, nor authorize such cooperative to transact business in this state under any other name than the name set forth in its certificate of authority.

Source: S.L. 1967, ch. 98, § 19.

10-15-52.3. Amended certificate of authority. — A foreign cooperative authorized to transact business in this state shall procure an amended certificate of authority in the event it changes its cooperative name, or desires to pursue in this state other or additional purposes than those set forth in its prior application for a certificate of authority, by making application therefor to the secretary of state.

The requirements in respect to the form and contents of such application, the manner of its execution, the filing of duplicate originals thereof with the secretary of state, the issuance of an amended certificate of authority and the effect thereof, shall be the same as in the case of an original application for a certificate of authority.

Source: S.L. 1967, ch. 98, § 20.

10-15-52.4. Withdrawal of foreign cooperative. — A foreign cooperative authorized to transact business in this state may withdraw from this state upon procuring from the secretary of state a certificate of withdrawal. In order to procure such cer-

tificate of withdrawal, such foreign cooperative shall deliver to the secretary of state an application for withdrawal, which shall set forth:

1. The name of the cooperative and the state or country under the laws of which it is associated;
2. That the cooperative is not transacting business in this state;
3. That the cooperative surrenders its authority to transact business in this state;
4. That the cooperative revokes the authority of its registered agent in this state to accept service of process and consents that service of process in any action, suit or proceeding based upon any cause of action arising in this state during the time the cooperative was authorized to transact business in this state may thereafter be made on such cooperative by service thereof on the secretary of state;
5. A post-office address to which the secretary of state may mail a copy of any process against the cooperative that may be served on him; and
6. Such additional information as may be necessary or appropriate in order to enable the secretary of state to determine and assess any unpaid fees payable by such foreign cooperative.

The application for withdrawal shall be made on forms prescribed and furnished by the secretary of state and shall be executed by the cooperative by its president or vice-president and by its secretary or an assistant secretary, and verified by one of the officers signing the application, or, if the cooperative is in the hands of a receiver or trustee, shall be executed on behalf of the cooperative by such receiver or trustee and verified by him.

Source: S.L. 1967, ch. 98, § 21.

10-15-52.5. Filing of application for withdrawal for foreign cooperatives. — Duplicate originals of an application by a foreign cooperative for withdrawal shall be delivered to the secretary of state. If the secretary of state finds that such application conforms to the provisions of section 10-15-52.4, he shall, when all fees have been paid:

1. Endorse on each of such duplicate originals the word

“filed”, and the month, day, and year of the filing thereof;

2. File one of such duplicate originals in his office; and
3. Issue a certificate of withdrawal to which he shall affix the other duplicate original.

The certificate of withdrawal, together with the duplicate original of the application for withdrawal affixed thereto by the secretary of state, shall be returned to the cooperative or its representative. Upon the issuance of such certificate of withdrawal, the authority of the cooperative to transact business in this state shall cease.

Source: S.L. 1967, ch. 98, § 22.

10-15-53. Filing documents — Penalty for false document. —

1. When any document is to be filed, duplicate originals shall be delivered to the secretary of state. He shall stamp on both the date of filing and return one to the cooperative with his certificate of filing.
2. Whoever causes any document to be filed, knowing such to be false in any material respect, may be fined not more than one thousand dollars or imprisoned not more than three years, or both.

Source: N.D.C.C.; S.L. 1967, ch. 98, § 23.

10-15-54. Fees. — No document may be filed nor any certificate issued until all fees therefor have been paid. Any fee or penalty due under this chapter may be recovered in a suit brought by the attorney general in the name of the state. The secretary of state shall charge and collect from any association for:

1. Filing articles of association and issuing a certificate of association, sixteen dollars;
2. Filing articles of amendment and issuing a certificate of amendment, twelve dollars;
3. Filing restated articles of association, twelve dollars;
4. Filing articles of merger or consolidation and issuing a certificate of merger or consolidation, fifteen dollars;
5. Filing articles or decree of dissolution, five dollars;
6. Receiving service of any process, notice, or demand, five dollars;

7. Filing an application of a foreign cooperative for a certificate of authority to do business in this state and issuing a certificate therefor, eighteen dollars;
8. Filing a copy of an amendment to the articles of association of a foreign cooperative holding a certificate of authority to transact business in this state, eight dollars;
9. Filing an application for an amended certificate of authority for a foreign cooperative holding a certificate of authority to transact business in this state, sixteen dollars;
10. Filing a copy of articles of merger of a foreign cooperative holding a certificate of authority to transact business in this state, fifteen dollars;
11. Filing an application for withdrawal of a foreign cooperative and issuing a certificate of withdrawal, ten dollars;
12. Filing any other document or statement, or issuing any other certificate, five dollars.

Source: N.D.C.C.; S.L. 1967, ch. 98, § 24.

10-15-55. Defense of ultra vires. — No act and no transfer of property to or by a co-operative is invalid because made in excess of the co-operative's power, except that such lack of power may be asserted in a proceeding by:

1. A member, stockholder, or director against the co-operative to enjoin any act or any transfer of property to or by the co-operative;
2. The co-operative or its legal representative against any present or former officer or director;
3. The attorney general against the co-operative in an action to dissolve the co-operative or to enjoin it from the transaction of unauthorized business.

Source: S.L. 1957, ch. 104, § 1; R.C. 1943, 1957 Supp., § 10-1555.

10-15-56. Member or stockholder derivative actions. —

1. No action may be instituted or maintained in the right of any association by a member or stockholder unless he:
 - a. Alleges in his complaint that he was a member or registered stockholder when any part of the trans-

action of which he complains took place, or that his stock thereafter devolved upon him by operation of law from a stockholder at such time;

- b. Alleges in his complaint with particularity his efforts to secure from the board such action as he desires. He shall allege further that he has either informed the association or board in writing of the ultimate facts of each cause of action against each director or that he has delivered to the association or board a copy of the complaint which he proposes to file. He shall state the reasons for his failure to obtain such action or the reasons for not making such effort.
2. The action shall not be dismissed or compromised without the approval of the court.
3. If anything is recovered or obtained as the result of the action, whether by means of a compromise and settlement or by a judgment, the court may, out of the proceeds of the action, award the plaintiff the reasonable expenses of maintaining the action, including reasonable attorneys' fees, and may direct the plaintiff to account to the association for the remainder of such proceeds.
4. In any action brought in the right of an association by less than three per cent of the members or by holders of less than three per cent of any class of stock outstanding, the defendants may require the plaintiff to give security for the reasonable expenses of defending such action, including attorneys' fees. The amount of such security may thereafter be increased or decreased in the discretion of the court upon showing that the security provided is or may be inadequate or is excessive.

Source: S.L. 1957, ch. 104, § 1; R.C. 1943, 1957 Supp., § 10-1556.

10-15-57. Forms to be furnished by secretary of state. — The secretary of state may provide forms for any document to be filed in his office under this chapter.

Source: S.L. 1957, ch. 104, § 1; R.C. 1943, 1957 Supp., § 10-1557.

10-15-58. Use of term "co-operative". — Penalty for improper use. —

1. The term "co-operative," or any variation thereof, may

be used either by any association organized under this chapter or under other laws of this state relating to co-operative corporations.

2. No other person may use the term "co-operative," or any variation thereof, as part of his corporate or other business name or title, nor may any other person in any other manner represent himself to be a co-operative. Whoever violates this subsection may be fined not more than one hundred dollars. Each day of improper use constitutes a separate offense.
3. Any co-operative may obtain an injunction against acts prohibited by subsection 2 without showing any damage to itself.

Source: S.L. 1957, ch. 104, § 1; R.C. 1943, 1957 Supp., § 10-1558.

X 10-15-59. Associations not in restraint of trade. — No association organized under this chapter shall be deemed to be a combination in restraint of trade or an illegal monopoly, or an attempt to lessen competition or fix prices arbitrarily. The marketing contracts or agreements between any such association and its members, or any agreements authorized in this chapter, shall not be considered illegal nor in restraint of trade.

Source: S.L. 1957, ch. 104, § 1; R.C. 1943, 1957 Supp., § 10-1559.

10-15-60. Application of chapter. — All foreign and domestic co-operatives are governed by the provisions of this chapter except that they shall not apply to co-operatives governed by title 26 or by chapters 6-06, 10-12, 10-13, 36-08, or 49-21 of this code, except where the laws governing such associations clearly adopt or refer to any provisions of this chapter or refer to provisions of the general law governing co-operatives.

Source: S.L. 1957, ch. 104, § 1; R.C. 1943, 1957 Supp., § 10-1560.

10-15-61. Short title. — This chapter may be cited as the "North Dakota Co-operative Association Act."

Source: S.L. 1957, ch. 104, § 1; R.C. 1943, 1957 Supp., § 10-1561.

NORTH DAKOTA CREDIT UNION LAWS

CHAPTER

- 6-01 The Department of Banking
- 6-06 Credit Unions
- 6-06.1 Voluntary Liquidation of Credit Unions

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Chapter 6-01

THE DEPARTMENT OF BANKING

6-01-01. Management and control — State department of banking and credit unions. — The state department of banking, which shall be known and designated as the banking department and shall be under the management and control of the state banking board and a chief officer designated and known as the state examiner, shall have charge of the execution of all laws relating to state banks, savings banks, trust companies, building and loan associations, mutual investment corporations, mutual savings corporations, banking institutions and other financial corporations, exclusive of the Bank of North Dakota and all credit unions, organized or doing business under the laws of this state and engaged wholly or in part in the

receiving of deposits or the selling of their certificates or other evidences of indebtedness or obligations to the public. The same power granted herein to the state department of banking with reference to the corporations named in this section shall be granted to the state credit union board with reference to credit unions.

Source: S.L. 1905, ch. 165, § 1; R.C. 1905, § 4635; S.L. 1911, ch. 55, § 1, subs. 1; C.L. 1913, § 5146, subs. 1; S.L. 1931, ch. 96, § 1, subs. a; 1933, ch. 71, § 1; R.C. 1943, § 6-0101; S.L. 1945, ch. 143, § 1; 1957 Supp., § 6-0101.

6-01-02. Definitions. — Terms used in this title, unless the context otherwise plainly requires, are defined as follows:

6. "Credit union", a corporate co-operative association organized for the purpose of making loans to its members for provident or productive purposes;

Source: N.D.C.C.; S.L. 1963, ch. 93, § 1.

6-01-03. State banking board and state credit union board. —

1. The state banking board shall consist of the state examiner and two members to be appointed by the governor who each shall have had at least ten years experience in an executive capacity in the management of a state bank in the state of North Dakota, a majority of whose stock is owned by the residents of the state. The term of office of the members of such board, other than the state examiner, shall be for a period of five years, except that one of the two first appointed to such board shall serve for a term of three years and the other for a term of five years. In case of a vacancy in such board, by death, resignation, or removal of an appointed member, the vacancy shall be filled by appointment by the governor for the unexpired term. The state examiner shall be the chairman of such board and the attorney general shall be, ex officio, the attorney for such board. The chief deputy examiner shall serve as its secretary. The board shall hold regular meetings on the first Wednesday of January, April, July, and October of each year in the office of the state examiner in the state capitol at Bismarck, and shall hold special meetings at the call of the state examiner in such place as he may designate within the state of North Dakota. The members of such board, other than the state examiner, shall receive ten dollars per day and their actual necessary expenses for

transportation while attending meetings, or in the performance of such special duties as the board may direct. In the event of travel by automobile, they shall receive not to exceed five cents per mile for such expense.

2. The state credit union board shall consist of the state examiner and two members to be appointed by the governor from a panel of five names of persons, residents of North Dakota, who have had at least three years experience as an officer, director or committee member of a North Dakota state chartered credit union, said panel of five names to be furnished to the governor by the North Dakota credit union league. Appointments of board members shall be for a term of five years. In case of a vacancy in such board, by death, resignation, or removal of an appointed member, the vacancy shall be filled by appointment by the governor for the unexpired term. The state examiner shall be the chairman of such board and the attorney general shall be ex officio, the attorney for such board. The chief deputy examiner shall serve as its secretary. The members of the state credit union board shall receive the same remuneration as is provided for the members of the state banking board. The state credit union board shall hold meetings on the first Wednesday of June and December of each year in the office of the state examiner in the state capitol at Bismarck and shall hold special meetings at the call of the state examiner in such place as he may designate within the state of North Dakota.
3. The word "board" when used in this title shall include the state banking board and the state credit union board.

Source: S.L. 1905, ch. 165, § 1; R.C. 1905, § 4635; S.L. 1911, ch. 55, § 1, subs. 2; C.L. 1913, § 5146, subs. 2; S.L. 1931, ch. 96, § 1, subs. b; 1933, ch. 71, § 2; 1943, ch. 91, § 1; R.C. 1943, § 6-0103; S.L. 1945, ch. 143, § 2; 1957 Supp., § 6-0103.

6-01-04. Powers and duties of the state banking board and state credit union board. — The board shall have power to make such rules and regulations for the government of financial corporations mentioned in section 6-01-01 as in its judgment may seem wise and expedient, but such rules and regulations shall not conflict with any law of this state or of the United States. The board shall review all reports made by the financial corporations and institutions under its jurisdiction and all

reports of regular and special examinations thereof made by the state examiner, and shall approve or disapprove such reports. The board shall make and enforce such orders as, in its judgment, may be necessary or proper to protect the public and the depositors or creditors of said financial corporations and institutions.

The same powers shall be given to the state credit union board with reference to credit unions as are herein granted to the state banking board with reference to financial corporations named in this chapter.

Source: S.L. 1905, ch. 165, § 1; R.C. 1905, § 4635; S.L. 1911, ch. 55, § 1, subs. 3; C.L. 1913, § 5146, subs. 3; S.L. 1931, ch. 96, § 1, subs. c; 1933, ch. 71, § 3; R.C. 1943, § 6-0104; S.L. 1945, ch. 143, § 3; 1957 Supp., § 6-0104.

6-01-07. Records of state banking board, state examiner and state credit union board. — The state banking board and state credit union board shall keep a full and complete record of all their proceedings and of all orders made by them, and the records of the board and of the state examiner, and any and all reports made by or filed with the board or the state examiner relating to any financial institution, shall be open to inspection and examination by stockholders, depositors, creditors, and sureties on any bonds of any such institution or on the bonds of any officer or employee thereof, under proper restrictions and during regular business hours.

Source: S.L. 1905, ch. 165, § 1; R.C. 1905, § 4635; S.L. 1911, ch. 55, § 1, subs. 3; C.L. 1913, § 5146, subs. 3; S.L. 1931, ch. 96, § 1, subs. c; 1933, ch. 71, § 3; R.C. 1943, § 6-0107; S.L. 1945, ch. 143, § 4; 1957 Supp., § 6-0107.

Chapter 6-06

CREDIT UNIONS

6-06-01. Savings and credit association may be organized. — Any seven residents of this state may apply to the state credit union board for permission to organize a corporate co-operative association to be known as a credit union.

Source: S.L. 1935, ch. 108, § 1; R.C. 1943, § 6-0601; S.L. 1945, ch. 143, § 5; 1957 Supp., § 6-0601.

6-06-02. Manner of organization of credit unions. — A credit union shall be organized in the following manner:

1. The applicants shall execute a certificate of organization, in triplicate, by the terms of which they agree to be bound, stating the name and location of the proposed credit union, the names and addresses of the

subscribers to the certificate and the number of shares subscribed by each, and the par value of the shares of the credit union, which shall not exceed ten dollars each;

2. The applicants shall prepare and execute proposed by-laws, in triplicate, for the general governance of the credit union consistent with the provisions of this chapter;
3. The certificate and the proposed bylaws, both executed in triplicate, shall be forwarded to the state examiner;
4. The state examiner, within thirty days after the receipt of certificate and bylaws shall determine whether they comply and are consistent with the provisions and purposes of this chapter.
5. The examiner shall notify the applicants and the state credit union board of his decision, and if it is favorable, the board shall instruct the secretary of state to issue a charter, which shall be by him attached to the duplicate certificate of organization and returned, together with the duplicate bylaws, to the applicants upon payment of a filing fee of five dollars to the secretary of state; and
6. The applicants thereupon shall record the duplicate of the certificate of organization, with the charter attached thereto, with the register of deeds of the county within which the credit union shall have its place of business, and he shall make a record of the certificate and return it with his certificate of record attached to the secretary of state for permanent record.

After the provisions of this section have been complied with, the association shall become a body corporate and shall be known as a credit union.

Source: S.L. 1935, ch. 108, § 1; R.C. 1943, § 6-0602; S.L. 1945, ch. 143, § 6; 1951, ch. 104, § 1; 1957 Supp., § 6-0602.

6-06-03. Secretary of state to furnish forms. — The secretary of state, on written application of any seven residents of this state, shall furnish without charge to persons proposing to incorporate a credit union a form of certificate of organization and a set of suggested bylaws approved by him as consistent with this chapter.

Source: S.L. 1935, ch. 108, § 1; R.C. 1943, § 6-0603.

6-06-04. Amendment of certificate or bylaws — Approval by state credit union board. — The certificate of organization or bylaws of a credit union may be amended at a regular or special meeting of the members thereof. The proposed amendments must be fully set forth in the notice of the meeting at which the proposed amendments are to be submitted for action. Any amendment to the certificate of organization must be approved by a majority vote of the entire membership of the credit union, and any amendment to the bylaws must be approved by three-fourths of the members present at the meeting. Proposed amendments to the certificate of organization or the bylaws shall, before submission to members for adoption, be approved by the state credit union board, and shall become operative immediately upon approval of the membership of the credit union. The resolution containing the full text of any amendment of the certificate of organization, verified by the president and the treasurer of the credit union and approved by the state credit union board, shall be recorded in the office of the register of deeds of the county in which the principal place of business of the credit union is located and the register of deeds shall after recording of the amendment return it with his certificate of recording attached, and it shall be filed with the secretary of state for permanent record. The fee for filing the amendment with the secretary of state shall be five dollars. The applicants shall, within thirty days thereafter, provide the state examiner with a true and correct copy of the amendment to the certificate of organization or the amendments to the bylaws.

Source: N.D.C.C.; S.L. 1967, ch. 98, § 1.

6-06-05. Use of "credit union" restricted — Misdemeanor. — It shall be a misdemeanor for any person, association, copartnership, or corporation, except corporations organized in accordance with the provisions of this chapter, to use the words "credit union" in their name or title.

Source: S.L. 1935, ch. 108, § 3; R.C. 1943, § 6-0605.

6-06-06. Powers of credit unions. — A credit union shall have the following powers:

1. To receive the savings of its members either as payment on shares or as deposits, including the right to conduct Christmas clubs, vacation clubs, and other such thrift organizations within its membership;
2. To make loans to members for provident or productive purposes;

3. To make loans to a co-operative society or other organization having membership in the credit union;
4. To deposit its moneys in state and national banks and trust companies and central credit unions authorized to receive deposits;
5. To invest in the following:
 - a. In bonds of the United States;
 - b. In bonds or evidences of debt of this state or in bonds of states of the United States;
 - c. In bonds or certificates of indebtedness of any county, city, village, or school district in this state, issued pursuant to authority of law, but not to exceed thirty per cent of the assets of any credit union may be invested in such bonds or certificates of indebtedness;
 - d. In notes or bonds secured by mortgage or deed of trust upon unencumbered, improved real estate in this state, if such investment shall not exceed sixty-five per cent of the actual cash value of the property mortgaged, and fire and tornado insurance policies are maintained and deposited as collateral to such mortgage, subject to such restriction and regulations as may be imposed by the state credit union board;
 - e. In notes or bonds secured by mortgage upon unencumbered personal property in this state, if such investment shall not exceed seventy-five per cent of the actual cash value of the property mortgaged;
 - f. In first lien, public utility, industrial, corporation or association bonds, notes or other evidences of debt issued by corporations located in the United States of America to the extent authorized by the state credit union board.
6. To borrow money as limited in this chapter;
7. Subject to such regulations as the state credit union board may prescribe, insurance obtained under title 1 of the National Housing Act shall be deemed adequate security;
8. To sue and be sued;
9. A credit union may invest in a credit union office

building including the lot, piece, or parcel of land on which the same is located, and in furniture and fixtures, to the extent authorized by regulations issued by the state credit union board; and

10. Every state credit union shall have the power to purchase, hold and convey other real estate as herein provided, and not otherwise:
 - a. Such as shall be mortgaged to it in good faith by way of security for loans, or for debts previously contracted;
 - b. Such as shall be conveyed to it in good faith in satisfaction of debts previously contracted in the course of its dealings; and
 - c. Such as it shall purchase at sales under judgments, decrees, or mortgages held by the credit union, or shall purchase to secure debts due to it.

Source: S.L. 1935, ch. 108, §§ 4, 20, subs. c; 1939, ch. 118, § 1; R.C. 1943, § 6-0606; S.L. 1951, ch. 104, § 3; 1957 Supp., § 6-0606.

6-06-07. Membership in credit union. — The membership of a credit union shall consist of the incorporators and such other persons as may be elected to membership. Each member must subscribe to and pay the initial installment on at least one share in the credit union and pay the entrance fee. Organizations, incorporated or otherwise, composed principally of the same general group as the credit union membership may be members therein. Credit union membership shall be limited to groups having a common bond of occupation or association or to groups within a well defined rural or urban district.

Source: S.L. 1935, ch. 108, § 5; R.C. 1943, § 6-0607.

6-06-08. State credit union board to supervise credit unions Reports — Examinations — Fees. — Credit unions and the permanent loan funds thereof, if any, shall be under the supervision of the state credit union board. The credit unions shall report to the state examiner at least once annually, upon call of the state examiner, on blanks supplied by the examiner for the purpose. Additional reports may be required by the board or examiner. Credit unions shall be examined at least once each year by the examiner or with his approval and the approval of the state credit union board, credit unions may be examined annually by a certified public accountant or the North Dakota credit union league. If the examination is not made by the state examiner, the expense of such examination

shall be borne by the credit union examined and such examination shall be in such form and contain such information as the state examiner may require. Two copies of such examination shall be filed with the state examiner and shall be approved by him. If it is determined through an examination or otherwise that the credit union is violating the provisions of this chapter, or is insolvent, the state credit union board may serve notice on the credit union of its intention to revoke the charter. If such violations continue for a period of fifteen days after such notice, the board may revoke the charter and take possession of the business and property of such credit union, and shall maintain possession then until such time as it shall permit the reinstatement of the charter and the continuation of business by the credit union, or until its affairs are finally liquidated. The board may take similar action if any required report remains in arrears for more than fifteen days. The credit union shall pay to the state examiner for examination a fee equal to fifty dollars per examiner day, except that the minimum fee for the examination of a credit union shall be fifty dollars.

Source: N.D.C.C.; S.L. 1965, ch. 90, § 5; 1967, ch. 89, § 1.

6-06-09. Fiscal year of credit unions. — The fiscal year of all credit unions shall end December thirty-first.

Source: S.L. 1935, ch. 103, § 7; R.C. 1943, § 6-0609.

6-06-10. General and special meetings — Notice — Quorum — Voting privileges. — General and special meetings may be held in the manner and for the purposes indicated in the bylaws of the credit union. Ten days before any regular or special meeting written notice thereof shall be mailed to each member, and, in the case of a special meeting, the notice shall state clearly the purpose of the meeting and what matters will be considered thereat. The members present at a general or special meeting shall constitute a quorum for the transaction of the business of the credit union. At all meetings, a member shall have but a single vote, whatever his share holdings. There shall be no voting by proxy, but any firm, society, or corporation having a membership in the credit union may cast its vote by one person upon presentation by him to the credit union of written authority from such firm, society, or corporation.

Source: N.D.C.C.; S.L. 1965, ch. 90, § 6.

6-06-11. Annual meetings — Election of directors and committees. — The organization meeting of the members of a credit

union shall be the first annual meeting. At its annual meeting, its members shall elect a board of directors of not less than five members, a credit committee of not less than three members, and a supervisory committee of not less than three members, all to hold office for such terms, respectively, as provided by the bylaws of the credit union and until their successors qualify. A record of the names and addresses of the officers and members of the board and committees shall be filed with the state examiner within ten days after their election.

Source: S.L. 1935, ch. 108, § 8; 1937, ch. 113, § 1; R.C. 1943, § 6-0611; S.L. 1959, ch. 104, § 2.

6-06-12. Directors — Duties and powers. — The directors shall have general management of the credit union, and it shall be their duty particularly:

1. To act on applications for membership;
2. To determine interest rates on loans and deposits;
3. To fix, subject to the approval of the state examiner, the amount of surety bond which shall be required of all officers and employees handling money;
4. To recommend dividends;
5. To transmit to the members recommendations for changes in the bylaws;
6. To fill vacancies on the board of directors and on the credit committee who shall serve until their successors are chosen and qualified;
7. To determine the maximum individual shareholdings and the maximum individual loans which can be made, but the maximum loan allowed by the board shall not exceed the amounts listed in the following schedule:

Total Assets	Loan Limit
0 to 70,000	10% with a limit of 5,000
70,001 to 100,000	6,000 limit
100,001 to 200,000	8,000 limit
200,001 to 300,000	10,000 limit
300,001 to 400,000	12,000 limit
400,001 to 500,000	14,000 limit
over 500,000	3% of assets

In all cases a credit union shall be allowed to loan up to and including two hundred dollars to any individual regardless of the amount of total assets in said credit union. Provided, that

the foregoing provisions shall not apply to the North Dakota central credit union.

8. To supervise and control investments other than loans to members; and
9. To establish a schedule of fines for delinquency in the payment of principal or interest, which the board shall impose at its discretion.

Source: S.L. 1935, ch. 108, § 9; 1939, ch. 117, § 2; R.C. 1943, § 6-0612; S.L. 1951, ch. 104, § 5; 1957 Supp., § 6-0612.

6-06-13. Officers — Elections — Duties — Compensation. —

At its first meeting, the board of directors shall elect from its own members, a president, a vice-president, and a secretary, and the board shall appoint a treasurer who may be a member of the board, and one person may hold the offices of treasurer and secretary. The duties of the officers shall be determined by the bylaws. The treasurer shall be general manager of the credit union and may receive a reasonable compensation to be fixed by the board of directors. No other member of the board, or of the credit committee or supervisory committee shall receive any compensation. Except that the board of directors may provide for the payment of expenses incurred by directors or committee members while on official business.

Source: S.L. 1935, ch. 108, § 9; 1939, ch. 117, § 2; R.C. 1943, § 6-0613; S.L. 1951, ch. 104, § 6; 1957 Supp., § 6-0613.

6-06-14. Loans — How made — Security — Meetings and duties of credit committee. —

The credit committee shall have general supervision over all loans to members, and shall meet as often as may be necessary to perform its duties and at least once each month. Notice must be given to each member of the committee before any meeting is held. All applications for a loan shall be made on a form approved by the committee and shall set forth the purpose for which the loan is desired, the security, if any, which is offered, and such other data as the committee may require. No loan in excess of seven hundred and fifty dollars shall be made without adequate security and security, under this section, shall include an assignment of shares or deposits, an endorsement made on the note by a responsible person, and such other security as the committee in its discretion may deem adequate. No loan shall be made unless it is approved by a majority of the entire committee and by all members of the committee who are present at the meeting at which the application is considered; except that the credit committee may appoint one or more loan offi-

cers, and delegate to him or them the power to approve loans up to the unsecured limit, or in excess of such limit if such excess is fully secured by unpledged shares. Each loan officer shall furnish to the credit committee a record of each loan approved or not approved by him within seven days of the date of the filing of the application therefor. All loans not approved by a loan officer shall be acted upon by the credit committee. No individual shall have authority to disburse funds of the credit union for any loan which has been approved by him in his capacity as a loan officer. Not more than one member of the credit committee may be appointed as a loan officer.

Source: N.D.C.C.; S.L. 1961, ch. 109, § 1; 1965, ch. 90, § 7.

6-06-15. Duties and powers of supervisory committee. — The supervisory committee, by a majority vote, may call a special meeting of the members of the credit union to consider any matter which it wishes to submit to the membership. It shall:

1. Fill vacancies in its own membership;
2. Make an examination of the affairs of the credit union, including an audit of its books, at least quarterly, and it may submit such report to the members of the credit union at a meeting called for that purpose by the committee whenever it deems such action necessary;
3. Make an annual audit and report and submit it at the annual meeting of the credit union; and
4. Suspend any officer, director, or member of any committee when by unanimous vote of the committee, such action is determined to be necessary to the proper conduct of the credit union, but upon taking such action, the committee shall call the members of the credit union together immediately to act on such suspension, and the members at such meeting may sustain the suspension and remove such officer permanently or may reinstate him.

Source: S.L. 1935, ch. 108, § 11; R.C. 1943, § 6-0615.

6-06-16. Entrance fee — Capital — Lien on shares — Assessment on shares. — A credit union may charge such entrance fee, not to exceed fifty cents, as may be provided by its bylaws. Its capital shall consist of the entrance fees paid in and the payments made to it by the several members on shares therein. The credit union shall have a lien on the shares and deposits of a member for any sum due to the credit union from that

member or for the amount due on any loan endorsed by him. A credit union that is a member of the North Dakota credit union league may, by resolution adopted with a quorum present at a regular or special meeting of the board of directors of the credit union, annually assess against the share accounts of all members of the credit union an amount equal to the whole or proportionate part of the annual membership fee payable to the North Dakota credit union league.

Source: S.L. 1935, ch. 108, § 12; R.C. 1943, § 6-0616; S.L. 1953, ch. 99, § 1; 1957 Supp., § 6-0616.

6-06-17. Shares may be issued to minor or in trust. — Shares may be issued and deposits received in the name of a minor, or in trust, in such manner as the bylaws may provide. The name of the beneficiary must be disclosed to the credit union.

Source: S.L. 1935, ch. 108, § 13; R.C. 1943, § 6-0617.

6-06-18. Interest rates. — Interest rates on loans made by a credit union shall not exceed one per cent a month on unpaid balances.

Source: S.L. 1935, ch. 108, § 14; R.C. 1943, § 6-0618.

6-06-19. May borrow money. — A credit union may borrow money from any source, but the total borrowings shall not exceed twenty-five per cent of its assets unless the state examiner shall authorize a larger amount.

Source: S.L. 1935, ch. 108, § 15; R.C. 1943, § 6-0619.

6-06-20. Borrowings of officers limited — Repayment of loans. — No director, officer, or member of any committee may borrow from the credit union in which he holds office more than the amount of his shares and deposits therein, unless his application is approved by three-fourths of the other members of the board of directors. He may not endorse paper for other borrowers. A borrower may repay his loan in whole or in part on any day that the office of the credit union is open for business.

Source: S.L. 1935, ch. 108, § 16; R.C. 1943, § 6-0620.

6-06-21. Reserve fund — Amount required and how raised. — Every credit union shall maintain a reserve fund to be used as a reserve against bad loans and other losses. Such fund shall not be distributed except upon liquidation. All entrance fees and fines shall be paid into such reserve fund, and in addition thereto, each credit union, annually, until such time as its re-

serve fund shall equal ten percent of its paid-in capital and surplus, shall transfer twenty percent of its net earnings to such reserve fund. Thereafter, there shall be added annually to the reserve fund at the end of each fiscal year, such percentage of the gross earnings of the credit union as shall be required to maintain its reserve fund at ten percent of its paid-in capital and surplus.

Source: N.D.C.C.; S.L. 1965, ch. 90, § 8.

6-06-21.1. Amount and manner of establishing special reserves for delinquent loans and investments. — Whenever the reserve, required by section 6-06-21 of this code, shall be inadequate for bad loans or investments, a special reserve for delinquent loans and investments shall be established. The amount of such reserve shall be determined by the state credit union board. The state credit union board is hereby granted the authority to adopt such rules and regulations as it deems advisable for the establishment of special reserves for delinquent loans and investments.

Source: N.D.C.C.; S.L. 1965, ch. 90, § 9.

6-06-22. Permanent loan fund — Amount — How obtained — Ownership. — Repealed by S.L. 1965, ch. 90, § 11.

6-06-23. Use of permanent loan fund — To whom loaned and regulating making of loans. — Repealed by S.L. 1965, ch. 90, § 11.

6-06-24. Renewal of loan from permanent loan fund — Foreclosure. — Repealed by S.L. 1965, ch. 90, § 11.

6-06-25. Rate of interest — Use of interest — Permanent loan fund loans. — Repealed by S.L. 1965, ch. 90, § 11.

6-06-26. Dividends. — Annually or semiannually a credit union, upon action by its board of directors, may declare a dividend to be paid from the remaining net earnings. Such dividends shall be paid on all paid-up shares outstanding at the end of the period for which the dividend is declared. Shares which become fully paid up during each dividend period and are outstanding at the close of the period shall be entitled to a proportional part of such dividends. Dividend credit for a month may be accrued on shares which are or become fully paid up during the first ten days of that month, except that the members may fix the maximum rate of dividends which

shall be paid annually or semiannually. Such dividend, not to exceed six percent in any case, must be paid from the net earnings of the credit union, after establishing a special reserve for delinquent loans if required by the state credit union board. Annually or semiannually, a credit union, upon action of its board of directors, may authorize an interest refund to members of record at the close of business the last day of any dividend period in proportion to the interest paid during that dividend period. Interest refunds may be made to borrowers only after provision has been made or a special reserve for delinquent loans if required by the state credit union board.

Source: N.D.C.C.; S.L. 1965, ch. 90, § 10.

6-06-27. Expulsion and withdrawal of members — Repayment of deposits and payments on shares. — A member may be expelled, after hearing, by a two-thirds vote of the members present at a special meeting called to consider the matter or at the annual meeting. Any member may withdraw from a credit union at any time. A credit union may require sixty days' notice of intention to withdraw shares and thirty days' notice of intention to withdraw deposits. Withdrawing or expelled members shall have no further rights in the credit union, but shall not be released from any remaining liability to it by such expulsion or withdrawal. All amounts paid on shares or as deposits by an expelled or withdrawing member, and any dividends or interest credited to him to the date of expulsion or withdrawal, after all sums due from the member to the credit union have been deducted, shall be repaid to him as funds become available.

Source: S.L. 1935, ch. 108, § 19; R.C. 1943, § 6-0627.

6-06-28. May change place of business. — A credit union may change its place of business on written permission of the state examiner.

Source: S.L. 1935, ch. 108, § 21; R.C. 1943, § 6-0628.

6-06-29. Taxation of credit unions. — Any credit union organized under this chapter or under the Federal Credit Union Act shall be exempt from all taxation now or hereafter imposed by the state or any municipality within the state or any local taxing authority and no law which taxes corporations in any form, or the shares thereof, or the accumulations thereon, shall apply to any such credit union; except that any real property and any tangible personal property owned by any credit union organized under this chapter or under the Federal Credit Union Act shall be subject to taxation to the same extent

as other similar property is taxed. The shares of credit unions shall not be subject to any stock transfer tax, either when issued or when transferred from one member to another. The participation by the credit union in any unemployment insurance funds, or social security fund, or old age fund, shall not be deemed a waiver of the tax immunities hereby granted.

Source: N.D.C.C.; S.L. 1961, ch. 109, § 2.

6-06-30. Voluntary liquidation authorized — Qualification of liquidating committee. — Repealed by S.L. 1967, ch. 90, § 13.

6-06-31. Notice of dissolution to state examiner — Filing examiner's certificates — When dissolution complete. — Repealed by S.L. 1967, ch. 90, § 13.

6-06-32. Duty of committee when liquidation completed — State examiner custodian of books and papers. — Repealed by S.L. 1967, ch. 90, § 13.

6-06-33. Liquidation by the state examiner. — If the state examiner shall find that a credit union is insolvent when he receives notice of its intention to dissolve, or if a credit union in the process of voluntary dissolution shall not be liquidated completely and its assets distributed within three years after the special meeting at which the dissolution was voted, the state examiner shall take possession of the books, records, and assets of the union and proceed to complete the liquidation in the manner provided in this title for the liquidation of closed banks.

Source: S.L. 1935, ch. 108, § 20, subs. d; R.C. 1943, § 6-0633.

6-06-34. Unclaimed dividends of credit unions. — The state examiner shall deposit all unpaid dividends promptly in the general fund. The state examiner is authorized to issue a voucher for the payment of such dividends from the general fund to the persons respectively entitled thereto, for a period of one year after liquidation of the credit union and such funds are hereby appropriated from the general fund for this purpose.

Source: S.L. 1935, ch. 108, § 20, subs. e; R.C. 1943, § 6-0634; S.L. 1959, ch. 212, § 10.

6-06-35. Conversion from state to federal credit union and from federal to state credit union. —

1. A state credit union may be converted into a federal credit union under the laws of the United States by

complying with the following requirements:

- a. The proposition for such conversion shall first be approved, and a date set for a vote thereon by the members (either at a meeting to be held on such date or by written ballot to be filed on or before such date), by a majority of the directors of the state credit union. Written notice of the proposition and of the date set for the vote shall then be delivered in person to each member or mailed to each member at the address for such member appearing on the records of the credit union, not more than thirty nor less than seven days prior to such date. Approval of the proposition for conversion shall be by the affirmative vote of a majority of the members in person or in writing.
 - b. A statement of the results of the vote, verified by the affidavits of the president or vice-president and the secretary shall be filed with the state credit union board within ten days after the vote is taken.
 - c. Promptly after the vote is taken and in no event later than ninety days thereafter, if the proposition for conversion was approved by such vote, the credit union shall take such action as may be necessary under the applicable federal law to make it a federal credit union, and within ten days after receipt of the federal credit union charter there shall be filed with the state credit union board a copy of the charter thus issued. Upon such filing the credit union shall cease to be a state credit union.
 - d. Upon ceasing to be a state credit union, such credit union shall no longer be subject to any of the provisions of the North Dakota credit union law. The successor federal credit union shall be vested with all of the assets and shall continue responsible for all of the obligations of the state credit union to the same extent as though the conversion had not taken place.
2. a. A federal credit union, organized under the laws of the United States may be converted into a state credit union by (1) complying with all federal requirements requisite to enabling it to convert to a state credit union or to cease being a federal credit

union, (2) filing with the state credit union board proof of such compliance, satisfactory to the state examiner and (3) filing with the state examiner organization certificates as required by North Dakota law.

- b. When the state examiner has been satisfied that all of such requirements, and all other requirements of the North Dakota law have been complied with, the state credit union board shall approve the organization certificate. Upon such approval, the federal credit union shall become a state credit union as of the date it ceases to be a federal credit union. The state credit union shall be vested with all of the assets and shall continue responsible for all of the obligations of the federal credit union to the same extent as though the conversion had not taken place.

Source: S.L. 1961, ch. 109, § 3.

6-06-36. Merger. — Any credit union chartered under this chapter or under act of Congress may merge under rules and regulations established by the state credit union board.

Source: S.L. 1965, ch. 90, § 1.

6-06-37. Rules and regulations. — The state credit union board shall prescribe rules and regulations regarding the merger, consolidation and dissolution of corporations organized under this chapter and acts of Congress.

Source: S.L. 1965, ch. 90, § 2.

Chapter 6-06.1

VOLUNTARY LIQUIDATION OF CREDIT UNIONS

6-06.1-01. Approval of liquidation — Notice to state examiner. — A credit union may go into voluntary liquidation on approval of a majority of its members in writing or by a vote in favor of such liquidation by a majority of the members of the credit union at a regular meeting of the members or at a special meeting called for that purpose. When authorization for liquidation is to be obtained at a meeting of members, notice in writing shall be given to each member at least seven days before such meeting and the minutes of the meeting shall show the number of members present and the number that voted for and against liquidation. If approval by a majority of all members is not obtained at the meeting of members,

authorization for voluntary liquidation may be obtained by having a majority of members sign a statement in substantially the following form:

We the undersigned members of the.....

Credit Union, Charter No....., hereby request the dissolution of our credit union.

Within ten days after the decision of the board of directors to submit the question of liquidation to the members, the president shall notify the state examiner thereof in writing, setting forth in detail the reasons for the proposed action. Within ten days after the action of the members on the question of liquidation, the president shall notify the state examiner in writing as to whether or not a majority of the members approved the proposed liquidation.

Source: S.L. 1967, ch. 90, § 1.

6-06.1-02. Transactions during liquidation. — Immediately on decision by the board of directors of a credit union to seek approval of the members for liquidation, payments on shares, withdrawal of shares (including any transfer of shares to loans and interest), making investments of any kind, and granting of loans shall be suspended pending action by members on the proposal to liquidate, and on approval by a majority of the members of such proposal, payments on shares, withdrawal of shares (including any transfer of shares to loans and interest), making investments of any kind, and the making of loans shall be permanently discontinued. Necessary expenses of operation shall, however, continue to be paid on authorization by the board of directors or liquidating agent during the period of the liquidation.

Source: S.L. 1967, ch. 90, § 2.

6-06.1-03. Notice of liquidation to members — creditors. — Immediately on decision by the board of directors, a notice of such decision shall be handed to each member or mailed to his last known address together with a request that the member furnish his passbook or confirm in writing the shares held by him in the credit union and the loans owed by him to the credit union.

On approval of a majority of the members of a credit union of a proposal to liquidate, the board of directors of the credit union shall immediately have prepared and mailed to all creditors a notice of liquidation containing instructions to them to

present their claims to the credit union within ninety days for payment.

Source: S.L. 1967, ch. 90, § 3.

6-06.1-04. Report at commencement of liquidation — Reports during period of liquidation. — At the commencement of voluntary liquidation of a credit union, the treasurer or agent conducting the liquidation shall file with the state examiner a financial and statistical report, and a schedule showing the name, book number, share balance, and loan balance of each member.

Credit unions in the process of voluntary liquidation shall file with the state examiner a financial and statistical report as of December thirty-first within ten days after such date. Additional reports, as determined by the state examiner to be necessary, shall be furnished promptly on written request.

Source: S.L. 1967, ch. 90, § 4.

6-06.1-05. Examinations in voluntary liquidation. — When deemed advisable by the state examiner, an examination of the books and records of a credit union may be made prior to, during, or following completion of voluntary liquidation. A fee for each examination shall be assessed at the rate currently in effect for examinations of operating credit unions.

Source: S.L. 1967, ch. 90, § 5.

6-06.1-06. Responsibility for conduct of voluntary liquidation. — The board of directors of a credit union in voluntary liquidation shall be responsible for conserving the assets, for expediting the liquidation, and for equitably distributing the assets to members. The board of directors shall determine that all persons handling or having access to funds of the credit union are adequately covered by surety bond. The board of directors shall appoint a custodian for the credit union's records that are to be retained for five years after the charter is canceled. The board of directors may appoint a liquidating agent and delegate part or all of these responsibilities to him and may authorize reasonable compensation for his services. Any such liquidating agent shall be bonded for faithful performance of his duties. The supervisory committee shall be responsible for making periodic audits of the credit union's records, at least quarterly, during the period of liquidation.

Source: S.L. 1967, ch. 90, § 6.

6-06.1-07. Partial distribution.—With the written approval

of the state examiner, a partial distribution of the credit union's assets may be made to its members from cash funds available on authorization by its board of directors, or by a duly authorized liquidating agent whose appointment specifically includes such authority.

Source: S.L. 1967, ch. 90, § 7.

6-06.1-08. Completion of liquidation. — When all assets of the credit union have been converted to cash or found to be worthless and all loans and debts owing to it have been collected or found to be uncollectible and all obligations of the credit union have been paid, with the exception of amounts due its members, the books shall be closed and the prorata distribution to members computed. The amount of gain or loss shall be entered in each member's share account and should be entered in his passbook or statement of account.

Source: S.L. 1967, ch. 90, § 8.

6-06.1-09. Distribution of assets. — Promptly after the prorata distribution to members has been computed, checks shall be drawn for the amounts to be distributed to each member who has surrendered his passbook or has given a written confirmation of his balance. The checks shall be mailed to such members at their last known address or handed to them in person. The passbooks or written confirmations submitted by members to verify balances shall be retained with the credit union records. The state examiner shall be notified promptly of the date final distribution of assets to the members is started. Unclaimed share accounts which have been dormant for the period which makes them subject to the escheat or abandoned property laws of the state of North Dakota, shall be paid to the state as required by such laws.

Source: S.L. 1967, ch. 90, § 9.

6-06.1-10. Final report. — Within one hundred and twenty days after the final distribution to members is started, the credit union shall furnish to the state examiner's office the following:

1. A schedule on an official form of unpaid claims, if any, due members who failed to surrender their passbooks or confirm their balances in writing during liquidation whose accounts are not payable to the state under applicable escheat or abandoned property laws, and of unpaid claims, if any, due members or creditors who failed to cash final distribution checks within the said

one hundred and twenty days; this schedule shall be accompanied by a certified check or money order payable to the state treasurer in the exact amount of the total of these unpaid claims. The state treasurer will deposit said funds in a special account where they will be held for the account of the individuals named on said schedule. Each such individual or any authorized person on his behalf, may submit to the state treasurer a written claim for the amount of such funds held for him.

2. A schedule on an official form showing the name, book number, share balance at the commencement of liquidation, prorata share of gain or loss, and the amount of each unclaimed share account paid to the state under applicable escheat or abandoned property laws. The check number and date of payment to the state should be included in the schedule.
3. A schedule on an official form showing the name, book number, share balance at the commencement of liquidation, prorata share of gain or loss, and the amount distributed to each member.
4. A summary report on liquidation in duplicate on an official form.
5. The certificate of dissolution and liquidation on an official form signed under oath by the board of directors or agent who conducted the liquidation and made the final distribution of assets to the members.
6. The name and address of the custodian of the credit union's records.
7. The charter of the credit union.

Source: S.L. 1967, ch. 90, § 10.

6-06.1-11. Retention of records — Cancellation of charter. — All records of the liquidated credit union necessary to establish that creditors were paid and that members' shareholdings were equitably distributed shall be retained by a custodian appointed by the board of directors of said credit union for a period of five years following the date of cancellation of the charter.

On proof that distribution of assets has been made to members and within one year after receipt of the certificate of dissolution and liquidation, the state examiner shall cancel the

charter of the credit union concerned.

Source: S.L. 1967, ch. 90, § 11.

6-06.1-12. Further instructions and information. — Further detailed instructions, information, and official forms pertaining to voluntary liquidations may be obtained from the State Examiner's Office, Bismarck, North Dakota, 58501.

Source: S.L. 1967, ch. 90, § 12.

NORTH DAKOTA
ELECTRIC CO-OPERATIVE LAWS
CHAPTER

- 10-13 Electric Co-operative Corporations
57-33 Taxation of Rural Electric Co-operatives

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Chapter 10-13

ELECTRIC CO-OPERATIVE CORPORATIONS

10-13-01. Purposes of electric co-operatives. — A co-operative may be organized and operated as an electric co-operative under the general law governing co-operatives and this chapter for the purpose of engaging in rural electrification by any one or more of the following methods:

1. The furnishing of electric energy to persons in rural areas who are not receiving central station service;
2. The furnishing of assistance in the wiring of the premises of persons in rural areas or in the acquisition, supply, or installation of electrical or plumbing equipment therein;

3. The furnishing of electrical energy, wiring facilities, electrical or plumbing equipment or services to any other corporation or co-operative organized under this chapter or to the members thereof; or
4. The operation and maintenance of electrical cold storage and electrical processing plants.
5. The establishment and operation by itself or with any one or more electric co-operatives of an electric generation or transmission co-operative for the purpose of providing electric energy to other co-operatives, public utilities, municipalities, or any department or agency of the state or federal government.

Source: N.D.C.C.; S.L. 1961, ch. 118, § 4; S.L. 1957, ch. 105, § 2; R.C. 1943, 1957 Supp., § 10-1301.

10-13-02. Name of electric co-operative. — The name of an electric co-operative shall include the words "electric co-operative." The name shall be such as to distinguish it from any other co-operative organized and existing under the laws of this state, or authorized to do business herein. Only a co-operative organized subject to this chapter or authorized to do business under this chapter may use the words "electric co-operative" in its name.

Source: S.L. 1957, ch. 105, § 2; R.C. 1943, 1957 Supp., § 10-1302.

10-13-03. Powers of electric co-operatives. — In addition to the powers granted by the general law governing co-operatives, electric co-operatives have the power:

1. To generate, manufacture, purchase, acquire, and accumulate electrical energy and to transmit, distribute, sell, furnish, and dispose of such electrical energy to its members, and to other persons not in excess of ten per cent of the number of its members, provided, however, that a co-operative which acquires existing electrical facilities may continue service to persons, not in excess of twenty per cent of the number of its members, who are already receiving service from such facilities without requiring such persons to become members but such persons may become members upon such terms as may be prescribed in the bylaws. An electric generation or transmission co-operative providing electric energy to other co-operatives, public utilities, municipalities, or any department or agency of the state or federal government shall not be limited

to the ten per cent and twenty per cent limitation on the transmission, distribution, sale, furnishing, and disposal of electric energy as provided in this subsection;

2. To establish, maintain, and operate electrical cold storage and electrical processing plants;
3. To construct, erect, purchase, lease as lessee and in any manner acquire, own, hold, maintain, operate, sell, dispose of, lease as lessor, exchange, and mortgage plants, buildings, works, machinery, supplies, equipment, apparatus, and transmission and distribution lines or systems necessary and proper for the operation of its business;
4. To assist only its members to wire their premises and install therein electrical and plumbing fixtures, machinery, supplies, apparatus, and equipment of any and all kinds and character, and in connection therewith and for such purposes, to purchase, acquire, lease, sell, distribute, install, and repair electrical and plumbing fixtures, machinery, supplies, apparatus, and equipment of any and all kinds and character, and to receive, acquire, endorse, pledge, hypothecate, and dispose of notes, bonds, and other evidences of indebtedness;
5. To furnish to other corporations or co-operatives organized under this chapter, or to the members thereof, electrical energy, wiring facilities, electrical and plumbing equipment, and services;
6. To use any highway, right of way, easement, or other similar property right owned or held by the state or any political subdivision thereof in connection with the acquisition, construction, improvement, operation, or maintenance of its lines, with the consent of the local authorities having control of the street or highway proposed to be used for such purpose;
7. To have and exercise the power of eminent domain to acquire private property for its use, such right to be paramount except as to property of the state or any political subdivision thereof;
8. To fix, regulate, and collect rates, fees, rents, or other charges for electrical energy and other facilities, supplies, equipment, or services furnished by it;

9. To make contracts with other co-operatives, with public utilities, with municipalities, or with any department or agency of the state or federal government, for the sale at wholesale to, or interchange of electric energy with, such co-operatives, public utilities, municipalities, or department or agency of the state or federal government, and, notwithstanding any provisions of this chapter, such co-operatives, public utilities, municipalities, or department or agency of the state or federal government shall be eligible to membership in co-operatives organized under this chapter; and
10. To establish and operate by itself or with any one or more electric co-operatives an electric generation or transmission co-operative for the purpose of providing electric energy to other co-operatives, public utilities, municipalities, or any department or agency of the state or federal government.

Source: N.D.C.C.; S.L. 1961, ch. 118, §§ 1, 2.

10-13-04. Members of electric co-operatives. — All persons who are not receiving central station service and who reside in rural areas proposed to be served by a co-operative organized under this chapter, shall be eligible to membership in the co-operative. No person other than the incorporators shall be, become, or remain a member of a co-operative unless such person shall use or agree to use electrical energy or the facilities, supplies, equipment, and services furnished by a co-operative.

“Rural area” means any area not included within the boundaries of an incorporated or unincorporated city or village having a population in excess of twenty-five hundred inhabitants at the time a corporation or co-operative commences to operate electric facilities or to furnish electric energy in such an area, and includes both the farm and nonfarm population thereof; and no change thereafter in the population of a rural area, as defined herein, regardless of the reason for such change, shall operate to affect in any way its status as a rural area for the purposes of this chapter and of chapter 57-33.

An electric co-operative organized under this chapter may become a member of another such electric co-operative and may avail itself fully of the facilities and services thereof.

Source: S.L. 1957, ch. 105, § 2; R.C. 1943, 1957 Supp., § 10-1304.

10-13-05. Nonprofit basis — Rate and fees. — Each electric co-operative shall be operated without profit to its members,

but the rates, fees, rents, or other charges for electrical energy and for any other facilities, supplies, equipment, or services furnished by the co-operative shall be sufficient at all times:

1. To pay all the operating and maintenance expenses necessary or desirable for the prudent conduct of its business and the principal and interest on the obligations issued or assumed by the co-operative in the performance of the purpose for which it was organized; and
2. For the creation of reserves.

Source: S.L. 1957, ch. 105, § 2; R.C. 1943, 1957 Supp., § 10-1305.

Cross-Reference: Electric companies, regulations, see ch. 49-20.

10-13-06. Use of revenue — Dividends. — The revenues of an electric co-operative shall be devoted first to the payment of operating and maintenance expenses and the principal and interest on outstanding obligations, and thereafter, to such reserves for improvement, new construction, depreciation, and contingencies as the board of directors from time to time may prescribe. Revenues not required for the purposes set forth in this section shall be returned from time to time to the members of the co-operative in cash, in abatement of current charges for electrical energy, or otherwise as the board of directors may determine on a pro rata basis according to the amount of business done with each during the period. Such return may be made by way of general rate reduction to the members if the board of directors so elects.

Source: S.L. 1957, ch. 105, § 2; R.C. 1943, 1957 Supp., § 10-1306.

10-13-07. Excise tax exemption — License fee. — Repealed by S.L. 1965, ch. 97, § 1.

10-13-08. Exemption from securities law. — The provisions of chapter 10-04 shall not apply to the issuance of membership certificates in electric co-operatives organized under this chapter nor to obligations issued by any such co-operative to secure the repayment of moneys borrowed by the co-operative from or allotted to it by any federal agency.

Source: S.L. 1957, ch. 105, § 2; R.C. 1943, 1957 Supp., § 10-1308.

10-13-08.1. Electric co-operatives — Sale of physical plant — Approval. — No electric co-operative corporation shall sell, transfer, or convey, within the period of any single calendar year, physical plant in excess of five per cent in value of such co-operative corporation, based upon the most recent audit of

the books of said co-operative corporation, unless consent therefor shall have been obtained by vote of not less than two-thirds of the entire membership of such co-operative corporation cast at any regular or special meeting called for that purpose, after notice in writing to all the membership of such co-operative corporation not less than twenty nor more than thirty days prior to the date of such meeting. Nothing in this section shall prohibit the sale, transfer, conveyance, or exchange of electric co-operative corporation assets to another electric co-operative corporation, an agency of the state of North Dakota or agency of the government of the United States, nor in exchange for physical plant of equal monetary value to any person or organization, public or private.

Source: S.L. 1959, ch. 113, § 1.

10-13-09. Powers of electric co-operative corporation. — Repealed by omission from this code.

Chapter 57-33

TAXATION OF RURAL ELECTRIC CO-OPERATIVES

57-33-01. Cooperatives subject to taxation — Classification. — Cooperatives subject to taxation under the provisions of this chapter shall be nonprofit cooperative corporations engaged in the distribution or transmission of electric energy primarily for consumption in rural areas, and nonprofit cooperative corporations engaged in the generation of electric energy primarily for consumption in rural areas, provided, however, that any electrical energy generation plant which has at least one, single electrical energy generation unit with a generating capacity in excess of one hundred thousand kilowatts, owned or operated by a nonprofit cooperative corporation, and the gross receipts from such plant shall not be taxable pursuant to the provisions of this chapter but shall be taxed pursuant to section 57-33.1-02. The property of nonprofit cooperative corporations engaged in the distribution, transmission, or generation of electrical energy primarily for consumption in rural areas and to be taxed under the provisions of this chapter is hereby expressly classified as personal property for the purpose of taxation. Such corporations are hereinafter referred to as "cooperatives".

Source: N.D.C.C.; S.L. 1965, ch. 400, § 13.

57-33-02. Definition. — For the purposes of this chapter, the personal property of the co-operatives shall include the following property used by a co-operative in connection with

the distribution, transmission, and generation of electric energy: All poles, wires, lines, transformers, generating equipment, meters, machinery, buildings, and substations used for housing such equipment and office fixtures of every character used in connection with the co-operative business.

Source: S.L. 1941, ch. 282, § 5; 1943, ch. 266, § 2; R.C. 1943, § 57-3302.

57-33-03. Report of gross receipts. — Each co-operative annually on or before May first in each year shall file a report with the tax commissioner in such form and containing such information as the tax commissioner may prescribe and demand. Such report shall state the amount of gross receipts derived from the furnishing of electric energy during the preceding calendar year. Each such co-operative at the same time shall file with the county auditor of each county within which any of its lines are located a report giving the length of the line or lines within each taxing district in said county and the total length of its lines within the county as of January first of that year. The county auditor may require a map to be filed, showing the length of the lines within each taxing district of said county. To facilitate the making of such maps, the county auditor shall furnish each co-operative an accurate map of the county showing the boundaries of each taxing district.

Source: S.L. 1941, ch. 282, § 2; 1943, ch. 266; § 3; R.C. 1943, § 57-3303.

57-33-04. Tax imposed in lieu of personal property tax — Privilege tax imposed by city or village. —

1. The tax commissioner shall levy on each cooperative a tax upon its gross receipts for the preceding calendar year. Each year for the first five years during which such cooperative is engaged in business the tax shall be one percent and thereafter the tax shall be two percent of its gross receipts. For the purpose of determining when the two percent rate shall be applied, the first year the cooperative is engaged in business shall be the first year in which the cooperative was engaged in business prior to April first of that year. The tax hereby imposed shall be in lieu of any other taxes levied on the personal property of such cooperatives.
2. a. In addition to and notwithstanding any other provisions of this chapter, the governing body of any

incorporated city or village in which electric power is furnished to consumers in the city or village by a rural electric distribution cooperative may, by ordinance, elect to impose an annual tax upon the rural electric distribution cooperative for the privilege of distributing and furnishing such power to consumers within the city or village. The amount of such tax shall be measured and limited in the manner hereinafter provided.

- b. The assessing officer responsible for the local ad valorem assessment of property in the city or village shall annually determine the value of the distribution system within the geographic limits of the incorporated city or village that is operated by the rural electric distribution cooperative and is reasonably necessary for the distribution by it of electric power to consumers in the city or village. As used in this subdivision and subsection the term "distribution system" shall not include buildings, equipment, tools and supplies that are necessary and are used in the operation of the entire rural electric cooperative system, both within and outside the incorporated limits of the city or village. The assessing officer in determining such valuation may request the aid and assistance of personnel in the office of the state tax commissioner who are charged with the duty of assembling and evaluating the information that is used by the tax commissioner in making tentative valuations pursuant to the provisions of chapter 57-06. In determining such valuation, the assessing officer shall value it at an amount that is, in so far as reasonably possible, equal to the amount at which it would be valued pursuant to the provisions of chapter 57-06 if it were subject to assessment thereunder.
- c. After the assessing officer has determined the value of such property of the cooperative, he shall send by mail to the cooperative a notice in which the amount of such valuation is stated and in which a day approved by the governing body of the city or village is specified on which the representatives of the cooperative may appear and present information relating to the amount and value of the property of the cooperative that is valued for the purposes of this subsection. The notice

shall be mailed at least ten days prior to the day prescribed by law for the governing body to convene as a board of equalization. After considering such information as may be presented by the representatives of the cooperative and by the assessing officer, the governing body shall, within ten days after the day specified in the notice, approve or adjust the valuation made by the assessing officer and shall immediately notify the cooperative by mail of the amount of valuation determined by it. If such cooperative is dissatisfied with the valuation set by the governing body, it may bring an action for review of the valuation in district court of the county in which the city or village is located, provided such action is brought before the privilege tax imposed pursuant to this subsection becomes due.

- d. The governing body of the city or village shall, on or before the first day of December of each year, compute and assess the amount of the privilege tax due from the cooperative by multiplying one-half of the valuation of the cooperative's property as determined by it by the total amount of mills levied by it for all purposes on other property in the city or village that is assessed and taxed pursuant to the ad valorem property tax laws of this state; from such amount there shall then be subtracted that amount of tax levied on the cooperative pursuant to the provisions of section 57-33-04 that is allocable and distributable to the city or village pursuant to section 57-33-07; and the difference then remaining shall be the amount of tax levied on the cooperative by the governing body of the city or village for the privilege of distributing and furnishing electric power to consumers in the city or village. The county auditor, when requested, shall notify the governing body of the city or village of the amount of tax allocated by him to the city or village pursuant to section 57-33-06. The tax shall be paid by the cooperative to the treasurer of the city or village which levies the tax and shall be credited to its general fund.
- e. The provisions of this subsection shall not be construed as subjecting the cooperative to the jurisdiction of the public service commission nor as

classifying such cooperative as a public utility company.

3. All of the provisions of law with respect to the due date, the date of delinquency, interest rate, penalty, and enforcement of collection of personal property taxes, generally shall be equally applicable to any tax provided for in this chapter.

Source: N.D.C.C.; S.L. 1965, ch. 399, § 1.

57-33-05. Apportionment of tax. — The tax commissioner shall apportion the taxes due from each co-operative to each county in which its lines are located in the ratio which the number of miles of its lines in each county bears to the total number of miles of lines of such co-operative, and shall certify to the county auditor of each county the amount of taxes so apportioned, provided that the tax commissioner shall apportion the taxes due from any generating co-operative with less than two hundred miles of transmission lines, as follows: eighty-five per cent thereof to the county in which such co-operative's generating equipment and plant is located and fifteen per cent thereof to the counties in which its transmission lines are located in the ratio in which the number of miles of lines in each county bears to the total number of miles of lines of such co-operative.

Source: N.D.C.C.; S.L. 1961, ch. 353, § 1.

57-33-06. Duty of county auditor. — It shall be the duty of the county auditor to allocate the amount of the taxes due from each co-operative as certified by the tax commissioner to each taxing district in which the lines are located in the ratio which the total number of miles of all kinds of lines in each such district bears to the total number of miles in the county, except that such taxes due from any generating co-operative with less than two hundred miles of transmission lines shall be allocated as follows: eighty-five per cent to the taxing district in which the generating equipment and plant is situated and fifteen per cent to the taxing districts in which its transmission lines are situated in the aforesaid ratio. The county auditor shall certify such taxes to the county treasurer for collection at the time and in the manner in which real and personal property taxes are required to be certified.

Source: N.D.C.C.; S.L. 1961, ch. 353, § 2.

57-33-07. Allocation of proceeds of tax — Duty of county treasurer. — Upon receipt by the county treasurer of the

amount of tax payable under this chapter, the county treasurer shall apportion and distribute to the state, the county and local taxing districts of the county in which the lines and generating equipment and plant of such co-operative are located, the amount of such tax payment so received by him on the basis on which the general property tax levy is apportioned and distributed.

Source: N.D.C.C.; S.L. 1961, ch. 353, § 3.

NORTH DAKOTA COOPERATIVE INSURANCE LAWS

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Chapter 26-10

LIFE INSURANCE GENERALLY

26-10-01. Valuation of policies of life insurance company generally. — As soon as practicable after the annual statements

are filed, the commissioner of insurance, at the expense of the company shall ascertain the net value of every policy of life or accident insurance in force in each company writing such insurance. Such determination shall be made upon the basis of the American experience table of mortality and four and one-half per cent interest, or upon the actuaries combined experience table and four per cent interest, or upon such higher standard as the company may have adopted, in any case according to the preliminary term method of valuation described in section 26-03-33 or, at the option of the company, the so-called commissioners reserve valuation method as to policies issued on or after the effective date of this section. At the option of the company, the net value of such policies may be computed according to any mortality table, interest rate and method of valuation producing greater aggregate net value than those hereinabove described. The commissioner, however, shall accept such valuation:

1. In the case of a domestic company, as made and filed by the company with its annual statement, upon satisfactory proof of its correctness;
2. In the case of a foreign company, as made by the proper office of the company and filed with the company's annual statement or as made by the insurance officer of the state in which the company is located, if he deems it expedient to do so.

Source: S.L. 1891, ch. 73, § 12; R.C. 1895, § 3127; R.C. 1899, § 3127; R.C. 1905, § 4474; S.L. 1909, ch. 150, § 2; C.L. 1913, §§ 4847, 4923; S.L. 1917, ch. 138, § 1; 1925 Supp., § 4980b1; S.L. 1939, ch. 155, § 1; R.C. 1943, § 26-1001; S.L. 1947, ch. 226, § 4; 1957 Supp., § 26-1001.

Cross-Reference: Provisions relating to life insurance policies, see ch. 26-03.

26-10-02. Co-operative and assessment life associations — Valuation of policies. — Co-operative or assessment life associations shall be admitted to transact business in this state upon compliance with the provisions of this title relating to the licensing and admission of life insurance companies without being required to value their policies in conformity with the provisions of section 26-10-01. All such associations shall value their policies in the same manner as yearly renewable term policies are valued, according to the standard of valuation of life insurance policies prescribed by the provisions of this title.

Source: S.L. 1917, ch. 138, §§ 1, 3; 1925 Supp., §§ 4980b1, 4980b3; R.C. 1943, § 26-1002.

26-10-03. Assets required of co-operative and assessment life associations. — Every co-operative or assessment life association authorized to do business in this state shall accumulate and maintain assets in excess of actual liabilities for death losses sustained and expenses incurred equal to two per cent of all insurance which the association has in force. Such assets shall consist of cash, money on deposit in banks, and such securities as are eligible for investment by insurance companies under the provisions of this title.

Source: S.L. 1917, ch. 138, § 2; 1925 Supp., § 4980b2; R.C. 1943, § 26-1003.

26-10-04. Surplus of life insurance company doing business on mutual plan apportioned annually. — Every life insurance company conducted on the mutual plan, or upon any other plan in which the policyholders are entitled to share in the profits or surplus of the company, doing business in this state shall make an annual apportionment and accounting of divisible surplus to each policyholder beginning not later than the end of the third policy year. Each policyholder shall be entitled to, and shall be credited with or paid in the manner provided in this chapter, such a portion of the entire divisible surplus as has been contributed thereto by his policy. Every such company, upon policies other than industrial policies, issued prior to July 1, 1907, under the conditions of which the distribution of surplus was deferred to a fixed or specified time and made contingent upon the policy being in force and the insured living at that time, shall ascertain annually the amount of surplus to which all of such policies as a separate class are entitled, and shall apportion to such policies as a class the amount of surplus so ascertained and shall carry the amount of such apportioned surplus, and the actual interest earnings and accretions of such fund, as a distinct and separate liability to such class of policies on and for which the same was accumulated. Neither the company nor any of its officers shall be permitted to use any part of such apportioned surplus for any purpose whatsoever other than for the express purpose for which the same was accumulated.

Source: S.L. 1907, ch. 142, § 1; 1907, ch. 151, §§ 1, 2; 1909, ch. 145, §§ 1, 2; C.L. 1913, §§ 4882, 4883; R.C. 1943, § 26-1004.

Chapter 26-14

INCORPORATED MUTUAL INSURANCE COMPANIES

26-14-01. Organization of mutual insurance company — Minimum number of members. — Any number of persons, not

less than twenty, a majority of whom shall be bona fide residents of this state, may become, together with others who thereafter may be associated with them or their successors, a body corporate for the purpose of carrying on the business of mutual insurance as provided in this chapter by complying with the provisions of this chapter.

Source: S.L. 1919, ch. 164, § 1; 1925 Supp., § 4881a1; R.C. 1943, § 26-1401.

26-14-02. Articles of incorporation required — Contents. — Persons proposing to form a mutual insurance company under the provisions of this chapter shall subscribe and acknowledge articles of incorporation specifying:

1. The name of the company and the purpose for which it is to be formed;
2. The location of its principal or home office, which shall be within this state;
3. The names and addresses of those composing the board of directors in which the management shall be vested until the first meeting of the members;
4. The names and places of residence of the incorporators; and
5. The term of existence of the company, which shall not exceed thirty years.

Source: S.L. 1919, ch. 164, § 2; 1925 Supp., § 4881a2; R.C. 1943, § 26-1402.

26-14-03. Articles of incorporation — Filing original — Filing copy — Certificate issues thereon. — The articles of incorporation of an insurance company organized under the provisions of this chapter shall be submitted to the commissioner of insurance and to the attorney general, and if found to comply therewith, the commissioner shall approve the same. Thereupon, the articles of incorporation shall be filed in the office of the secretary of state and a certified copy thereof shall be filed with the commissioner. The commissioner shall deliver to the company his certificate that such company has complied with the provisions of this chapter. A certified copy of the articles of incorporation and the certificate of compliance shall be filed in the office of the register of deeds of the county in which the principal office of the company is located.

Source: S.L. 1919, ch. 164, § 4; 1925 Supp., § 4881a4; R.C. 1943, § 26-1403.

26-14-04. Corporate name — "Mutual" as part — Restrictions. — No name which does not contain the word "mutual" shall be adopted by an insurance company organized under the provisions of this chapter. No name which is so similar to any name already in use by any existing corporation, company, or association organized or doing business in this state as to be confusing or misleading shall be permitted.

Source: S.L. 1919, ch. 164, § 3; 1925 Supp., § 4881a3; R.C. 1943, § 26-1404.

26-14-05. Legal existence commences with filing of copy of articles — Adoption of bylaws — Transaction of business. — The company shall have legal existence from and after the date of the filing of a copy of its articles in the office of the register of deeds. The board of directors named in such articles thereafter may adopt bylaws, accept applications for insurance, and proceed to transact the business of such company. No insurance shall be put into force, however, until the company has been licensed to transact an insurance business as provided by this chapter.

Source: S.L. 1919, ch. 164, § 5; 1925 Supp., § 4881a5; R.C. 1943, § 26-1405.

26-14-06. Amendment of articles of incorporation — Amendment of bylaws — Extension of term of corporate existence. — The articles of incorporation of a company organized under the provisions of this chapter may be amended, its term of corporate existence extended, and its bylaws adopted, amended, or repealed at any annual meeting of the company, or at any special meeting called for that purpose, by the affirmative vote of two-thirds of the members voting on the proposition.

Source: S.L. 1917, ch. 139, § 1; 1925 Supp., § 4871; R.C. 1943, § 26-1406.

26-14-07. Authority to insure or reinsure — Kinds of insurance open to mutual insurance company. — Any company organized under the provisions of this chapter may make contracts of insurance, and may reinsure or accept reinsurance on any portion thereof, to the extent specified in its articles, for the kinds of insurance following:

1. **Fire, hail, lightning, tornado insurance, and others.**
Against loss or damage to property, and the loss of use and occupancy thereof, by fire, lightning, hail, tempest, flood, earthquake, frost or snow, explosion with fire ensuing, and explosion with no fire ensuing,

except explosion by steam boilers or flywheels; against loss or damage by water caused by the breakage or leakage of sprinklers, pumps, or other apparatus, water pipes, plumbing, or their fixtures, erected for extinguishing fires, and against accidental injury to such sprinklers, pumps, or other apparatus, water pipes, plumbing or fixtures; against the risks of inland transportation and navigation; upon automobiles, whether stationary or operated under their own power, against loss or damage by any of the causes or risks specified in this subsection, including also transportation, collision, liability for damage to property resulting from owning, maintaining, or using automobiles, and including burglary and theft, but not including loss or damage by reason of bodily injury to the person;

2. **Liability insurance.** Against loss, expense, or liability by reason of bodily injury or death by accident, disability, sickness, or disease suffered by others for which the insured may be liable or may have assumed liability;
3. **Disability insurance.** Against bodily injury or death by accident and disability by sickness;
4. **Automobile insurance.** Against any or all loss, expense, and liability resulting from the ownership, maintenance, or use of any automobile or other vehicle. No policies shall be issued under this subsection against the hazard of fire alone;
5. **Steam boiler insurance.** Against loss or liability to persons or property resulting from explosions or accidents to boilers, containers, pipes, engines, flywheels, and elevators and machinery used in connection therewith, and against loss of use and occupancy caused thereby, and if the company issues insurance under this subsection, it may make inspections and issue certificates of inspection thereon;
6. **Use and occupancy insurance.** Against loss from interruption of trade or business which may be the result of any accident or casualty;
7. **Miscellaneous insurance.** Against loss or damage by any hazard upon any risk not provided for in this section which is not prohibited by statute or at common

law from being the subject of insurance, except life insurance.

Source: S.L. 1919, ch. 164, § 6; 1925 Supp., § 4881a6; R.C. 1943, § 26-1407.

26-14-08. License required — Prerequisites to granting of license. — No company organized under the provisions of this chapter shall issue policies or transact any business of insurance unless it shall hold a license from the commissioner of insurance authorizing the transaction of such business. Such license shall not be issued unless and until the company shall comply with the following conditions:

1. It shall hold bona fide applications for insurance upon which it shall issue simultaneously at least twenty policies to at least twenty members for the same kind of insurance upon not less than two hundred separate risks, each within the maximum single risk described herein;
2. The "maximum single risk" shall not exceed twenty per cent of the admitted assets of the company, or three times the average risk, or one per cent of the insurance in force, whichever is the greater, any re-insurance taking effect simultaneously with the policy being deducted in determining such maximum single risk; and
3. It shall have collected a premium upon each application. All premiums shall be held in cash or in securities in which insurance companies are authorized to invest, and in the case of fire insurance, shall be equal to not less than twice the maximum single risk assumed subject to one fire nor less than ten thousand dollars, and in any other kind of insurance as listed in section 26-14-07, to not less than five times the maximum single risk assumed nor less than ten thousand dollars;
4. It at all times shall maintain admitted assets of at least ten thousand dollars, and surplus of admitted assets over all liabilities of at least five thousand dollars.

Source: S.L. 1919, ch. 164, § 7; 1925 Supp., § 4881a7; S.L. 1943, ch. 157, § 1; R.C. 1943, § 26-1408.

26-14-09. Membership in company — Votes of members — Notice of meetings. — Every member insured by a domestic

mutual insurance company organized under the provisions of this chapter shall be a member of the company while his policy or policies are in force. Every member of the company shall be entitled to one vote or to a number of votes based upon the insurance in force, the number of policies held, or the amount of premiums paid, as may be provided in the bylaws of the company. He shall be notified of the time and place of the holding of the meetings of the company by a written notice or by an imprint on the back of each policy, receipt, or certificate of renewal as follows:

"The assured is hereby notified that by virtue of this policy he is a member of _____ mutual insurance company, and that the annual meetings of such company are held at its home office on the _____ day of _____ in each year at _____ o'clock."

When the blanks in such notice are properly filled, the same shall constitute a sufficient notice.

Source: R.C. 1895, § 3105; R.C. 1899, § 3105; R.C. 1905, § 4437; C.L. 1913, § 4871; S.L. 1917, ch. 139, § 1; 1919, ch. 164, § 9; 1925 Supp., §§ 4871, 4881a9; R.C. 1943, § 26-1409.

26-14-10. Vote by proxy permitted — Manner of voting by proxy. — Members of a mutual insurance company may vote by proxy dated and executed within three months prior to the meeting at which the same is to be used when returned and recorded on the books of the company three days or more before such meeting. No person shall be allowed as proxy or otherwise to cast more than fifty votes, and no officer, himself or by another, shall ask for, receive, procure to be obtained, or use, a proxy vote. This section shall not apply to state mutual hail insurance companies.

Source: R.C. 1895, § 3107; R.C. 1899, § 3107; R.C. 1905, § 4439; C.L. 1913, § 4873; R.C. 1943, § 26-1410.

26-14-11. Corporations, associations, boards, and estates may become member of mutual insurance company — Rights and liabilities. — Any public or private corporation, board, or association in this state or elsewhere may make applications and enter into agreements for, and hold, policies in, any mutual insurance company organized under the provisions of this chapter. Any officer, stockholder, trustee, or legal representative of any such corporation, board, association, or the representative of an estate may be recognized as acting for or on its behalf for the purpose of such membership but shall not be liable personally upon such contract of insurance by reason of his acting in such representative capacity. The right of any corporation

organized under the laws of this state to participate as a member of any such mutual insurance company is hereby declared to be incidental to the purpose for which such corporation is organized and granted as fully as the rights and powers expressly conferred upon it.

Source: S.L. 1919, ch. 164, § 8; 1925 Supp., § 4881a8; R.C. 1943, § 26-1411.

26-14-12. Premiums and contingent liabilities to be stated in bylaws and on policy — Collection of premiums.—A mutual insurance company, other than a mutual life company, shall charge and collect the full mutual premium upon its policies in cash. It may fix in its bylaws the contingent mutual liability of its members for the payment of losses and expenses not provided for by the cash funds of the company, but the contingent liability of a member, if any, shall not be less than a sum equal, and in addition to, the cash premium written in his policy. The total amount of the liability of a policyholder shall be stated clearly and legibly upon the back of each policy. No policy shall be issued for a cash premium without an additional contingent premium unless the company has a surplus which is not less in amount than the capital stock required of domestic stock insurance companies transacting the same kinds of insurance.

Source: R.C. 1895, § 3108; R.C. 1899, § 3108; R.C. 1905, § 4440; S.L. 1907, ch. 143, § 1; C.L. 1913, § 4874; S.L. 1919, ch. 164, § 10; 1925 Supp., § 4881a10; S.L. 1929, ch. 150, § 1; 1931, ch. 172, § 1; R.C. 1943, § 26-1412.

26-14-13. Nonpayment of premiums and contingent liabilities — Effect — Continuation of liability on mortgage clause policy. — If the premium on a policy issued by a mutual insurance company is not paid in cash or in an unconditional note or notes within sixty days after the date of issue of the policy, the policy shall become void and shall remain void during the period of nonpayment of premium. Upon the payment of the premium thereon, the policy shall reattach if no loss has occurred thereunder while the policy was void. If, however, the company has issued a policy and attached thereto a mortgage clause making loss, if any, payable to the mortgagee to the extent of his interest and not exceeding the amount of the policy, the company, notwithstanding the nonpayment of premiums or liabilities, shall be liable on the policy to such mortgagee until the secretary of the company shall have notified the mortgagee in writing that premiums and contingent mutual liabilities have not been paid thereon and the mortgagee shall have had twenty days from the date of such notice in

which to pay the same, and in default of such payment, the liability of the company to the mortgagee shall cease.

Source: R.C. 1895, § 3108; R.C. 1899, § 3108; R.C. 1905, § 4440; S.L. 1907, ch. 143, § 1; C.L. 1913, § 4874; S.L. 1929, ch. 150, § 1; 1931, ch. 172, § 1; R.C. 1943, § 26-1413.

Decisions under Prior Law. A mutual fire insurance policy on which a full premium has not been paid by cash or note is void during the period of nonpayment and this provision is applicable as well to a mortgagee as to an owner. *Bach v. North Dakota Mut. Fire Ins. Co.*, 56 ND 319, 217 NW 273.

Failure to Bill Insured. This section does not operate to void fire insurance bound by agent for his mutual company where the policy was not issued or rejected during the time and evidence discloses the insured, relying on agent's promises, did not procure insurance elsewhere and within the sixty-day period insured had approached agent, inquired about payment of the premium and why he had not been billed for it, but was told by agent to wait as agent was too busy and that he would bill him later. *Reishus v. Implement Dealers Mutual Ins. Co.*, 118 ND 2d 673, 681.

Preliminary Oral Contract. A preliminary contract for temporary insurance pending issuance of a written policy is valid in North Dakota and remains in force until it is superseded by the issuance of a regular policy, or until the risk is rejected by the insurer, and the insurer is liable for any loss in the meanwhile. *Reishus v. Implement Dealers Mutual Ins. Co.*, 118 ND 2d 673, 679.

26-14-14. Members of mutual company entitled to share of net profits. — Every member of a mutual insurance company, except a mutual life insurance company, when his policy expires, shall be entitled to be paid in cash his share of the net profits or surplus accrued while his policy was in force.

Source: R.C. 1895, §3110; R.C. 1899, § 3110; R.C. 1905, § 4442; C.L. 1913, § 4877; R.C. 1943, § 26-1414.

26-14-15. Separate reserves to be maintained for each kind of insurance written by company. — Every company organized under the provisions of this chapter shall maintain unearned premium and other reserves separately for each kind of insurance written by it upon the same basis as is required of a domestic stock insurance company transacting the same kind of insurance business. Any reserve for losses or claims based upon the premium income, however, shall be computed upon the net premium income after deducting any so-called dividend or premium returned or credited to the member.

Source: S.L. 1919, ch. 164, § 12; 1925 Supp., § 4881a12; R.C. 1943, § 26-1415.

26-14-16. Reserve fund may be established — Limitation — Use of the same. — Any mutual insurance company, at a meeting called for that purpose, may provide for the accumulation of a permanent fund, in such amount as may from time

to time be determined by the board of directors, by reserving a portion of the net profits for investment as a reserve for the security of the policyholders. When the fund so accumulated amounts to five per cent of the sum insured by all policies in force, the whole of the net profits thereafter shall be divided among the insureds in cash as provided in the bylaws of the company. The permanent fund so accumulated shall be used for the payment of losses and expenses whenever the cash funds of the company in excess of an amount equal to its liabilities are exhausted.

Source: R.C. 1895, § 3109; R.C. 1899, § 3109; R.C. 1905, § 4441; C.L. 1913, § 4875; R.C. 1943, § 26-1416; S.L. 1951, ch. 190, § 1; 1957 Supp., § 26-1416.

26-14-17. Investments — How and in what made. — A company organized under the provisions of this chapter shall invest its assets only in accordance with the provisions of the laws of this state relating to the investment of the assets of domestic stock companies transacting the same kind or kinds of insurance business.

Source: S.L. 1919, ch. 164, § 11; 1925 Supp., § 4881a11; R.C. 1943, § 26-1417.

26-14-18. Deficiency in assets — Assessments required. — A mutual insurance company not possessed of assets at least equal to its unearned premium reserve and other liabilities shall make an assessment upon its members liable to assessment to provide for such deficiency. Such assessment shall be made against each such member in proportion to his liability as expressed in his policy. The commissioner of insurance, however, may relieve the company, by written order, from any assessment or other proceedings to restore such assets during the time fixed in such order. The company shall cause to be recorded in a book kept for that purpose the order for such assessment together with a statement setting forth the condition of the company at the date of the order, the amount of its cash assets and of the notes of its policyholders or of other contingent funds liable to the assessment, the amount the assessment calls for, and the particular losses or other liabilities it is made to provide for. Such record shall be made and signed by the directors who voted for the order before any part of the assessment is collected, and any person liable for the assessment may inspect and take a copy of the same.

Source: R.C. 1895, § 3112; R.C. 1899, § 3112; R.C. 1905, § 4444; C.L. 1913, § 4879; S.L. 1919, ch. 164, § 13; 1925 Supp., § 4881a13; R.C. 1943, § 26-1418.

26-14-19. Making premium reserve good — Single assessment—Cancellation of policies — Double assessments — Re-insurance.—When, by reason of depreciation or loss of its funds or otherwise, the cash assets of a mutual insurance company, after providing for its other debts, are less than the required premium reserve upon its policies, it shall make good the deficiency by assessment in the mode provided in section 26-14-18. If the directors are of the opinion that the company is likely to become insolvent, the board of directors, instead of such assessment, may make two assessments, the first determining what each policyholder must equitably pay or receive in case of withdrawal from the company and having his policy canceled and the second determining what further sum each must pay in order to reinsure the unexpired term of his policy at the rate at which the whole was insured at first. Each policyholder subject to assessment shall pay or receive according to the first assessment, and his policy then shall be canceled unless he pays the further sum determined by the second assessment, in which case his policy shall continue in force. In neither case, however, shall a policyholder receive or have credited to him more than he would have received on having his policy canceled by a vote of the board of directors under the bylaws. If, within two months after such alternative assessments have become collectible, the amount of the policies whose holders have settled for both assessments is less than two hundred thousand dollars, the company shall cease to issue policies. All policies the holders of which have not settled for both assessments shall be void, and the company shall continue only for the purpose of adjusting the deficiency or excess of premiums among the members and settling outstanding claims. No assessment shall be valid against a person who has not been notified thereof within two years after the expiration or cancellation of his policy.

Source: R.C. 1895, § 3113; R.C. 1899, § 3113; R.C. 1905, § 4445; C.L. 1913, § 4880; R.C. 1943, § 26-1419.

26-14-20. Directors of mutual insurance company personally liable for not making and collecting assessments. — If the directors of any mutual insurance company shall neglect or omit for the space of six months to lay, or to use reasonable diligence to collect, any assessment which the board of directors is required to make, they shall be liable personally for all debts and claims then outstanding against the company or that may accrue until such assessment is laid and put in process of collection. If the treasurer of the company unreasonably neglects to collect an assessment made by order of the board

of directors and to apply the same to the payment of the claims for which it was made, he shall be liable personally to the parties having such claims for the amount of the assessment, and he may repay himself out of any money afterwards received for the company on account of said assessment.

Source: R.C. 1895, § 3114; R.C. 1899, § 3114; R.C. 1905, § 4446; C.L. 1913, § 4881; R.C. 1943, § 26-1420.

26-14-21. Advance to company — Who may make — Repayment — Reporting — Commission or promotion expense not to be paid for.—Any director, officer, or member of an incorporated mutual insurance company, or any other person, may advance to such company any sum or sums of money necessary for the purpose of its business or to enable it to comply with any of the requirements of the law, and such moneys, together with such interest thereon as may have been agreed upon, but not exceeding the maximum contract rate, shall not be a liability or claim against the company or any of its assets and shall be repaid only out of the surplus earnings of the company. No commission or promotional expenses shall be paid in connection with the advance of any such money to the company. The amount of any such advance shall be reported in each annual statement.

Source: S.L. 1919, ch. 164, § 14; 1925 Supp., § 4881a14; R.C. 1943, § 26-1421.

26-14-22. Compliance with general insurance laws relating to resident agents — Provisions or conditions in policy.—A mutual company organized under the provisions of this chapter shall comply with the provisions of any law applicable to a stock insurance company effecting the same kind of insurance which requires that policies be countersigned and delivered through a resident agent. This requirement, however, shall not apply to any policy of such mutual company on which no commission shall be paid to any local agent. A company may insert in any form of policy prescribed by the law of this state any provisions or conditions required by its plan of insurance which are not inconsistent or in conflict with any law of this state. The policy, in lieu of conforming to the language and form prescribed by such law, may conform thereto in substance if such policy includes a provision or endorsement reciting that the policy shall be construed as if it were in the language and form prescribed by such law and if a copy of such policy and endorsement, if any, first shall have been filed with, and shall not have been disapproved by, the commissioner of insurance.

Source: S.L. 1919, ch. 164, § 15; 1925 Supp., § 4881a15; R.C. 1943, § 26-1422.

26-14-23. Licensing foreign mutual insurance company — Prerequisites.—Any mutual insurance company organized outside of this state and authorized to transact the business of insurance on the mutual plan in any state, district, or territory shall be admitted and licensed to transact the kinds of insurance authorized by its charter or articles, to the extent and with the powers and privileges specified in this chapter and subject to all the provisions of law relating to information to, and examinations by, the commissioner of insurance, the making of annual reports, the payment of taxes, and the renewal of licenses applicable to stock insurance companies transacting the same kinds of insurance business except as otherwise provided in this chapter, when it shall be solvent under the provisions of this chapter and when it shall have:

1. Filed with the commissioner of insurance a certified copy of its charter or articles of association;
2. Filed with the commissioner a copy of its bylaws certified by its secretary;
3. Appointed the commissioner its agent for the service of process in any action, suit, or proceeding in any court of this state, for as long as any liability shall remain outstanding in this state;
4. Filed a financial statement under oath, in such form as the commissioner may require, and complied with other provisions of law applicable to the filing of papers and furnishing information by stock companies on application for authority to transact the same kind of insurance business;
5. Made and maintained, if organized without the United States, the deposit required of stock insurance companies formed without the United States transacting the same kinds of insurance business;
6. Adopted a name which is not so similar to a name already in use by an existing corporation, company, or association organized or licensed in this state as to be confusing or misleading; and
7. Accumulated assets in excess of all of its liabilities in an amount not less than one hundred thousand dollars.

Source: S.L. 1919, ch. 164, § 16; 1925 Supp., § 4881a16; S.L. 1931, ch. 161, § 1; 1939, ch. 157, § 1; R.C. 1943, § 26-1423.

26-14-24. Annual statements and examinations of mutual

companies.—Every mutual insurance company doing business in this state shall make its annual statement and report in such form and shall submit to such examinations and furnish such information as may be required by the commissioner of insurance. As far as practicable, examinations of foreign mutual insurance companies shall be made in co-operation with the insurance departments of other states, and the forms of annual reports shall be such as are in general use throughout the United States.

Source: S.L. 1919, ch. 164, § 17; 1925 Supp., § 4881a17; R.C. 1943, § 26-1424.

26-14-25. Mutual insurance company may pay dividends based on trade, occupation, or profession.—Any mutual insurance company writing fire, accident, or other forms of insurance protection on its own motion or at the request of policyholders, may pay dividends to the different classes of policyholders based upon the losses sustained as compared with the income received from those engaged in a particular trade, occupation, or profession.

Source: S.L. 1923, ch. 235, § 1; 1925 Supp., § 4856a1; R.C. 1943, § 26-1425.

26-14-26. Determination of dividends based on trade, occupation, or profession.—In determining the rate of dividend due a given trade, occupation, or profession, if such dividend is allowed, the income received and losses sustained shall be tabulated for a period of not less than five years immediately preceding the determination of such dividend rate, and the return dividend to policyholders shall be based upon the experience of such period after deduction for expenses and allowances for reserves as required by law.

Source: S.L. 1923, ch. 235, § 2; 1925 Supp., § 4856a2; R.C. 1943, § 26-1426.

26-14-27. Applicability of general insurance laws to mutual insurance companies.— In all respects not specifically provided for in this chapter, companies organized under the provisions of this chapter shall be subject to the provisions of this title relating to insurance companies generally.

Source: S.L. 1919, ch. 164, § 18; 1925 Supp., § 4881a18; R.C. 1943, § 26-1427.

26-14-28. Taxable premiums of mutual insurance company.—For the purposes of taxation under the laws of this state, the taxable premiums or premium receipts of a mutual insurance company organized or admitted to do business in

this state shall be the gross premiums received for direct insurance upon property or risks in this state less:

1. Any amount paid for reinsurance upon which a tax has been, or is to be, paid to this state;
2. Premiums upon policies not accepted;
3. Premiums returned on canceled policies; and
4. Any refund or return made to the policyholder other than for losses.

Source: S.L. 1919, ch. 164, § 19; 1925 Supp., § 4881a19; R.C. 1943, § 26-1428.

Chapter 26-15

COUNTY MUTUAL INSURANCE COMPANIES

26-15-01. County mutual insurance company — Organization — Organizers required. — A corporation for mutual insurance against loss or damage by fire, lightning, cyclone, windstorm, tornado, hail, except upon growing crops, any hazard upon any risk upon livestock, explosion, except the explosion of steam boilers and flywheels, riot, riot attending a strike, civil commotion, aircraft, vehicles, smoke to the property of the insured, theft, vandalism, malicious mischief, water damage and freezing, collision and overturn of farm machinery, collapse of buildings, glass breakage, the additional living expenses incurred over and above normal living costs in cases of damage, the removal of debris, the cost of repairing or replacing homes or living residences, or all such forms of insurance, may be formed in accordance with the provisions of this chapter by:

1. Any number of persons, not less than fifty, residing in not more than ten counties in this state, who collectively own property of not less than one hundred thousand dollars in value which they desire to insure; or
2. Any number of persons, not less than twenty-five, residing in any one county in this state, who collectively own property of not less than twenty-five thousand dollars in value which they desire to insure.

Source: N.D.C.C.; S.L. 1965, ch. 212, § 1.

26-15-01.1. Liability insurance contracts — Limitations. — Any company organized under the provisions of this chapter

may make contracts of insurance against loss, expense, or liability by reason of bodily injury or death by accident, disability, sickness, or disease suffered by others for which the insured may be liable or may have assumed liability, except no liability insurance contracts against any or all loss or expense resulting from the ownership, maintenance, or use of any motor vehicle normally operated, intended to be operated, or designed for use, upon any highway, road, or street in this state, shall be made. No contracts authorized under this section shall be accepted unless such contracts are totally re-insured with a company or companies authorized and licensed to write such insurance in the state of North Dakota.

Source: S.L. 1965, ch. 212, § 2.

26-15-02. General powers, liabilities, duties of county mutual company — Office — Name — Limitations.—A county mutual insurance company shall possess the powers and be subject to the liabilities and duties of other insurance companies, except that:

1. The principal office of the corporation must be located within the limits of the county or counties in which the incorporators reside;
2. When the corporation is organized by the residents of a single county, the name of such county together with the word "county" shall be embraced in the corporate name of the company; and
3. Any corporation organized under the provisions of this chapter for mutual protection against loss or damage by tornadoes, windstorms, cyclones, hail, except upon growing crops, and any hazard upon any risk upon livestock, only, may operate and issue policies in all of the counties of the state, but in all other matters shall be regulated and limited by the provisions of this chapter.

Source: S.L. 1887, ch. 67, § 1; 1890, ch. 77, § 1; R.C. 1895, § 3134; R.C. 1899, § 3134; S.L. 1905, ch. 121; R.C. 1905, § 4482; C.L. 1913, § 4932; S.L. 1915, ch. 172, § 1; 1925 Supp., § 4950a1; R.C. 1943, § 26-1502; S.L. 1947, ch. 216, § 1; 1957 Supp., § 26-1502.

26-15-03. Articles of incorporation — Signing — Contents — Insurance applications required.—Persons desiring to form a corporation under the provisions of this chapter shall submit to the commissioner of insurance and to the attorney general the articles of incorporation of the proposed company. If the same are found to comply with the provisions of this chapter,

the commissioner shall approve the same and they shall be filed in the office of the secretary of state and a certified copy thereof shall be filed with the commissioner. The articles shall be signed by the number of persons required to incorporate the company and shall be accompanied by sufficient evidence of the execution of bona fide applications for insurance to the number and in the amount stated in section 26-15-01. The articles of incorporation shall set forth:

1. The name of the corporation;
2. The name of the municipality in which the business office of the company is to be located; and
3. The intended duration of the company, which shall be perpetual.

Source: S.L. 1915, ch. 172, § 2; 1925 Supp., § 4950a2; R.C. 1943, § 26-1503.

26-15-04. Certificate of compliance — Filing of articles.—

After articles of incorporation have been approved and filed, the commissioner shall deliver to the persons filing the same a certificate to the effect that the corporation has complied with all of the requirements of law. A certified copy of the articles of incorporation and the certificate of compliance shall be filed in the office of the register of deeds of the county in which the principal office of the corporation is located, and the filing of the same shall constitute the authority of the corporation to commence business and issue policies. The certified copy of the articles of incorporation and the certificate as filed may be used for or against the company with the same effect as the original and shall be conclusive evidence of the fact of the organization of the corporation.

Source: S.L. 1915, ch. 172, § 2; 1925 Supp., § 4950a2; R.C. 1943, § 26-1504.

26-15-05. Annual meeting — When held — Quorum.—

The annual meeting of a county mutual insurance company shall be held on the second Thursday in January in each year unless it is provided otherwise in the bylaws of the company. Twenty members shall constitute a quorum for the transaction of business at an annual meeting.

Source: S.L. 1887, ch. 67, § 15; R.C. 1895, § 3146; R.C. 1899, § 3146; S.L. 1903, ch. 110, § 1; R.C. 1905, § 4494; S.L. 1909, ch. 146, § 1; 1911, ch. 162, § 1; 1913, ch. 190, § 1; C.L. 1913, § 4945; S.L. 1915, ch. 172, § 3; 1925 Supp., § 4950a3; R.C. 1943, § 26-1505.

26-15-06. Bylaws — What they may contain.—A corporation organized under the provisions of this chapter may

make such bylaws not inconsistent with the constitution or laws of this state as may be necessary to provide for the management of its affairs in accordance with the provisions of this chapter and to prescribe the duties of its officers and fix their compensation. Bylaws may be altered or amended in the manner provided in this chapter.

Source: S.L. 1915, ch. 172, § 6; 1925 Supp., § 4950a6; R.C. 1943, § 26-1506.

26-15-07. Amendment of articles of incorporation or by-laws.—The articles of incorporation of a company organized under the provisions of this chapter may be amended, and its bylaws adopted, amended, or repealed, at any annual meeting of the company, or at any special meeting called for that purpose, by the affirmative vote of two-thirds of the members voting on the proposition.

Source: S.L. 1917, ch. 139, § 1; 1925 Supp., § 4871; R.C. 1943, § 26-1507.

26-15-08. Members of county mutual insurance company. — Policyholders — Notice of meetings.—Every person insured by a county mutual insurance company shall be a member thereof while he has a policy in force. He shall be entitled to one vote only, and shall be notified of the time and place of the holding of the meetings of the company by a written notice thereof or by an imprint on the back of each policy, receipt, or certificate of renewal, as follows:

The assured is hereby notified that by virtue of this policy he is a member of the _____ mutual insurance company, and that the annual meetings of such company are held at its home office on the _____ day of _____ in each year at _____ o'clock.

The blanks in such notice shall be filled and the same shall be deemed a sufficient notice of the time and place of the meetings of the company.

Source: R.C. 1895, § 3105; R.C. 1899, § 3105; R.C. 1905, § 4437; C.L. 1913, § 4871; S.L. 1917, ch. 139, § 1; 1925 Supp., § 4871; R.C. 1943, § 26-1508.

26-15-09. Cancellation of policies.—A county mutual insurance company at any time may terminate or cancel any policy issued by it by giving the insured not less than five days' written notice of the termination or cancellation of his policy and returning to him pro rata any unearned premium which he may have paid to the company.

Source: S.L. 1915, ch. 172, § 15; 1925 Supp., § 4950a15; R.C. 1943, § 26-1509.

26-15-10. Membership in company — Who may secure — Limitation on right to be director.—Any person owning property within the limits of the territory within which a county mutual insurance company is authorized to transact business may become a member of the company and entitled to all of the rights and privileges appertaining thereto by insuring therein. No person who does not reside within such territorial limits, however, shall become a director of the company.

Source: S.L. 1887, ch. 67, § 18; R.C. 1895, § 3148; R.C. 1899, § 3148; R.C. 1905, § 4496; C.L. 1913, § 4947; S.L. 1915, ch. 172, §§ 7, 16; 1925 Supp., §§ 4950a7, 4950a16; R.C. 1943, § 26-1510.

26-15-11. Directors — Number — Election of first and subsequent — Quorum of board — Powers and duties.—The general management of the business of each company organized under the provisions of this chapter shall be vested in a board of directors consisting of not less than five members nor more than fifteen members. The members of the board shall be elected by the members of the company at the annual meeting thereof in the manner provided by the bylaws of the company and if it is not otherwise provided, by ballot. As nearly as may be, one-third of the members of the first board shall be elected for one year, one-third for two years, and one-third for three years, and in all elections subsequent thereto, except in the case of elections to fill vacancies on the board, members thereof shall be elected for terms of three years. Each director shall hold his office until his successor is elected and qualified. In the election of the members of the first board, each incorporator shall be entitled to one vote, and at every subsequent election each member of the company shall be entitled to one vote. A majority of the members of the board shall constitute a quorum thereof. The board shall possess the usual powers and shall perform the usual duties of a board of directors of a corporation generally.

Source: S.L. 1887, ch. 67, §§ 2, 15; R.C. 1895, §§ 3135, 3146; R.C. 1899, §§ 3135, 3146; S.L. 1903, ch. 110, § 1; R.C. 1905, §§ 4483, 4494; S.L. 1909, ch. 146, § 1; 1911, ch. 162, § 1; 1911, ch. 163, § 1; 1913, ch. 190, § 1; C.L. 1913, §§ 4933, 4945; S.L. 1915, ch. 172, §§ 3, 6; 1925 Supp., §§ 4950a3, 4950a6; R.C. 1943, § 26-1511.

26-15-12. Officers of company — Election — Bond required.—The board of directors shall elect a president and a vice-president from among its number and shall select a secretary and a treasurer who may or may not be members of the company. The offices of secretary and of treasurer may be held by one person. The secretary and the treasurer shall give bonds to the company for the faithful performance of

their respective duties in such amounts as shall be prescribed by the board of directors. Each of such officers shall hold his office for one year and until his successor is elected and qualified.

Source: S.L. 1915, ch. 172, §§ 4, 5; 1925 Supp., §§ 4950a4, 4950a5; R.C. 1943, § 26-1512.

26-15-13. Territorial limits of company's operations — Terms of policies — Property insurable.—A company formed under the provisions of this chapter shall not insure any property beyond the limits of the territory comprised in the formation of the company except as provided in subsection 3 of section 26-15-02 and except that this territorial limitation shall not apply to reinsurance contracts. Its policies shall be issued for not to exceed five years. No policy shall be issued covering property located within the platted limits of any incorporated municipality in this state. The company is authorized to insure all property located outside of incorporated cities or villages in this state.

Policies issued by the company may cover loss or damage to livestock, harness, vehicles, and farm machinery while temporary on or off the premises of the insured if the same are not removed more than fifty miles from the state.

Source: S.L. 1887, ch. 67, § 14; R.C. 1895, § 3145; R.C. 1899, § 3145; R.C. 1905, § 4493; S.L. 1913, ch. 188, § 1; C.L. 1913, § 4944; S.L. 1915, ch. 172, § 8; 1925 Supp., § 4950a8; R.C. 1943, § 26-1513; S.L. 1945, ch. 210, § 1; 1953, ch. 195, § 4; 1955, ch. 191, § 1; 1957, ch. 199, § 1; 1957 Supp., § 26-1513.

26-15-14. Classification of property for insurance purposes.—A county mutual insurance property may classify the property insured therein at the time of issuing policies thereon under different rates corresponding, as nearly as may be, to the greater or lesser risk from fire or lightning and loss which may attach to each of the several buildings insured.

Source: S.L. 1915, ch. 172, § 9; 1925 Supp., § 4950a9; R.C. 1943, § 26-1514.

26-15-15. Insured to give undertaking to pay pro rata share of losses — Cash payment required.—Every person insured by a company organized under the provisions of this chapter shall give his undertaking, bearing even date with the policy issued to him, binding himself, his heirs and assigns, to pay to the company his pro rata share of all losses or damages by fire, lightning, or cyclone which may be sustained by any member thereof. Such undertaking shall be filed with the secretary in the office of the company before the issuance

of the policy, and shall remain on file in the office except when it is required to be produced in court as evidence. He also, at the time of receiving the insurance, shall pay in cash such percentage or such reasonable sum named in the policy as may be required by the rules and bylaws of the company.

Source: S.L. 1887, ch. 67, § 9; R.C. 1895, § 3140; R.C. 1899, § 3140; R.C. 1905, § 4488; C.L. 1913, § 4938; S.L. 1915, ch. 172, § 10; 1925 Supp., § 4950a10; R.C. 1943, § 26-1515.

26-15-16. Loss — Notice — Adjustment — Arbitration — Finality of determination of board of adjustment — Powers of board.—Every member of a county mutual insurance company who may sustain loss or damage by fire, lightning, or cyclone shall notify the secretary of the company, or the president thereof in the absence of the secretary, immediately after the loss is sustained. The officer so notified forthwith shall ascertain the amount of the loss and shall cause the same to be adjusted in the manner provided in the bylaws of the company, or he forthwith shall convene the board of directors of the company, and in such case, the board shall appoint a committee of not more than three members of the company to ascertain and adjust the amount of the loss. If the parties are unable to agree upon the amount of the damage, the claimant and the company each shall choose a disinterested party, and such two parties shall constitute a board of arbitration to settle the loss. If such parties cannot agree, they shall choose a third party to act with them. The board of arbitration may examine witnesses and shall determine all matters in dispute, and the decision of the board shall be final. Any officer or member of the company, while acting as an adjuster, and the members of any board of arbitration appointed pursuant to the provisions of this section, shall have the power to subpoena and examine witnesses, administer oaths, and take acknowledgments while acting in such capacity.

Source: S.L. 1887, ch. 67, § 10; R.C. 1895, § 3141; R.C. 1899, § 3141; R.C. 1905, § 4489; C.L. 1913, § 4939; S.L. 1915, ch. 172, § 11; 1925 Supp., § 4950a11; R.C. 1943, § 26-1516.

26-15-17. Assessments for payment of losses and expenses of the company.—When the amount of any loss shall have been determined, if it shall appear that the amount thereof exceeds the amount of cash funds of the company applicable to the payment of the same, the president shall convene the board of directors of the company, and the board shall make an assessment, in an amount at least sufficient to pay such loss, and shall apportion the same among the members of the company proportionately to the amount of insurance

severally carried by them therein. If a quorum of the members of the board of directors is not present at the meeting, the secretary shall enter such fact and the names of the directors present upon his journal, and the president, secretary, and treasurer shall proceed to estimate the rate per cent of assessment necessary to cover the loss and the expense incurred by the company in connection therewith, and to assess such rate upon all of the insured members of the company. An assessment made by such officers under the circumstances set forth in this section shall be a valid assessment and shall be collected as though it had been made by the board of directors in the regular manner. If an assessment is not collected at the time the same is due and the amount actually collected is insufficient to pay the losses or expenses of the company, a second assessment then shall be made, and subsequent assessments shall be made from time to time, in the manner provided in this section, upon the policyholders who have paid their previous assessments, until a sufficient amount is collected to pay in full all of the losses and expenses of the company.

Source: S.L. 1887, ch. 67, § 11; R.C. 1895, § 3142; R.C. 1899, § 3142; S.L. 1901, ch. 109, § 1; R.C. 1905, § 4490; C.L. 1913, § 4940; S.L. 1915, ch. 172, § 12; 1925 Supp., § 4950a12; R.C. 1943, § 26-1517.

26-15-18. Permanent expense and loss fund — Assessment — Delinquent loss assessments credited.—The board of directors of a county or district mutual insurance company may levy and collect an assessment for the purpose of providing funds for the payment of the current expenses of the company or for the purpose of establishing a permanent loss fund. Such fund at no time shall exceed one per cent of the amount of insurance in force in the company, except that where mutual insurance companies write a combined policy of fire and windstorm insurance, they shall be allowed to maintain a permanent loss fund not to exceed two per cent of the amount of insurance in force in the company. Assessments levied for the purposes specified in this section shall be collected as assessments made for the payment of current losses are collected. If a delinquent loss assessment is collected after other assessments to cover such loss have been made and collected, the amount collected on the delinquent loss assessment shall be added to the permanent loss fund.

Source: S.L. 1887, ch. 67, § 11; R.C. 1895, § 3142; R.C. 1899, § 3142; S.L. 1901, ch. 109, § 1; R.C. 1905, § 4490; C.L. 1913, § 4940; S.L. 1915, ch. 172, § 12; 1925 Supp., § 4950a12; R.C. 1943, § 26-1518; S.L. 1957, ch. 200, § 1; 1957 Supp., § 26-1518.

26-15-19. Notice of assessment — Extension of time of payment of assessment.—The secretary of the company, whenever any assessment shall have been completed, shall give notice thereof to every member of the company by letter sent to his last known post-office address, postage prepaid, which notice shall state:

1. The amount of the assessment;
2. The purpose for which the assessment was made;
3. If the assessment was made for the purpose of paying specified losses, the amount of each of such losses;
4. The sum due from such member as his share of the assessment; and
5. The time when, and the person to whom, payment shall be made. Such time shall be not less than thirty days nor more than sixty days after the date of the notice.

The board of directors may grant an extension of not to exceed sixty days for the payment of the assessment if in its judgment it is for the best interests of the company to do so.

Source: S.L. 1887, ch. 67, § 12; R.C. 1895, § 3143; R.C. 1899, § 3143; R.C. 1905, § 4491; C.L. 1913, § 4941; S.L. 1915, ch. 172, § 13; 1925 Supp., § 4950a13; S.L. 1937, ch. 146, § 1; R.C. 1943, § 26-1519.

26-15-20. Collection of assessments — Suits against directors — Suits against company to recover losses.—Suits may be brought against any member of a county mutual insurance company who shall neglect or refuse to pay any assessment made upon him under the provisions of this chapter. Any director of any such company who willfully shall refuse or neglect to perform the duties imposed upon him by the provisions of this chapter shall be liable in his individual capacity to any person sustaining loss thereby. Suit at law may be brought and maintained against the company by any member thereof for losses sustained if payment is withheld after such losses have become payable.

Source: S.L. 1887, ch. 67, § 13; R.C. 1895, § 3144; R.C. 1899, § 3144; R.C. 1905, § 4492; C.L. 1913, § 4942; S.L. 1915, ch. 172, § 14; 1925 Supp., § 4950a14; R.C. 1943, § 26-1520.

26-15-21. Borrowing of money authorized — Repayment from assessments.—The board of directors of a county mutual insurance company, in its discretion, may borrow money for the payment of unpaid losses. Any money borrowed by the company shall be repaid from moneys collected from the next

ensuing assessment levied in accordance with the provisions of this chapter.

Source: S.L. 1911, ch. 161, § 1; C.L. 1913, § 4943; S.L. 1915, ch. 172, § 13; 1925 Supp., § 4950a13; S.L. 1937, ch. 146, § 1; R.C. 1943, § 26-1521.

26-15-22. Withdrawal from membership in company.—Any member of a company organized under the provisions of this chapter may withdraw therefrom at any time while the company continues to transact the business for which it was organized if, by his withdrawal, the number of members remaining in the company will not be reduced below the original number of incorporators thereof, or the assets of the company will not be reduced below the amount thereof at the time of incorporation. In order to withdraw, a member shall:

1. Surrender his policy or policies for cancellation;
2. Give notice of his withdrawal in writing to the secretary of the company; and
3. Pay his share of all claims then existing against the company.

Source: S.L. 1887, ch. 67, § 17; R.C. 1895, § 3147; R.C. 1899, § 3147; R.C. 1905, § 4495; C.L. 1913, § 4946; S.L. 1915, ch. 172, § 15; 1925 Supp., § 4950a15; R.C. 1943, § 26-1522.

26-15-23. County mutual insurance companies to have perpetual existence.—All county mutual insurance companies shall have perpetual existence. If the articles of incorporation of any such company shall show that the existence of the company is other than perpetual, it may amend its articles in the manner provided by law so as to extend the term of existence of the corporation to show that the same is perpetual.

Source: S.L. 1887, ch. 67, § 20; R.C. 1895, § 3149; R.C. 1899, § 3149; R.C. 1905, § 4497; C.L. 1913, § 4948; S.L. 1915, ch. 172, § 17; 1918 Sp., ch. 9, § 1; 1925 Supp., § 4950a17; R.C. 1943, § 26-1523.

26-15-24. County mutual fire and lightning insurance companies may form reinsurance company.—Any number, not less than five, of county mutual fire and lightning insurance companies which are organized under the provisions of this chapter may form a corporation for the purpose of reinsuring the fire, lightning, and extended coverage and other risks of its members permitted to be written under the provisions of this chapter on the mutual plan.

Source: N.D.C.C.; S.L. 1963, ch. 225, § 1.

26-15-25. Articles of incorporation and bylaws of re-

insurance company — Contents.—The articles of incorporation of a reinsurance company organized under the provisions of this chapter shall state:

1. The name of the company, which shall include the words "mutual reinsurance company";
2. The purpose for which the company is organized;
3. The location of its principal place of business, which shall be within this state;
4. The number of directors of the company, which shall be not less than five nor more than thirteen;
5. The names and places of residence of the persons who are to serve as directors of the company until the election and qualification of their successors; and
6. The term of its corporate existence, which may be perpetual.

The articles may set forth any other provisions which are permitted under the provisions of the general law governing profit corporations or which are permitted in the case of a county mutual insurance company. The bylaws of the company shall contain such provisions for its government and the conduct of its business as are permitted in the case of a county mutual insurance company.

Source: S.L. 1937, ch. 147, § 2; R.C. 1943, § 26-1525; S.L. 1957, ch. 103, § 8; 1957 Supp., § 26-1525.

26-15-26. Articles of incorporation and bylaws of reinsurance company — Filing — Certificate of authority — Right to do business.—The articles of incorporation and bylaws of a reinsurance corporation formed under the provisions of this chapter shall be submitted for approval to the attorney general and to the commissioner of insurance. If the same are found to be in conformity with the provisions of this chapter and not inconsistent with the constitution or laws of this state, the commissioner shall approve the same and they shall be filed in the office of the secretary of state. A certified copy thereof then shall be filed with the commissioner, and a like copy shall be delivered to the members of the corporation, and the commissioner shall issue his certificate to the effect that the corporation has complied with the requirements of law. The certified copy of the articles of incorporation and the certificate of authority shall be filed in the office of the register of deeds of the county in which the principal office of the corporation is located, and the filing of the same shall be

the company's authority to commence business and issue policies. The certified copy of the articles and the certificate of compliance may be used for or against the company with the same effect as the originals thereof and shall be conclusive evidence of the organization of the company.

Source: S.L. 1937, ch. 147, § 3; R.C. 1943, § 26-1526.

26-15-27. Annual statement to be furnished to members of mutual insurance company or of reinsurance company.—The secretary of each county mutual insurance company and of each reinsurance company formed under the provisions of this chapter shall prepare and submit to the members of the company, at each annual meeting, a copy of the annual statement required to be filed with the commissioner of insurance under the provisions of section 26-07-05.

Source: R.C. 1895, § 3150; R.C. 1899, § 3150; R.C. 1905, § 4498; C.L. 1913, § 4949; S.L. 1915, ch. 172, § 18; 1925 Supp., § 4950a19; S.L. 1937, ch. 147, § 4; R.C. 1943, § 26-1527.

26-15-28. Applicability of general insurance laws.—In all respects not specifically provided for in this chapter, companies organized under the provisions of this chapter shall be subject to the provisions of this title relating to insurance companies generally.

Source: R.C. 1895, § 3151; R.C. 1899, § 3151; R.C. 1905, § 4499; C.L. 1913, § 4950; S.L. 1915, ch. 172, § 19; 1925 Supp., § 4950a20; S.L. 1937, ch. 147, § 5; R.C. 1943, § 26-1528.

NORTH DAKOTA
COOPERATIVE GRAZING ASSOCIATION LAWS

Chapter

- 36-08 Cooperative Grazing Associations**
- 57-28 Rights of County When Lands Not Redeemed**

Chapter 36-08

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CHAPTER 36-08

COOPERATIVE GRAZING ASSOCIATIONS

36-08-01. Definitions.—In this chapter, unless the context or subject matter otherwise requires:

1. "Association" means a corporate or cooperative grazing association;
2. "District" means a corporate or cooperative grazing district;
3. "Subdivision" means any portion or block of land situated within the outside boundaries of a district;
4. "Grazing area" means any area of land situated in any one or more counties in this state, which has been or may be acquired by purchase, lease, or otherwise by an association for grazing purposes or for the raising of forage crops;
5. "Cooperative grazing association" means a corporate or cooperative association mutually operated for the purpose of aiding in the conservation, restoration, im-

provement, development, and utilization of natural forage resources within any county or counties where a grazing area has been acquired for joint use by its members and for aiding in the restoration, conservation, improvement, development, and utilization of lands;

6. "Cooperative grazing district" means and includes a grazing area controlled by a grazing association and utilized by its members for grazing purposes under such definite restrictions, regulations, and limitations by the association as shall contribute to the conservation, restoration, improvement, and development of the forage resources of such land;
7. "Animal unit" means a cow, a bull, or a steer, or five sheep over six months of age on the first day of May of the year in which the age is being determined. Two horses shall be equivalent to three animal units. Animals not more than six months old on the first day of May of the year in which the age is being determined, and which are the natural increase of the permitted livestock, shall not be counted.

Source: N.D.C.C.; S.L. 1967, ch. 282, § 1.

36-08-02. Powers of grazing association.—A nonprofit corporate or cooperative grazing association may be organized and operated under the general law governing corporate or cooperatives and this chapter, with the following additional power to:

1. Lease from the United States or any of its departments, corporations, or agencies, or from this state or any of its departments or agencies, or from any county or political subdivision therein, or from any other person or association, lands for grazing purposes and for the purpose of raising forage crops;
2. Purchase land and related property for grazing operations and for the purpose of raising forage crops;
3. Apportion to members grazing rights within its district on such terms, conditions, and limitations, not in conflict with any of the provisions contained in any lease or leases made by the association with the county, state, or federal government, or any of its departments, boards, or agencies, as may be specified by the board of directors of the association;

4. Issue grazing permits to nonmembers;
5. Act as agent of, and cooperate with, the federal and state government or any department or agency thereof, in the conservation, restoration, improvement, development, and utilization of the forage resources in this state or for any other purpose, and to accept and use any funds provided by the federal or state government or any department or agency thereof;
6. Borrow money directly from the United States or from any of its agencies or from any other person or persons on such terms and in such manner as may be determined by the board of directors, and to give such security therefor as the board of directors may authorize.

Source: N.D.C.C.; S.L. 1967, ch. 282, § 2.

36-08-03. Grazing association name.—The name of any co-operative grazing association organized and operating under this chapter or authorized to do business hereunder shall include the words "grazing association," and no other association shall use such words in its name.

Source: S.L. 1935, ch. 106, §§ 4, 6, 8, 12; 1937, ch. 112, § 3; 1941, ch. 116, § 1; R.C. 1943, § 36-0803; S.L. 1957, ch. 105, § 3; 1957 Supp., § 36-0803.

36-08-04. Members.—Any person may become a member of a corporate or cooperative grazing association if he:

1. Is an owner or lessee of land within the proposed boundaries or resides on the border of the grazing area within or without the county;
2. Is engaged in the raising of livestock within the grazing area;
3. Pays the membership fee;
4. Subscribes to the bylaws; and
5. Complies with the rules, regulations, and limitations determined by the board of directors of the association.

Any entrance, organization, or membership fee established by a grazing association shall not exceed the sum of five dollars, and the amount which a member may be required to pay annually to assist in carrying on the business of the association shall not exceed the sum of five dollars.

When any member disposes of land owned or leased by

him and upon which his membership in the association and the grazing rights in the district are based, he ceases to be a member of such association. If any member disposes of all or part of the land owned or leased by him so that another individual or other individuals, by the purchase and ownership or transfer of the lease to such land, acquires a right to membership and to grazing rights, the rights and interests involved and the grazing rights of all the parties shall be determined by the board of directors.

No member shall be liable for the debts of the association in an amount exceeding the sum remaining unpaid on his membership fee, except for debts lawfully contracted between him and the association.

Source: N.D.C.C.; S.L. 1967, ch. 282, § 3.

36-08-05. Election of directors.—The association may establish through its bylaws various subdistricts within the grazing district. When subdistricts are so established, one director of the association shall be elected from each subdistrict by the majority vote of the members therein who are eligible to vote. If subdistricts are not established by the association, one director shall be elected from each congressional township in the district by the majority vote of the members in such township who are eligible to vote. However, at the discretion of the membership of the association, all directors may be elected at large.

Source: N.D.C.C.; S.L. 1961, ch. 243, § 1; 1967, ch. 282, § 4.

36-08-06. Articles. — Articles of association for grazing associations are subject to the general law governing co-operatives, and shall also set forth whether the property and grazing rights and interests of each member of the association shall be equal or unequal, and if unequal, the general rule or rules applicable to all members by which:

1. The property and grazing rights and interest of each member shall be determined and fixed;
2. New members may be admitted by the association; and
3. Such new members shall be entitled to share in the property of the association with the old members.

Source: S.L. 1935, ch. 106, § 4; R.C. 1943, § 36-0804; S.L. 1957, ch. 105, § 3; 1957 Supp., § 36-0806.

38-08-07. Animal units grazed.—No member of a co-operative grazing association shall be permitted to graze more

than five hundred animal units during a full twelve-month period in any one year. He may be permitted, however, to graze a correspondingly larger number for a shorter grazing period during each year.

Source: S.L. 1935, ch. 106, § 11; 1941, ch. 116, § 2; R. C. 1943, § 36-0816; S.L. 1957, ch. 105, § 3; 1957 Supp., § 36-0807.

36-08-08. Powers of directors.—Directors of a grazing association are subject to the general law governing directors of co-operatives, and may also:

1. Make such regulations for the management and control of the affairs of the association and of the manner of utilization of grazing within its district not inconsistent with the terms, conditions, and limitations of leases covering lands contained therein;
2. Apportion grazing rights within the district to members and in doing so it shall consider the following factors:
 - a. The amount of winter feed that the member can raise on land owned or leased by him situated in the district or on land situated within two miles of the outside boundary of the district;
 - b. The dependence of the member on the grazing in the district;
 - c. The amount of stock previously grazed by the member in the area where the district is located; and
 - d. The amount of grass that will be available for the stock of all the members of the association;
3. Create subdivisions in the district and specify the kind and number of stock that may be permitted to graze in such subdivision;
4. Determine the length of time during which the stock of any member may graze in the district or in any subdivision thereof;
5. Determine grazing fees to be imposed on members or nonmembers on a per head basis for grazing rights;
6. Grant to nonmembers grazing permits within such district when the amount of forage therein is greater than the needs of the members, but no such permits shall be granted when such use shall be inconsistent with the terms of leases of county, state, or federal

lands within the district or with a safe policy of forage conservation therein;

7. Enter into leases on behalf of the association with any county or counties in which the district is located or with the state or federal government, or any departments or agencies thereof, or with other persons, for tracts of land within or contiguous to such district;
8. Specify the breeds, quality, and number of male breeding animals which each member shall furnish when stock is grazed in a common pasture within the grazing district or in any subdivision thereof;
9. Make rules and regulations governing the treatment, care, or removal of diseased animals and to prevent the spreading of any disease among the stock ranging in the district or in any subdivision thereof;
10. Suspend or expel any member for failure or refusal to pay his membership or grazing fee or to abide by or conform to the rules and regulations of the association or of its board of directors;
11. Make rules and regulations governing the automatic suspension of the right of a member when he ceases to be eligible to membership in the association, the manner of assignment and transfer of the interests of members, and the condition upon which, and the time when, membership of any member shall cease;
12. Set up such reserve for contingencies as in its judgment is advisable, after paying all costs, lease rentals, and other expenses;
13. Enter into agreements, conform to regulations, or act in conjunction with the state or federal government or any department or agency thereof to bring about the conservation, restoration, improvement, development, and utilization of the forage resources in the district.

Source: S.L. 1935, ch. 106, § 10; R.C. 1943, § 36-0818; S.L. 1957, ch. 105, § 3; 1957 Supp., § 36-0808.

36-08-09. Grazing district map.—Any co-operative grazing association organized under the provisions of this chapter, upon completion of its organization and incorporation, shall file with the register of deeds of the county and with the dean of the school of agriculture of the agricultural college, a map or

plat of the grazing district proposed to be created and the subdivisions therein. Whenever any incorporated grazing association shall enlarge or reduce the area included within its district, or change or modify its boundaries or subdivisions, it shall file with the register of deeds and the dean of the school of agriculture of the agricultural college a map or plat indicating such changed boundaries.

Source: S.L. 1935, ch. 106, § 9; R.C. 1943, §§ 36-0810, 36-0811; S.L. 1957, ch. 105, § 3; 1957 Supp., § 36-0809.

36-08-10. Application of act is existing co-operatives.—Repealed by omission from this code.

Chapter 57-28

RIGHTS OF COUNTY WHEN LANDS NOT REDEEMED

57-28-24. Terms of leases. — All leases of such lands shall be made subject to sale and shall be limited in duration to a term not to exceed five years. In the discretion of said county commissioners, any grazing land may be leased for grazing purposes without being subject to sale and for a term of not to exceed ten years, to any duly incorporated co-operative grazing association, any duly incorporated soil conservation district, and duly incorporated mutual aid corporation, or to any individual, within this state. Farm lands sold after January first of any year shall be sold subject to the existing lease for that year.

Source: S.L. 1939, ch. 237, § 2; 1943, ch. 120, § 1; R.C. 1943, § 57-2824; S.L. 1945, ch. 296, § 1; 1957 Supp., § 57-2824.

MUTUAL AID CORPORATIONS

Chapter 10-12

Section

- 10-12-01 Mutual aid co-operatives.
- 10-12-02 Special requirements and powers.
- 10-12-03 Personal property of rural rehabilitation corporation exempt from taxation — Real property taxable.
- 10-12-04 Industrial commission to receive assets of North Dakota rural rehabilitation corporation upon dissolution.

10-12-01. Mutual aid co-operatives.—Non profit co-operatives may be organized for the purpose of effectuating any plan for rural rehabilitation, subsistence farming, housing, or for the purpose of effectuating any plan or program of any state or federal department or agency or of any other agency or corporation for giving assistance, financial or otherwise, in such endeavors or in co-operative endeavors of any nature or description or for the purpose of engaging in such endeavors with or without such assistance.

Source: S.L. 1957, ch. 105, § 1; R.C. 1943, 1957 Supp., § 10-1201.

10-12-02. Special requirements and powers.—Mutual aid co-operatives are subject to the general law governing co-operatives, but shall also state in their articles the territory to be served by the co-operative, and shall have power to act as the agent or representative of any state, federal, or other agency or corporation giving assistance to rural rehabilitation, subsistence farming, housing, or co-operative endeavors of any nature. Any co-operative that is hereafter organized under this chapter shall be known as a "mutual aid co-operative" and the word co-operative shall form a part of the name of each co-operative so organized. Any co-operative organized prior to the effective date of this act, and whose name does not include the term "mutual aid co-operative," may at its option elect to change its name to include "mutual aid co-operative."

Source: S.L. 1957, ch. 105, § 1; R.C. 1943, 1957 Supp., § 10-1202; S.L. 1959, ch. 112, § 1.

10-12-03. Personal property rural rehabilitation corporation exempt from taxation — Real property taxable.—All funds made available to the North Dakota rural rehabilitation corporation by any state or federal agency or instrumentality, and all personal property purchased with such funds or held by the corporation, and any payments received by the corporation on loans made by or through it or as the proceeds from

the sale of property, shall be exempt from all taxation by this state and the political subdivisions thereof. All lands held by the North Dakota rural rehabilitation corporation shall be subject to taxation.

Source: S.L. 1957, ch. 105, § 1; R.C. 1943, 1957 Supp., § 10-1203.

10-12-04. Industrial commission to receive assets of North Dakota rural rehabilitation corporation upon dissolution.—The industrial commission of North Dakota is hereby designated the agency of the state to receive the assets of the North Dakota rural rehabilitation corporation in the event such corporation is dissolved, including all properties that have been returned or may be returned to the North Dakota rural rehabilitation corporation by the secretary of agriculture upon the application of the corporation pursuant to the provisions of Public Law 499 of the 81st Congress, dated April 3, 1950, including also such assets as have again been transferred or may hereafter be transferred to the secretary of agriculture for administration pursuant to agreement between the North Dakota rural rehabilitation corporation and the secretary of agriculture under the provisions of said Public Law 499 of the 81st Congress, dated April 3, 1950; and the said industrial commission of North Dakota is hereby authorized to enter into any agreement with the secretary of agriculture that may be required with respect to the administration of the assets they so receive.

Source: S.L. 1957, ch. 105, § 1; R.C. 1943, 1957 Supp., § 10-1204.

10-12-05. Application of act to existing co-operatives.—
Repealed by omission from this code.

Chapter 15-41

HIGH SCHOOLS

15-41-07. Courses of instruction to follow state plan — Courses in co-operative marketing and consumers' co-operatives — Credits.—The content of all courses and the grade in which they severally are taught in all types of high schools and in the high school department of all schools doing high school work shall conform to the state course of study for high schools as outlined by the superintendent of public instruction. In the course of study for high schools, the superintendent of public instruction shall provide for an elective course of instruction in co-operative marketing and consumers' co-operatives which shall be a one-half year course. No school which does not conform to the provisions of this section shall be accredited by the superintendent of public instruction through state high school examinations or otherwise.

Source: S.L. 1931, ch. 242, § 2; 1937, ch. 222, § 2; R.C. 1943, § 15-4107.

Chapter 49-21

TELEPHONE AND TELEGRAPH COMPANIES

49-21-01. Definitions.—As used in this chapter, unless the context otherwise clearly requires:

3. "Mutual telephone company" means a telephone co-operative organized and operating subject to the provisions of this chapter, and such a co-operative shall also be subject to the general law governing co-operatives, except where such general law is in conflict with this chapter.

Source: S.L. 1915, ch. 209, §§ 1, 11; 1919, ch. 234, § 1; 1925 Supp., §§ 4812a1, 4812a11, 4812b1; R.C. 1943, § 49-2101; S.L. 1957, ch. 105, § 4; 1957 Supp., § 49-2101.