

CHAPTER 301

BUSINESS CORPORATIONS

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NOTE: For definitions, see section 300.02.

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301.01 CITATION. Sections 301.01 to 301.61 may be cited as the Minnesota business corporation act.

[1933 c 300 s 59] (7492-59)

301.02 DEFINITIONS. Subdivision 1. **Words, terms, and phrases.** Unless the language or context clearly indicates that a different meaning is intended, the following words, terms, and phrases, for the purposes of sections 301.01 to 301.61, shall be given the meanings subjoined to them.

Subd. 2. **Corporation.** "Corporation" means a corporation formed under sections 301.01 to 301.61, or one which has accepted and come under those sections.

Subd. 3. **Articles of incorporation and articles.** "Articles of incorporation" and "articles" include the original articles of incorporation or amended articles of incorporation, all articles of amendment, all certificates made pursuant to section 301.14, subdivision 5, and section 301.33, subdivision 2, agreements of consolidation or merger, and charters granted by special act or acts of the legislature of the state or territory of Minnesota.

Subd. 4. **Incorporator.** An "incorporator" is one of the signers of the original or amended articles of incorporation.

Subd. 5. **Subscriber.** A "subscriber" is one who subscribes for shares in a corporation whether before or after incorporation.

Subd. 6. **Shares.** "Shares" are the units into which shareholders' rights are divided.

Subd. 7. **Shareholder.** A "shareholder" is one who owns one or more fully paid shares or one who is the assignee for value of a certificate purporting to represent fully paid shares without knowledge or notice that the shares so represented had not been fully paid for.

Subd. 8. **Certificate of shares.** A "certificate of shares" is a written instrument signed by the proper corporate officers, as required by sections 301.01 to 301.61, and evidencing the fact that the person therein named is the registered owner of the share or shares therein described.

Subd. 9. **Allotment.** "Allotment" means the apportioning of a certain number of shares to a purchaser, or to a subscriber in response to the application contained in his subscription, or to a shareholder pursuant to the declaration of a share dividend.

Subd. 10. **Stated capital.** The "stated capital" of a corporation at any time is:

(1) the sum of:

(a) The aggregate par value of all shares having par value theretofore allotted, whether then outstanding or not,

(b) The aggregate amount of consideration received for all its shares without par value theretofore allotted, whether then outstanding or not, except such portion thereof as shall have been designated as paid-in surplus pursuant to section 301.21,

(c) Such amounts as may have been transferred from surplus to stated capital upon declaration of a share dividend,

(d) Such amounts as may have been transferred from surplus to stated capital by action of the directors or shareholders;

(2) less the amounts, if any, by which stated capital has been reduced pursuant to section 301.39.

Subd. 11. **Registered office.** The term "registered office" means that office maintained by the corporation in this state, the address of which is kept on file in the office of the secretary of state in the manner required by the provisions of sections 301.01 to 301.61.

Subd. 12. **Acknowledged.** "Acknowledged" means acknowledged before any officer authorized by the laws of this state to take acknowledgments of deeds within or without the state.

[1933 c 300 s 1; 1935 c 117 s 1; 1951 c 98 s 13] (7492-1)

301.03 PURPOSE OF INCORPORATION AND QUALIFICATION OF INCORPORATORS. One or more natural persons of full age may form a corporation under sections 301.01 to 301.61 for any lawful business purposes; provided that banks, savings banks, trust companies, building, loan, and savings associations, and insurance companies shall not be formed under the provisions of these sections; and, provided that where other statutes prescribe a special procedure for the incorporation of designated classes of corporations, such corporations shall be formed under such statutes and not under these sections.

The articles of incorporation of a corporation formed under sections 301.01 to 301.61 may state that the corporation has general business purposes; and corporations with purposes so designated shall have unlimited power to engage in, and to do any lawful act concerning, any and all lawful businesses for which corporations may be organized under these sections.

[1933 c 300 s 2; 1965 c 504 s 1] (7492-2)

301.04 ARTICLES OF INCORPORATION. Articles of incorporation shall be signed and acknowledged by one or more of the incorporators; and, in addition to stating the name of the corporation, shall state in the English language:

- (1) Its purpose or purposes, or a statement that it has general business purposes;
- (2) Its duration, which may be limited or perpetual;
- (3) The location and post office address of its registered office in this state;
- (4) The total authorized number of par value shares and the par value of each share; and, if any of its shares are without par value, the authorized number of such shares;
- (5) A description of the classes of shares, if the shares are to be classified, and a statement of the number of shares in each class, and the relative rights, voting power, preferences, and restrictions granted to or imposed upon the shares of each class; but the articles of incorporation may authorize the board of directors, within the limitations and restrictions stated therein, if any, to fix or alter, from time to time, in respect of shares then unallotted, any or all of the following: the dividend rate, the redemption price, the liquidation price, the conversion rights and the sinking or purchase fund rights of shares of any class, or of any series of any class, or the number of shares constituting any series of any class;
- (6) The minimum amount of stated capital with which the corporation will begin business, which shall be not less than \$1,000;
- (7) The names, post office addresses, and terms of office of the first directors;
- (8) The name and post office address of each of the incorporators;
- (9) Such provisions as may be desired, if any, limiting or denying to the shareholders, or to any class or classes thereof, the preemptive right to subscribe for any or all shares of any or all classes or series, or denying the right of cumulative voting.

Articles of incorporation may contain any other provisions, consistent with the laws of this state, for regulating the corporation's business or the conduct of its affairs.

[1933 c 300 s 3; 1951 c 98 s 1; 1965 c 504 s 2; 1969 c 181 s 1] (7492-3)

301.05 CORPORATE NAME. Subdivision 1. **What to contain.** The corporate name shall end with the word "corporation," or the word "incorporated," or the abbreviation "Inc." or shall contain the word "company," or the abbreviation "Co." if that word or abbreviation is not immediately preceded by the word "and" or the character "&." The provisions of this subdivision shall not affect the right of any corporation, existing at the time sections 301.01 to 301.61 take effect, to continue the use of its name.

Subd. 2. **Use of similar name forbidden.** The corporate name shall not be the same as, nor deceptively similar to, the name of any other domestic corporation or of any foreign corporation authorized to do business in this state unless

- (1) such domestic or foreign corporation is about to change its name, or to cease to do business, or is being wound up, or such foreign corporation is about to withdraw from doing business in this state, and
- (2) the written consent of such other domestic or foreign corporation to the adoption of its name or a deceptively similar name has been given and is filed with the articles of incorporation.

Subd. 3. **Not similar to trade name.** The corporate name shall not be the same as, nor deceptively similar to, the trade name of any person or unincorporated association doing business under such trade name in this state or elsewhere, if such person or unincorporated association has, within the last preceding 12 months, signified an intention to procure incorporation in this state under such name by filing notice of such intention with the secretary of state, unless the written consent to the adoption of such name or deceptively similar name has been given by such person or unincorporated association, and is filed with the articles of incorporation.

Subd. 4. **Not same as name of foreign corporation.** The corporate name shall not be the same as, nor deceptively similar to, the name of any foreign corporation doing business elsewhere than in this state if such foreign corporation has, within the last preceding 12 months, signified an intention to procure incorporation in this state under such name, or to do business as a foreign corporation in this state under such

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name, by filing notice of such intention with the secretary of state; unless the written consent to the adoption of such name or a deceptively similar name has been given by such foreign corporation, and is filed with the articles of incorporation.

Subd. 5. **Trade names not affected.** Nothing in this section shall abrogate or limit the law as to unfair competition or unfair practices, nor derogate from the common law the principles of equity, or the statutes of this state or of the United States with respect to the right to acquire and protect trade names.

Subd. 6. **In English letters.** A corporation formed under sections 301.01 to 301.61 may have a corporate name in any language, but the same must be in English letters or characters.

Subd. 7. **Forbidden.** No corporation formed under sections 301.01 to 301.61 shall include in its corporate name any of the following words or phrases: bank, trust, insurance, building and loan, savings, or cooperative.

Subd. 8. **Effect of wrongful use.** The use of a name in violation of this section shall not affect or vitiate the corporate existence, but the courts of this state having equity jurisdiction may, upon the application of the state, or of any person, unincorporated association, or corporation interested or affected, enjoin such corporation from doing business under a name assumed in violation of this section, although its articles of incorporation may have been approved and a certificate of incorporation issued.

[1933 c 300 s 4] (7492-4)

301.06 FILING ARTICLES OF INCORPORATION. Subdivision 1. **With secretary of state.** The articles of incorporation shall be filed for record with the secretary of state. If the articles conform to law, he shall, when all fees and charges have been paid, as required by law, record the same and issue and record a certificate of incorporation, which shall state the name of the corporation and the fact and date of incorporation.

Subd. 2. **Corporate existence, beginning.** Upon the issuance of the certificate of incorporation, the corporate existence shall begin.

Subd. 3. **Publication of notice.** Within 21 days after the issuance of the certificate of incorporation, the corporation shall cause to be published once, in a qualified newspaper in the county wherein it has its registered office, a notice stating the name of the corporation, the date of its incorporation, the general nature of the business being, or about to be, conducted by it, the address of its registered office, and the names and addresses of the incorporators and of the first board of directors. Proof of the publication of such notice shall be filed with the secretary of state within 21 days after its publication. If a corporation shall fail to comply with the provisions of this subdivision it shall forfeit to the state \$25, provided however, that any forfeiture due the state prior to the passage of this section for failure by a corporation to publish a notice of incorporation, or to file proof of the publication, within the period prescribed by this section, is hereby cancelled.

[1933 c 300 s 5; 1957 c 525 s 1] (7492-5)

301.07 SECRETARY OF STATE FILING INSTRUMENTS WITH COUNTY RECORDER. The secretary of state, after recording in his office any instrument in sections 301.01 to 301.61 provided to be filed for record in his office, shall file the same, or a copy thereof, certified by him, for record in the office of the county recorder of the county in which the registered office of the corporation is situated, for which service there shall be paid to the secretary of state the fees prescribed by section 357.18.

[1933 c 300 s 6; 1965 c 820 s 24; 1969 c 995 s 1; 1976 c 181 s 2] (7492-6)

301.071 FILING FEES; DEPOSIT. Subdivision 1. In any case where the law requires the secretary of state to record instruments with a county recorder, the person or corporation for whom the service is performed shall first deposit the fees required by law for such recordation with the secretary of state who, upon filing any instrument with a county recorder, shall pay to that officer the fees prescribed by section 357.18.

Subd. 2. In addition to the fees prescribed in subdivision 1, a fee of \$10 shall be paid to the secretary of state for filing any instrument required to be filed under the

provisions of this chapter. The fee shall be paid at the time the service is performed.

[1955 c 820 s 23; 1969 c 181 s 2; 1969 c 995 s 2; 1969 c 1148 s 45; 1976 c 181 s 2; 1978 c 537 s 2]

301.08 VALIDITY AND EFFECT OF CERTIFICATE OF INCORPORATION.

The certificate of incorporation issued by the secretary of state in accordance with the provisions of section 301.06 shall be conclusive evidence of the fact of incorporation. Nothing in this section shall limit the existing rules of law as to corporations de facto, nor as to corporations by estoppel.

[1933 c 300 s 7] (7492-7)

301.09 POWERS COMMON TO CORPORATIONS. Every corporation shall have power:

(1) To continue as a corporation for the time limited in its articles of incorporation, or, if no such time limit is specified, then perpetually;

(2) To sue and be sued;

(3) To adopt, use, and, at will, alter a corporate seal, but failure to affix the corporate seal, if any, shall not affect the validity of any instrument;

(4) To acquire, hold, lease, encumber, convey, or otherwise dispose of real and personal property within or without the state, and to take real and personal property by will or gift, subject to any limitation prescribed by law or the articles of incorporation;

(5) To conduct business in this state and elsewhere;

(6) To enter into obligations or contracts and to do any acts incidental to the transaction of its business or expedient for the attainment of the purposes stated in its articles;

(7) To indemnify persons against certain expenses and liabilities as provided in section 301.095;

(8) Unless otherwise provided in the articles of incorporation, to participate with others in any corporation, partnership, limited partnership, joint venture, trust, or other association of any kind, or in any transaction, undertaking, or arrangement which the participating corporation would have power to conduct by itself whether or not such participation involves sharing or delegation of control with or to others; and

(9) To conduct all or part of its business under one or more assumed names as provided by sections 333.001 to 333.06.

[1933 c 300 s 8; 1951 c 98 s 2; 1969 c 983 s 1; 1973 c 47 s 1; 1978 c 698 s 1] (7492-8)

301.095 INDEMNIFICATION OF OFFICERS, DIRECTORS, EMPLOYEES, AND AGENTS. Subdivision 1. A corporation shall have power to indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending, or completed action, suit, or proceeding, wherever brought, whether civil, criminal, administrative, or investigative, other than an action by or in the right of the corporation, by reason of the fact that he is or was a director, officer, employee, or agent of the corporation, or is or was serving at the request of the corporation, as a director, officer, employee, or agent of another corporation, partnership, joint venture, trust, or other enterprise, against expenses, including attorneys' fees, judgments, fines, and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit, or proceeding if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful. The termination of any action, suit, or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, had reasonable cause to believe that his conduct was unlawful.

Subd. 2. A corporation shall have power to indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending, or completed action or suit, wherever brought, by or in the right of the corporation to procure a judgment in its favor by reason of the fact that he is or was a director, officer, em-

ployee, or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee, or agent of another corporation, partnership, joint venture, trust, or other enterprise against expenses, including attorneys' fees, actually and reasonably incurred by him in connection with the defense or settlement of such action or suit if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interest of the corporation and except that no indemnification shall be made in respect of any claim, issue, or matter as to which such person shall have been adjudged to be liable for negligence or misconduct in the performance of his duty to the corporation unless and only to the extent that the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which such court shall deem proper.

Subd. 3. To the extent that a director, officer, employee, or agent of a corporation has been successful on the merits or otherwise in defense of any action, suit, or proceeding referred to in subdivisions 1 and 2, or in defense of any claim, issue, or matter therein, he shall be indemnified against expenses, including attorneys' fees, actually and reasonably incurred by him in connection therewith.

Subd. 4. Any indemnification under subdivision 1, unless ordered by a court, shall be made by the corporation only as authorized in the specific case upon a determination that indemnification of the director, officer, employee, or agent is proper in the circumstances because he has met the applicable standard of conduct set forth in subdivision 1. Such determination shall be made (1) by the board of directors by a majority vote of a quorum consisting of directors who were not parties to such action, suit, or proceeding, or (2) if such a quorum is not obtainable, or, even if obtainable a quorum of disinterested directors so directs, by independent legal counsel in a written opinion, or (3) by the stockholders. Any indemnification under subdivision 2 must be ordered by a court.

Subd. 5. Expenses incurred in defending a civil or criminal action, suit, or proceeding may be paid by the corporation in advance of the final disposition of such action, suit, or proceeding as authorized by the board of directors in the manner provided in subdivision 4 upon receipt of an undertaking by or on behalf of the director, officer, employee, or agent to repay such amount unless it shall ultimately be determined that he is entitled to be indemnified by the corporation as authorized in this section.

Subd. 6. The indemnification provided by this section shall continue as to a person who has ceased to be a director, officer, employee, or agent and shall inure to the benefit of the heirs, executors, and administrators of such a person. No provision made to indemnify directors or officers for the defense of any civil or criminal action or proceeding, whether contained in the articles of incorporation, the bylaws, a resolution of shareholders or directors, an agreement or otherwise, nor any award of indemnification by a court, shall be valid unless consistent with this section. Nothing contained in Laws 1969, Chapter 983, shall affect any rights to indemnification to which corporate personnel other than directors and officers may be entitled by contract or otherwise under law.

Subd. 7. A corporation shall have power to purchase and maintain insurance on behalf of any person who is or was a director, officer, employee, or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee, or agent of another corporation, partnership, joint venture, trust, or other enterprise against any liability asserted against him and incurred by him in any such capacity, provided, that no indemnification shall be made under any policy of insurance for any act which could not be indemnified by the corporation under this section.

Subd. 8. (a) Where court approval is required by this section, application therefor may be made, in every case, either:

(1) In the civil action or proceeding in which the expenses were incurred or other amounts were paid, or

(2) To any district court of this state in a separate proceeding, in which case the application shall set forth the disposition of any previous application made to any court for the same or similar relief and also reasonable cause for the failure to make application for such relief in the action or proceeding in which the expenses were incurred or other amounts were paid.

(b) The application shall be made in such manner and form as may be required by the applicable rules of court or, in the absence thereof, by direction of a court to which it is made. Such application shall be upon notice to the corporation. The court may also direct that notice be given at the expense of the corporation to the shareholders and such other persons as the court may designate in such manner as it may require.

Subd. 9. (a) No indemnification, advancement or allowance shall be made under this section in any circumstance where it appears:

(1) That the indemnification would be inconsistent with the law of the jurisdiction of incorporation of a foreign corporation which prohibits or otherwise limits such indemnification;

(2) That the indemnification would be inconsistent with a provision of the articles of incorporation, a bylaw, a resolution of the board of directors or of the shareholders, an agreement or other proper corporate action, in effect at the time of the accrual of the alleged cause of action asserted in the threatened or pending action or proceeding in which the expenses were incurred or other amounts were paid, which prohibits or otherwise limits indemnification; or

(3) If there has been a settlement approved by the court, that the indemnification would be inconsistent with any condition with respect to indemnification expressly imposed by the court in approving the settlement.

(b) If, under this section, any expenses or other amounts are paid by way of indemnification, otherwise than by court order or action by the shareholders, the corporation shall, not later than the next annual meeting of shareholders unless such meeting is held within three months from the date of such payment, and, in any event, within 15 months from the date of such payment, mail to its shareholders of record at the time entitled to vote for the election of directors a statement specifying the persons paid, the amounts paid, and the nature and status of the litigation or threatened litigation at the time of such payment.

[1969 c 983 s 2]

301.10 HOLDING SHARES AND SECURITIES OF OTHER CORPORATIONS.

When so provided in its articles of incorporation a corporation may acquire, hold, mortgage, pledge, or dispose of the shares, bonds, securities, and other evidences of indebtedness of any domestic or foreign corporation; and, without such authority in its articles, may guarantee, acquire, hold, mortgage, pledge, or dispose of the shares, bonds, securities, and other evidences of indebtedness of any domestic or foreign corporation when reasonably necessary or incidental to accomplish the purposes stated in its articles.

[1933 c 300 s 9] (7492-9)

301.11 CONSTRUCTIVE NOTICE OF RECORDED ARTICLES AND CERTIFICATES NOT TO BE IMPLIED. The filing for record of articles and certificates pursuant to sections 301.01 to 301.61 is for the purpose of affording means of acquiring knowledge of the contents thereof, but shall not constitute constructive notice of such contents.

[1933 c 300 s 10] (7492-10)

301.12 ULTRA VIRES ACTS. Every corporation shall confine its acts to those authorized by the statement of purposes in the articles of incorporation and within the limitations and restrictions, if any, contained therein, but shall have the capacity possessed by natural persons to perform all acts within or without this state.

No claim of lack of authority based on the articles shall be asserted or be of effect except by or on behalf of the corporation (a) against a person having actual knowledge of such lack of authority, or (b) against a director or officer.

The provisions of this section shall not affect:

(1) the right of shareholders or the state to enjoin the doing or continuing of unauthorized acts by the corporation; but in such case the court shall protect or make compensation for rights which may have been acquired by third parties by reason of the doing of any unauthorized act by the corporation; or

(2) the right of a corporation to recover against its directors or officers for violation of their authority.

[1933 c 300 s 11; 1965 c 504 s 3] (7492-11)

301.13 CONDITIONS PRECEDENT TO BEGINNING BUSINESS; LIABILITY. A corporation shall not begin business nor incur any debts, except such as are incidental to its organization or to the obtaining of subscriptions to or the payment for its shares, until consideration for its shares, equal to the amount of stated capital with which it will begin business, as set forth in the articles of incorporation, has been fully paid in.

If a corporation has incurred any debts or transacted any business in violation of this section, the officers who participated therein, and the directors who authorized or ratified the same, shall be jointly and severally liable for the debts or liabilities of the corporation arising therefrom to an amount not exceeding the unpaid portion of such stated capital, to be paid to the corporation for the benefit of such creditors.

[1933 c 300 s 12] (7492-12)

301.14 SHARES; FILING CERTAIN RESOLUTIONS; OPTIONS AND CONVERSION RIGHTS. Subdivision 1. **Classes of shares.** The shares of a corporation may be divided into classes, and the classes may be divided into series, with such rights, voting power, preferences and restrictions as may be provided in the articles of incorporation, or by resolution of the board of directors, if authorized by the articles under section 301.04, clause (5).

Subd. 2. **Par value.** Any or all of the shares may have a par value or be without par value as provided in the articles of incorporation.

Subd. 3. **Equality of shares.** Except as otherwise provided by the articles of incorporation, or by the board of directors pursuant to the provisions of subdivision 1 hereof, each share shall be in all respects equal to every other share.

Subd. 4. **Equality of shares of class or of series.** All shares of a class which is not divided into series shall be equal in all respects, and all shares of a series shall be equal in all respects.

Subd. 5. **Certificate fixing equality.** Before the corporation shall allot any shares of any class, or of any series of any class, of which the dividend rate, the redemption price, the liquidation price, the conversion rights, the sinking or purchase fund rights, or the number of shares constituting any series is not set forth in its articles of incorporation but is fixed in a resolution adopted by the board of directors pursuant to authority given by the articles, a certificate setting forth a copy of said resolution, made by the president or a vice-president of the corporation and by its secretary or an assistant secretary and acknowledged by such officers, shall be filed for record in the office of the secretary of state.

Subd. 6. **Granting of rights or options.** Within the limitations and restrictions, if any, stated in its articles, a corporation may grant (a) rights to convert any of its securities into shares of any class or classes, or (b) options to purchase or subscribe for shares of any class or classes. A corporation may issue share purchase or subscription warrants or other evidences of such option rights, setting forth the terms, provisions and conditions thereof, including the price or prices at which such shares may be purchased or subscribed for, and such options may be transferable or nontransferable and separable or inseparable from other shares or securities of the corporation.

Subd. 7. **Rights or options, terms.** The terms, provisions and conditions of such conversion rights or options, including the conversion basis or bases and the option price or prices at which shares may be purchased or subscribed for, shall be set forth in the articles or determined by the shareholders; provided, that the articles or the shareholders by resolution may authorize the board of directors to fix the terms, provisions and conditions of such rights or options, including the conversion basis or bases and the option price or prices at which shares may be purchased or subscribed for and to authorize the issuance thereof.

Subd. 8. **Contract of right or option to state all terms.** The contract certificate, warrant or other instrument evidencing such conversion rights or options shall set forth in full, summarize or incorporate by reference all the terms and provisions

thereof. The corporation shall at all times reserve sufficient shares to meet the exercise of all conversion rights or options at the time outstanding.

[1933 c 300 s 13; 1951 c 98 s 3-5; 1953 c 329 s 1,2] (7492-13)

301.15 SHARES; ALLOTMENT AND CONSIDERATION; LIABILITY FOR IMPROPER VALUATION. Subdivision 1. **Consideration.** No shares shall be allotted except in consideration of cash, or other property, tangible or intangible, received or to be received by the corporation, or services rendered or to be rendered to the corporation, or of an amount transferred from surplus to stated capital upon a share dividend.

Subd. 2. **Resolution stating value.** At the time of each allotment of shares the shareholders or directors making such allotment shall state by resolution their determination of the fair value to the corporation in monetary terms of any consideration other than cash for which shares with or without par value are allotted.

Subd. 3. **Limitation of consideration.** The amount of consideration to be received, in cash or otherwise, shall not be less than the par value of shares so allotted, nor less than the stated capital to be represented by shares without par value so allotted. The provisions of this subdivision shall not apply to shares of its own stock acquired by the corporation, nor to shares of the corporation having par value allotted in consideration of the cancellation of an indebtedness of such corporation the amount of which is at least equal to the par value of the shares so allotted, unless the consideration received by such corporation upon the creation of such indebtedness was less than 85 percent of the amount of such indebtedness.

Subd. 4. **Shares wrongfully allotted.** If shares are allotted in violation of the provisions of subdivision 3, the person to whom such shares are allotted and his assignees with notice, and shareholders and directors voting in favor of such allotment, shall be liable to the corporation for the benefit of all persons thereafter becoming creditors who did not assent thereto and are damaged thereby, to the extent of their damages, not exceeding the difference between the par value of shares having a par value so allotted, or the stated capital to be represented by shares without par value so allotted, and the fair value to the corporation of the consideration therefor; provided, that the person to whom such shares were allotted, or his assignees, shall not be liable under the provisions of this subdivision if he received such shares in good faith and without actual knowledge of the violation of subdivision 3; and, provided, further, that directors and shareholders shall be liable only if they wilfully or without reasonable investigation voted in favor of such allotment.

Subd. 5. **Actions, when commenced.** No action shall be maintained under the provisions of this section unless commenced within three years from the date on which such allotment was made. In any such action creditors shall not be presumed to have extended credit to the corporation relying upon the compliance by the corporation with the provisions of this section relating to allotment of shares and the consideration to be received therefor.

[1933 c 300 s 14; 1935 c 117 s 2] (7492-14)

301.16 SHARES; ALLOTMENT, CONSIDERATION. Subdivision 1. **Allotment, when permitted.** Shares with or without par value shall not be allotted for a cash consideration which is unfair to the then shareholders nor for a consideration other than cash upon a valuation thereof which is unfair to such shareholders; provided, however, that where an allotment of shares is made pursuant to an option or a conversion right, at the price or prices specified in such option or upon the basis or bases set forth in such conversion right, as the case may be, fixed by the shareholders or by the board of directors under authority of the articles or of a resolution of the shareholders, as provided in section 301.14, subdivisions 6 and 7, neither this subdivision nor subdivision 2 shall apply.

Subd. 2. **Unfair allotments, liability.** Directors or shareholders who, wilfully or without reasonable investigation, either make an allotment of shares for a cash consideration which is unfair to the then shareholders or so overvalue property or services received or to be received by the corporation as consideration for shares allotted, shall be jointly and severally liable to the corporation for the benefit of the then shareholders who did not assent to and are damaged by such action, to the extent of their damages; provided, that if shares or securities convertible into shares or securities in connection with which options are granted to purchase or subscribe for shares, shall, before allotment or offer of such shares or securities is made to others, be offered in substantially ratable amounts to the then shareholders who, in the absence of

waiver of such rights, would be entitled to preemptive rights, at not more than the same considerations and terms as such shares or securities are allotted or offered to others, the portion of such shares or securities not subscribed for within the offering period by such shareholders may, at any time within four months after the expiration of the offering period, be allotted or sold to others at not less than the same considerations and terms, and any such allotment or sale shall, except in case of deliberate fraud, be conclusively presumed to have been fair. Such prior offer to shareholders shall be made by notice mailed to them at their addresses as shown by the records of the secretary of the corporation, giving a reasonable period of time for acceptance of such offer. Directors or shareholders who are present and entitled to vote but fail to vote against such allotment or valuation shall be considered, for the purposes of this section, as participating in such allotment or valuation.

Subd. 3. **Contribution.** Any director or shareholder against whom a claim is asserted pursuant to this section, except in case of participation in a deliberate fraud, shall be entitled to contribution on an equitable basis from other directors or shareholders who are liable.

Subd. 4. **Action, when commenced.** No action shall be maintained against a director or shareholder under the provisions of this section unless commenced within three years from the date on which such allotment was made.

[1933 c 300 s 15; 1935 c 117 s 3-5; 1951 c 98 s 6; 1953 c 211 s 1; 1953 c 329 s 3]
(7492-15)

301.17 SUBSCRIPTION FOR SHARES, ACCEPTANCE THEREOF; CALLS; ENFORCEMENT. Subdivision 1. **In writing.** All subscriptions for shares of a corporation shall be in writing.

Subd. 2. **Irrevocability.** Unless otherwise provided in the writing, subscriptions for shares of a corporation to be formed shall be:

(1) Irrevocable until 60 days after the issuance of the certificate of incorporation, but void unless accepted within that period; and

(2) Irrevocable for a period of one year after the first subscription for shares of such corporation if no certificate of incorporation shall be issued within such period of one year, but void upon the expiration of such year.

Subd. 3. **Avoidance.** Notwithstanding the foregoing provisions, a subscription for shares may be avoided at any time by either party upon such grounds as exist at law or in equity for the avoidance of any contract.

Subd. 4. **Acceptance an allotment.** Acceptance of a subscription, or the making of a contract by the corporation to sell shares, shall constitute an allotment of the shares subscribed for or agreed to be purchased.

Subd. 5. **Acceptance or rejection.** Acceptance or rejection of subscriptions for shares made before incorporation shall be by the board of directors. Acceptance or rejection of subscriptions for shares made after incorporation shall be by the shareholders at any annual meeting or at any special meeting duly called and held for that purpose, or by the board of directors acting under authority conferred by the shareholders or the articles of incorporation.

Subd. 6. **Payment.** When no provision as to the time of payment is made in the subscription therefor, shares shall be paid for on the call of the board of directors. Notice of each call shall be mailed to each subscriber at his address as shown by the records of the secretary of the corporation. Such notice shall state the due date of the payment required by such call, which due date shall not be less than 20 days from the date of mailing such notice unless the subscription expressly provides for a shorter period of notice.

Subd. 7. **Lien.** If a subscriber be indebted to the corporation on account of a subscription for shares, it shall have a lien upon such shares for such indebtedness; but no corporation shall have any such lien upon any shares evidenced by any certificate of shares by it issued and delivered.

Subd. 8. **Number of shares.** A subscriber shall be treated for all purposes as if he were a holder of a number of shares equal to that proportion of the total number of shares subscribed for by him which the portion of the subscription price paid bears to the total subscription price, unless the subscription agreement expressly restricts or negatives such rights. Unless otherwise provided in the subscription agreement, no certificate of shares shall be issued for any of the shares so ratably paid for while any part of such subscription remains unpaid.

Subd. 9. **Rights of corporation when payment not made when due.** If any payment for shares subscribed and allotted is not made on the due date, the corporation may:

- (1) Invoke its remedies at law or in equity; or
- (2) Foreclose its lien by advertised sale.

Subd. 10. **Foreclosure sale.** In case of foreclosure of the lien by advertised sale:

(1) The sale shall be at public auction, at the registered office of the corporation, between nine o'clock in the morning and five o'clock in the afternoon;

(2) Two weeks' published notice of such sale shall be given;

(3) At least two weeks before the appointed time of sale a copy of the notice of sale may be served upon the subscriber in like manner as a summons may be personally served in a civil action in the district court, and if not so served such notice shall be mailed, by certified mail, to such subscriber at least ten days before the appointed time of sale at his address appearing upon the books of the secretary of the corporation, and if no address shall there appear, then to such address as shall be known to the secretary; in case neither the place of residence nor the post office address of such subscriber is known to or appears upon the records of the secretary, the published notice herein provided shall be sufficient to authorize such sale;

(4) Such notice shall state the time and place of sale, the amount which will be due on the date of sale, exclusive of the expense of sale, and the number and description of the shares to be sold;

(5) Under the power of sale hereby given only enough shares shall be sold to pay the expenses of sale and to satisfy the amount due;

(6) The proceeds of such sale shall be applied first to the payment of the expense of sale, then to the satisfaction of the amount due on such subscription, and the remainder, if any, shall be deposited with the corporation and be paid upon demand of such subscriber or other person entitled thereto;

(7) The corporation or its assigns may fairly and in good faith purchase any shares sold under the provisions of this subdivision, provided the sale is conducted by the sheriff, his deputy, or constable; shares so acquired by the corporation shall have the status of unallotted and unsubscribed shares; and

(8) Notwithstanding any such sale, the lien shall continue unimpaired upon all shares not sold, to secure payment of any indebtedness thereafter becoming due on such subscription.

Subd. 11. **Enforceable contracts.** Enforceable contracts to purchase shares from the corporation shall have the same status as accepted subscriptions.

[1933 c 300 s 16; 1955 c 279 s 1; 1978 c 674 s 60] (7492-16)

301.18 PAYMENT FOR SHARES; ISSUE OF CERTIFICATE. Subdivision 1. **Certificate, when issued.** Each shareholder shall be entitled to a certificate of shares but no certificate of shares shall be issued until the shares represented thereby have been fully paid for.

Subd. 2. **Fully paid shares.** Shares allotted as share dividends, and shares for which the agreed consideration has been paid, delivered or rendered to the corporation shall be fully paid shares.

Subd. 3. **Note or check payment.** When a corporation has received a note or check as consideration for shares, such shares shall not be considered fully paid until such note or check has been paid.

Subd. 4. **Signatures on certificates.** Every certificate of shares shall be signed by the president and the secretary, or by such officers as the articles of incorporation or bylaws may provide, but when a certificate is signed by a transfer agent or registrar the signature of any such corporate officer and the corporate seal, if any, upon such certificate may be facsimiles, engraved, or printed.

Subd. 5. **Contents of certificates.** Every certificate of shares shall state:

(1) The name of the corporation, and a statement that it is organized under the laws of Minnesota;

- (2) The name of the registered holder of the shares represented thereby;
- (3) The number of shares, and, if the corporation is authorized to issue shares of more than one class, the class, or series and class, of the shares represented thereby;
- (4) The par value of each share represented, or a statement that such shares are without par value; and,
- (5) If the corporation is authorized to issue shares of more than one class, the rights, preferences, and restrictions granted to or imposed upon the shares of all classes or series, or a summary thereof with a reference to the articles, and the authority, if any, vested by the articles in the board of directors under section 301.04, clause (5), to fix the rights of series of shares then unallotted, or, in lieu thereof, that there be printed upon the certificate a statement that the stock is subject to rights, preferences and restrictions, and that a full statement of the foregoing requirements and information will be furnished to any shareholder upon request and without charge.

Subd. 6. **Prima facie evidence.** Such certificate shall be prima facie evidence of the ownership of the shares therein referred to.

Subd. 7. **Par value not stated in certificate, when.** A certificate of shares without par value shall not state any par value, nor any value thereof in money, nor any rate of dividend to which such shares shall be entitled in terms of a percentage of any par or other value.

[1933 c 300 s 17; 1961 c 592 s 1] (7492-17)

301.19 LIABILITY OF SUBSCRIBERS AND SHAREHOLDERS. Except as provided in section 301.15, subdivision 4, and except in case of actual fraud, a subscriber to or holder of shares of a corporation shall be under no liability to the corporation, whether for the benefit of its shareholders or creditors, with respect to such shares, other than the obligation to comply with the terms of the subscription or contract therefor.

One who becomes a shareholder by transfer and in good faith, and without knowledge or notice that the shares acquired have not been fully paid for, shall not be liable to the corporation or to its creditors with respect to such shares.

[1933 c 300 s 18] (7492-18)

301.20 VALIDITY OF SHARES. The fact that shares are allotted in violation of, or without full compliance with, the provisions of sections 301.01 to 301.61 shall not make the shares so allotted invalid.

[1933 c 300 s 19] (7492-19)

301.21 STATED CAPITAL, SURPLUS. Subdivision 1. **Shares without par value are stated capital.** In the case of shares without par value, unless a part of the total consideration for such shares is designated as paid-in surplus in the manner set forth in subdivision 3, the entire amount thereof shall be stated capital.

Subd. 2. **Consideration in excess of par value is paid-in surplus.** In the case of shares having par value, the consideration received therefor in excess of such par value shall constitute paid-in surplus.

Subd. 3. **Stated capital and surplus to be so specified in monetary terms.** If upon the allotment of shares without par value any part of the consideration received therefor is to constitute paid-in surplus, the shareholders or directors, as the case may be, who fix the amount of cash or determine the value of other consideration for such shares, shall at the time of allotment specify in monetary terms the amount thereof that is to be stated capital and the amount thereof that is to be paid-in surplus; provided, that in the case of shares having a preference upon liquidation, unless the subscription or contract for purchase thereof expressly otherwise provides, only that part, if any, of the value of the consideration received therefor, which is in excess of the amount to which such shares upon involuntary liquidation are entitled in preference to shares of another class or classes, may constitute paid-in surplus.

Subd. 4. **Stated capital, reduction becomes paid-in surplus.** Upon a reduction of the stated capital of a corporation, pursuant to section 301.39, subdivision 2, the amount of such reduction shall constitute paid-in surplus.

Subd. 5. **Upon merger, amount of stated capital less aggregate of constituent corporations is paid-in surplus.** If upon a consolidation or merger the stated capital of

the consolidated or surviving corporation shall be less than the aggregate of the stated capital of the constituent corporations, the amount of such difference shall constitute paid-in surplus.

Subd. 6. **Contributions by shareholders.** All contributions by shareholders to a corporation shall constitute paid-in surplus.

Subd. 7. **Transfers.** The shareholders or directors may at any time by resolution transfer amounts from paid-in or earned surplus to stated capital.

Subd. 8. **Earned surplus of acquired corporation.** When a corporation acquires all or substantially all of the assets of another corporation in consideration of the allotment of shares of the acquiring corporation, with or without other consideration, the earned surplus of the acquired corporation shall become earned surplus of the acquiring corporation, but only to the extent that the aggregate of the stated capital, paid-in surplus and earned surplus of the acquired corporation exceeds the aggregate of the following amounts:

(1) The value of the consideration given therefor, other than shares of the acquiring corporation and other than the assumption by the acquiring corporation of liabilities of the acquired corporation;

(2) The par value of all shares of the acquiring corporation having par value, given as consideration, and

(3) The stated capital represented by all shares of the acquiring corporation without par value, given as consideration.

Subd. 9. **Earned surpluses of merged corporations.** When two or more corporations shall hereafter be consolidated or merged, the earned surpluses of the constituent or merged corporation or corporations may, to the extent that they are not capitalized upon such consolidation or merger, be treated as earned surplus by the consolidated or surviving corporation.

Subd. 10. **Subject to section 301.22.** The provisions of this section with reference to paid-in surplus and earned surplus are, for the purposes set forth in section 301.22, subject further to all the terms and provisions thereof.

[1933 c 300 s 20; 1951 c 98 s 14] (7492-20)

301.22 DIVIDENDS AND PURCHASE OF OWN SHARES. Subdivision 1. **Fair value of assets.** In determining the fair value of the assets of a corporation to ascertain whether it may pay a dividend or may purchase its own shares, unrealized appreciation of assets shall not be included; provided, that securities having a readily ascertainable market value, other than securities issued by the corporation, may be valued at not more than market value. Proper deduction shall be made for depreciation and depletion and for losses of every character whether or not realized. The excess of such value, if any, above the aggregate of the liabilities and stated capital of the corporation shall constitute the aggregate of its paid-in and earned surplus, and the balance remaining, if any, after deducting therefrom the earned surplus of the corporation, shall constitute its paid-in surplus. If the payment of a dividend or the purchase by a corporation of its shares is otherwise lawful, it shall not be unlawful because of failure to determine the fair value of all its assets.

Subd. 2. **Dividends in cash or property.** A corporation may declare dividends in cash or property only as follows:

(1) Out of earned surplus;

(2) Out of paid-in surplus; provided, that if there are outstanding shares entitled to preferential dividends, then dividends may be declared out of paid-in surplus only upon such shares; when dividends are paid from paid-in surplus, notice of such fact shall be given to the shareholders receiving the same concurrently with the payment thereof;

(3) Out of its net earnings for its current or for the preceding fiscal year, whether or not it then has a paid-in or earned surplus; provided, that if there are outstanding shares entitled to a preference upon liquidation, such dividends shall not be paid upon any other shares except to the extent that the fair value of its assets, determined as set forth in subdivision 1, exceeds the aggregate of its liabilities and its stated capital represented by all shares entitled to a preference upon liquidation; provided, further, that no such dividend shall be declared if the fair value of the assets of the corporation is less than the aggregate of its liabilities, including such proposed dividend as a liability.

Subd. 3. **Dividends in shares of corporation.** A corporation may declare dividends payable in shares of the corporation only as follows:

- (1) Out of earned surplus;
- (2) Out of paid-in surplus, provided, that notice of such fact shall be given to the shareholders receiving such dividends concurrently with the payment thereof;
- (3) Upon declaration of a dividend payable in shares, the amount of surplus from which such dividend is declared shall be capitalized; if a dividend is declared in shares having a par value, the amount of surplus so to be capitalized shall equal the aggregate par value of such shares; if a dividend is declared in shares without par value, then if such shares are preferred shares they shall be capitalized at the amount to which such shares, upon involuntary liquidation, are entitled in preference to shares of another class or classes; or, if such shares are common shares they shall be capitalized on the basis of the estimated fair value of such shares upon allotment as determined by the board of directors;
- (4) No dividend payable in shares of any class shall be paid to shareholders of any other class unless the articles so provided or such payment is authorized by the vote or written consent of the holders of two-thirds of the shares of the class in which the payment is to be made.

Subd. 4. **Split or subdivision of shares not limited.** Nothing in subdivision 3 shall be construed to forbid or limit the power of a corporation to split up or subdivide its shares into a larger number of shares without increasing its stated capital.

Subd. 5. **Certain corporations, rights of distribution of assets.** A corporation engaged principally in the exploitation of mines, quarries, oil wells, gas wells, patents, or other wasting assets, or organized principally to liquidate specific assets, may distribute the net income derived from the exploitation of such wasting assets or the net proceeds derived from such liquidation without making any deduction or allowance for the depletion of such assets incidental to the lapse of time, consumption, liquidation, or exploitation; provided, that it make adequate provision for meeting liabilities and fixed preferences of outstanding shares as to assets on liquidation and shall give notice to shareholders concurrently with the payment of each distribution that no deduction or allowance has been made for depletion.

Subd. 6. **Purchase or redemption of shares of own stock.** A corporation may purchase or redeem shares of its own stock, whether pursuant to contract previously made or otherwise, only as follows:

- (1) Out of earned surplus;
- (2) Out of paid-in surplus; provided, that, if the corporation has outstanding shares entitled to preferential dividends or to a preference upon liquidation, then only such shares may be purchased or redeemed out of paid-in surplus.

Subd. 7. **Exchange of shares of stock.** Subject to any provisions of the articles of incorporation or bylaws, a board of directors may fix a time not exceeding 40 days preceding the date fixed for the payment of any dividends or distribution, or the date for the allotment of rights or, subject to contract rights with respect thereto, the date when any change or conversion or exchange of shares shall be made or go into effect, as a record date for the determination of the shareholders entitled to receive payments of any such dividend, distribution or allotment or rights, or to exercise rights in respect to any such change, conversion or exchange of shares, and in such case only shareholders of record on the date so fixed shall be entitled to receive payment of such dividend, distribution or allotment of rights or to exercise such rights of change, conversion or exchange of shares, as the case may be, notwithstanding any transfer of any shares on the books of the corporation after any record date fixed as aforesaid. The board of directors may close the books of the corporation against the transfer of shares during the whole or any part of such period.

[1933 c 300 s 21] (7492-21)

301.23 LIABILITY OF SHAREHOLDERS AND DIRECTORS FOR DIVIDENDS UNLAWFULLY PAID, OR FOR CORPORATE ASSETS OTHERWISE UNLAWFULLY DISTRIBUTED. If any dividend be paid in violation of section 301.22, or if any other unlawful distribution be made to shareholders:

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(1) Every shareholder who received any such dividend or any such distribution shall be individually liable to the corporation in an amount equal to the amount so received by him; any number of shareholders may be sued in the same action;

(2) The directors who wilfully or negligently voted in favor thereof shall be jointly and severally liable to the corporation in an amount equal to the dividend so paid and the distribution so made; a director shall not be held to have been negligent within the meaning of this section if he exercised that diligence and care which an ordinarily prudent man would exercise under similar circumstances, nor if he relied and acted in good faith upon a profit and loss statement of the corporation represented to him to be correct by the president or other officer of the corporation having charge of or supervision of its accounts or certified to be correct by a public accountant or firm of public accountants selected with reasonable care; any director against whom a claim is asserted pursuant thereto, except in case of participation in a deliberate fraud, shall be entitled to contribution from other directors who are liable, pro rata according to the number of such directors.

A corporation shall not be entitled to recover under the provisions hereof an amount greater than the aggregate of the dividends unlawfully paid and other unlawful distributions.

No action shall be maintained against a director or a shareholder under the provisions of this section unless commenced within three years from the date on which such dividend payment or other distribution was made.

[1933 c 300 s 22] (7492-22)

301.24 BYLAWS. The shareholders may make and alter bylaws, not inconsistent with law or the articles of incorporation, for the government of the corporation, the conduct of its affairs, the management of its property and business, and the transfer of its shares.

Authority to make and alter bylaws may be vested by the articles of incorporation in the board of directors subject to the power of the shareholders to change or repeal such bylaws; provided, the board shall not make or alter any bylaw fixing their qualifications, classifications, term of office, or number, except the board may make or alter any bylaw to increase their number; provided, further, that the first board of directors, without such authority in the articles, shall adopt bylaws which shall remain effective until and except as legally amended.

[1933 c 300 s 23; 1969 c 181 s 3] (7492-23)

301.25 SHAREHOLDERS MEETING. Subdivision 1. **Where held.** Meetings of the shareholders may be held at the registered office of the corporation or at any place within or without the state designated in the bylaws or by the board of directors pursuant to authority in the bylaws, or by written consent of all the shareholders entitled to vote thereat.

Subd. 2. **Annual.** Shareholders shall hold a meeting each calendar year, known as the annual meeting, at which they shall elect directors, and may transact any other business; provided, that no business with respect to which special notice is required shall be transacted unless such notice shall have been given. When the annual meeting is not held, or the directors are not elected thereat, directors may be elected at a special meeting held for that purpose, and it shall be the duty of the president, vice-president, or secretary, upon demand of any shareholder entitled to vote, to call such special meeting.

Subd. 3. **Special.** Special meetings of the shareholders may be called for any purpose, at any time, by the president, by the board of directors, or any two or more members thereof, or by such other officers or persons as the bylaws may authorize, or in the manner hereinafter provided, by one or more shareholders holding not less than one-tenth of the voting power of the shareholders. Upon request, in writing, by certified mail or delivered in person to the president, vice-president, or secretary, by any person or persons entitled to call a meeting of shareholders, it shall be the duty of such officer forthwith to cause notice to be given to the shareholders entitled to vote, of a meeting to be held at such time as such officer may fix, not less than 10, nor more than 60, days after the receipt of such request. If such notice shall not be given within seven days after delivery or the date of mailing of such request, the person or persons requesting the meeting may fix the time of meeting and give notice in the manner provided by law or the bylaws.

Subd. 4. **Adjournment.** If any meeting of the shareholders be adjourned to another time or place, no notice as to such adjourned meeting need be given other than by announcement at the meeting at which such adjournment is taken, unless otherwise provided in the bylaws.

Subd. 5. **Notice.** Written notice of each meeting of shareholders, stating the time and place, and, in case of special meeting, the purpose, shall be given in the manner provided in the bylaws, by the secretary or other person charged with that duty, to each shareholder entitled to vote at such meeting.

Subd. 6. **Waiver of notice.** Notice of the time, place and purpose of any meeting of shareholders, whether required by sections 301.01 to 301.61, the articles, or the bylaws, may be waived, in writing, by any shareholder. Such waiver may be given before or after the meeting, and shall be filed with the secretary or entered upon the records of the meeting.

Subd. 7. **Quorum.** Unless otherwise provided in the articles of incorporation, the presence, in person or by proxy, of the holders of a majority of the shares entitled to vote at the meeting shall constitute a quorum for the transaction of business. In the absence of a quorum, any meeting may be adjourned from time to time. The shareholders present at a duly called or held meeting at which a quorum is present may continue to transact business until adjournment, notwithstanding the withdrawal of enough shareholders to leave less than a quorum.

[1933 c 300 s 24; 1978 c 674 s 60] (7492-24)

301.26 VOTING RIGHTS. Subdivision 1. **Who may vote.** Unless the articles otherwise provide, every shareholder of record, or his legal representatives, at the date fixed for the determination of the persons entitled to vote at a meeting of shareholders, or, if no date has been fixed, then at the date of the meeting, shall be entitled at such meeting to one vote for each share standing in his name on the books of the corporation.

Subd. 2. **Record date for determination.** Subject to any provisions of the articles or bylaws, the board of directors may fix a time, not exceeding 60 days preceding the date of any meeting of shareholders, as a record date for the determination of the shareholders entitled to notice of and to vote at such meeting, and in such case only shareholders of record on the date so fixed, or their legal representatives, shall be entitled to notice of and to vote at such meeting, notwithstanding any transfer of any shares on the books of the corporation after any record date so fixed. The board of directors may close the books of the corporation against transfers of shares during the whole or any part of such period.

Subd. 3. **Cumulative voting.** If notice, in writing, is given by any shareholder to the president or secretary of the corporation not less than 24 hours before the time fixed for holding a meeting for the election of directors that he intends to cumulate his votes in such election, each shareholder shall have the right to multiply the number of votes to which he may be entitled by the number of directors to be elected, and he may cast all such votes for one candidate or distribute them among any two or more candidates. In such case it shall be the duty of the presiding officer upon the convening of the meeting to announce that such notice has been given. If the articles of incorporation expressly provide that there shall be no cumulative voting, the provisions of this subdivision shall be inapplicable to such corporation.

Subd. 4. **Casting of vote.** A shareholder may cast his vote in person or through proxy. The appointment of a proxy shall be in writing filed with the secretary at or before the meeting. The authority of a proxy, if not coupled with an interest, may be terminated at will. Unless otherwise provided in the appointment, the proxy's authority shall cease 11 months after the appointment. A termination of a proxy's authority by act of the shareholder shall be ineffective until written notice of the termination has been given to the secretary. Unless otherwise provided therein, the appointment filed with the secretary shall have the effect of revoking all appointments of prior date.

Subd. 5. **Two or more proxies.** If a shareholder shall appoint two or more persons to act as proxies, and if the instrument shall not otherwise provide, then a majority of such persons present at the meeting, or if only one shall be present then that one, shall have and may exercise all of the powers conferred by such instrument upon all of the persons so appointed; and if such proxies be equally divided as to the right

and manner of voting in any particular case, the vote shall be divided equally among the proxies.

Subd. 6. Fiduciaries. A person or persons holding shares in a representative or fiduciary capacity may vote the same in person or by proxy. General or discretionary power may be conferred on such proxy. Where shares are held jointly by three or more representatives or fiduciaries, the will of the majority shall control the manner of voting or the giving of a proxy, unless the instrument or order appointing them otherwise directs. Where in any case the representatives or fiduciaries are equally divided upon the manner of voting the shares jointly held by them, any court of competent jurisdiction may, upon petition filed by any of them or by any beneficiary, appoint an additional person to act with them in determining the manner in which such shares shall be voted upon the particular questions as to which they are divided.

Subd. 7. Authority of proxy. A proxy's authority shall not be revoked by the death or incapacity of the maker unless, before the vote is cast or the authority is exercised, written notice of such death or incapacity is given to the corporation.

Subd. 8. Transferee of pledged shares. A transferee of pledged shares shall be regarded by the corporation as the owner thereof unless the instrument of transfer discloses the pledge. A person whose shares are transferred on the books of the corporation as a disclosed pledge shall be entitled to vote unless in the instrument of transfer the pledgor shall have expressly empowered the pledgee to vote thereon, in which case only the pledgee or his proxy may represent such shares and vote thereon.

Subd. 9. Corporation owner of shares. A corporation owning shares in another corporation, whether domestic or foreign, may vote the same by its president or by proxy appointed by him unless some other person, by resolution of its board of directors, shall be appointed to vote such shares, in which case such person shall be entitled to vote upon the production of a certified copy of such resolution.

Subd. 10. Corporation owner of own shares. A corporation shall not vote any shares of its own issue belonging to it, nor shall any such shares be counted in calculating the total voting power of all shareholders of such corporation at any given time.

Subd. 11. Authorization without meeting. Any action which, under any provisions of sections 301.01 to 301.61 or the articles of incorporation, may be taken at a meeting of the shareholders, may be taken without a meeting if authorized by a writing or writings signed by all of the holders of shares who would be entitled to a notice of a meeting for such purpose. Such action shall be effective on the date on which the last signature is placed on such writing or writings, or such earlier effective date as is set forth therein. Whenever a certificate in respect of any such action is required by sections 301.01 to 301.61 to be filed in the office of the secretary of state, the officers signing the same shall state therein that the action was effected in the manner aforesaid.

Subd. 12. Creditors' right to vote. The articles of incorporation may confer upon the creditors of the corporation, or upon a class or classes thereof, the right to vote to the extent and subject to the limitations stated therein.

[1933 c 300 s 25; 1965 c 504 s 4,5] (7492-25)

301.27 VOTING TRUSTS. Subdivision 1. **Transfer of stock to trustee.** Shares of stock in any corporation may be transferred to a trustee or trustees, pursuant to written agreement, for the purpose of conferring on such trustee or trustees the right to vote and otherwise represent such shares for a period not exceeding 15 years, except that in case such agreement is made in connection with an indebtedness of the corporation such voting trust may extend throughout the period of such indebtedness, all in the manner and upon the conditions in such agreement stated. Unless otherwise specified therein, such voting trust may be terminated at any time by the holders of a majority in interest of the beneficial interests thereunder.

Subd. 2. Duplicate agreement. A duplicate of the voting trust agreement shall be filed in the registered office of the corporation and shall there be open to inspection by any shareholder, and by any holder of any beneficial interest under such agreement, and by the agents of either, in like manner and upon such conditions as the books of the corporation are open to inspection by a shareholder.

Subd. 3. Manner of voting by trustee. Unless otherwise provided in such agreement: (1) the trustee may vote in person or by proxy; (2) if there are two or more trustees, the manner of voting shall be determined as provided in section 301.26, subdivision 6; (3) vacancies among the trustees shall be filled by the remaining trustees;

and (4) a trustee shall incur no personal liability except for his own neglect or malfeasance.

[1933 c 300 s 26] (7492-26)

301.28 DIRECTORS. Subdivision 1. **Board of directors.** The business of a corporation shall be managed by a board of directors, who need not be shareholders unless the articles of incorporation or bylaws so require. The number of directors which shall constitute the whole board shall be at least three, except that in cases where all of the shares of a corporation are owned beneficially and of record by either one or two shareholders, the number of directors may be less than three but not less than the number of shareholders. A director shall hold office for the term for which he was named or elected and until his successor is elected and has qualified, unless removed as provided in section 301.29.

Subd. 2. **Election.** Except as otherwise provided in the articles pursuant to the provisions of section 301.26, subdivision 12, and except as provided in subdivision 4, clause (2), directors, other than those constituting the first board, shall be elected by the shareholders in accordance with the relative voting rights granted to the shares of each class by the articles.

Subd. 3. **Prescribed in articles or bylaws.** The number, qualifications, term of office, manner of election, time and place of meeting, and the powers and duties of the directors may, subject to the provisions of sections 301.01 to 301.61, be prescribed by the articles or bylaws, provided, that the term of a director shall not be longer than five years.

Subd. 4. **General provisions.** Except as otherwise prescribed in the articles or bylaws:

(1) A director shall be elected for a term of one year;

(2) Vacancies in the board of directors shall be filled by the remaining members of the board, though less than a quorum; newly created directorships resulting from an increase in the authorized number of directors by action of the board of directors may be filled by a two-thirds vote of the directors serving at the time of such increase; and each person so elected shall be a director until his successor is elected by the shareholders who may make such election at their next annual meeting or at any special meeting duly called for that purpose;

(3) Meetings of the board of directors may be held at such place, whether in this state or elsewhere, as a majority of the members of the board may from time to time appoint;

(4) Notice shall be given to each director of the time and place of each meeting of the board, but any director may, in writing, either before or after the meeting waive notice thereof; and, without notice, any director, by his attendance at and participation in the action taken at any meeting, shall be deemed to have waived notice;

(5) Until provision has been made by bylaw for calling meetings of the board, meetings may be called by any member thereof by giving to each of the other members written notice of the time and place of meeting, mailed at least ten days before the time of meeting;

(6) A majority of the board of directors shall be necessary to constitute a quorum for the transaction of business, unless the bylaws provide that a different number shall constitute a quorum, which in no case shall be less than one-third of the entire number of directors, nor less than two, except that when a board of one director is authorized under the provisions of this section, then one director shall constitute a quorum. The acts of a majority of the directors present at a meeting at which a quorum is present shall be the acts of the board of directors;

(7) Any action which might be taken at a meeting of the board of directors or of a lawfully constituted executive committee thereof may be taken without a meeting if authorized by a writing or writings signed by all of the directors or by all of the members of such committee, as the case may be; and such action shall be effective on the date on which the last signature is placed on such writing or writings, or such earlier effective date as is set forth therein;

(8) The board of directors may, by unanimous affirmative action of the entire board, designate two or more of their number to constitute an executive committee, which, to the extent determined by unanimous affirmative action of the entire board, shall have and exercise the authority of the board in the management of the business

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of the corporation. Any such executive committee shall act only in the interval between meetings of the board, and shall be subject at all times to the control and direction of the board;

(9) The board of directors may fix the compensation of directors;

(10) Members of the board of directors of any corporation, or any committee designated by such board, may participate in a meeting of such board or committee by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and participation in a meeting pursuant to this paragraph shall constitute presence in person at such meeting.

[1933 c 300 s 27; 1949 c 285 s 1; 1953 c 419 s 1; 1965 c 504 s 6,7; 1969 c 181 s 4; 1973 c 47 s 2] (7492-27)

301.29 REMOVAL OF DIRECTORS. The entire board of directors or any individual director may be removed from office, with or without cause, by a vote of shareholders holding a majority of the shares entitled to vote at an election of directors; provided, in the case of a corporation having cumulative voting, unless the entire board be removed, no individual director shall be removed in case the votes of a sufficient number of shares are cast against his removal, which if then cumulatively voted at an election of the full board would be sufficient to elect him.

In case the board or any one or more directors be so removed, new directors may be elected at the same meeting. In the case of a corporation having cumulative voting, if such election is held at the same meeting, the notice of intention to cumulate votes provided for in section 301.26, subdivision 3, may be given at any time prior to the voting at such election, and in such case announcement of the giving of such notice shall be made prior to such voting and such cumulative voting provisions shall be applicable.

[1933 c 300 s 28] (7492-28)

301.30 OFFICERS AND AGENTS. Subdivision 1. **Election, appointment.** The board of directors shall elect a president, a secretary, and a treasurer, and may appoint such other officers and agents as they may deem necessary, for such terms, if any, as may be prescribed in the bylaws. The president shall hold office until his successor is elected. No one of the officers need be a director. Any two of the offices, except those of president and vice-president, may be held by the same person.

Subd. 2. **Authority.** All officers shall, respectively, have such authority and perform such duties in the management of the business of the corporation as may be prescribed in the bylaws, or, in the absence of controlling provisions in the bylaws, as may be determined by the board of directors.

Subd. 3. **Removal.** Any officer may be removed by the board of directors with or without cause. Such removal, however, shall be without prejudice to the contract rights of the person so removed.

[1933 c 300 s 29; 1961 c 413 s 2] (7492-29)

301.31 RELATION OF DIRECTORS AND OFFICERS TO CORPORATION. Officers and directors shall discharge the duties of their respective positions in good faith, and with that diligence and care which ordinarily prudent men would exercise under similar circumstances in like positions.

[1933 c 300 s 30] (7492-30)

301.32 LOANS TO OFFICERS, DIRECTORS AND SHAREHOLDERS. No corporation shall lend any of its assets to any officer or director of the corporation, nor shall any corporation lend any of its assets to a shareholder on the security of its shares. If any such loan be made, the officers and directors who make such loan, or assent thereto, shall be jointly and severally liable for repayment or return thereof. No corporation shall take as security for any debt a lien upon its shares unless such lien shall be taken to secure a debt previously contracted.

[1933 c 300 s 31] (7492-31)

301.33 REGISTERED OFFICE; CHANGES; PENALTY. Subdivision 1. **Where located.** Every corporation shall maintain an office in this state to be known as its registered office.

Subd. 2. **Change of location.** After incorporation, a change of the location of the registered office from that designated in the articles of incorporation may be made from time to time by the board of directors, without amending the articles; provided, that, on or before the day that such change is to become effective a certificate of such change and of the location and post office address of the new registered office shall be filed with the secretary of state.

Subd. 3. **Filing of articles.** If the effect of any change shall be to designate a place in a county other than that in which the registered office has theretofore been located: (1) the articles of incorporation, or a certified copy thereof, shall be filed by the secretary of state for record in the office of the county recorder of the county in which the new registered office is located; and (2) such certificate of change of location shall be recorded by the secretary of state and by him to be filed for record in the offices of the county recorders of the counties from and to which such change of location of the registered office is effected. For this service the corporation shall pay to the secretary of state the fees prescribed by this chapter.

Subd. 4. **Penalty, forfeiture.** If a corporation carries on business without complying with the requirements of subdivisions 1 and 3, it shall forfeit to the state \$25 for each day during which it so carries on business, not exceeding, however, an aggregate forfeiture of \$500.

[1933 c 300 s 32; 1955 c 820 s 25; 1976 c 181 s 2] (7492-32)

301.34 CORPORATE BOOKS AND RECORDS; RIGHT OF INSPECTION; PENALTIES. Subdivision 1. **Share register.** Every corporation shall keep at its registered office, or at such other place or places within the United States as the board of directors may determine, a share register, giving the names and addresses of the shareholders, the number and classes of shares held by each, and the dates on which the certificates therefor were issued.

Subd. 2. **Records kept at registered office.** Every corporation shall keep at its registered office originals or copies of:

- (1) Records of all proceedings of shareholders and directors;
- (2) Its bylaws and all amendments thereto; and
- (3) Reports made to shareholders or any of them within the next preceding three years.

Subd. 3. **Names and addresses of officers.** Every corporation shall keep open to public inspection at its registered office a statement of the names and post office addresses of its principal officers; provided, that the presence in such office during usual business hours of any one of such officers shall excuse compliance with this subdivision.

Subd. 4. **Books of account.** Every corporation shall keep appropriate and complete books of account.

Subd. 5. **Examinations by shareholders.** Every shareholder and every holder of a voting trust certificate shall have a right to examine, in person or by agent or attorney, at any reasonable time or times, for any proper purpose, and at the place or places where usually kept or at such other place as the court may order, the share register, books of account and records of the proceedings of the shareholders and directors, and to make extracts therefrom.

Subd. 6. **Forfeitures.** A corporation shall forfeit to the state \$50 for each day it neglects to keep any or all of the books or records as required by subdivisions 1 to 4, not exceeding an aggregate forfeiture of \$500.

[1933 c 300 s 33] (7492-33)

301.35 SHAREHOLDERS, CREDITORS; INFORMATION TO. Subdivision 1. **Shareholders; statement of profits and losses.** Upon written request by a shareholder, a corporation shall furnish to him a statement of profit and loss for its last annual accounting period, setting forth separately the amount of all dividends paid from paid-in surplus during such year, and a balance sheet containing a summary of the assets and liabilities as of the closing date of such year, and setting forth in summary form information as to conversion rights of the holders of outstanding securities and as to outstanding options for the purchase of securities of the corporation, the originals of which, to be retained by the corporation, shall be certified by the president or a vice-

president and the treasurer or an assistant treasurer or a public accountant or a firm of public accountants.

Subd. 2. Statement of dividends and prices for shares to creditors. Upon written demand of any creditor, the corporation shall, within 30 days, furnish to him a statement of all dividends paid, and the number and purchase price of its shares bought by it, within three years preceding such demand.

Subd. 3. Certain statements furnished upon demand. Upon written demand therefor by any shareholder or creditor, the corporation shall, within 30 days, furnish to him a brief description of all property or services received or agreed to be received by the corporation as consideration for shares allotted within three years prior to such demand, together with the valuation of such property or services as stated under the provisions of section 301.15.

Subd. 4. Penalty for wilful failure to furnish statements. Upon wilful failure to comply, in reasonable detail, with any such demand by a creditor, the indebtedness of the corporation to such creditor shall, at his election, become immediately due and payable.

Subd. 5. Computation of period of limitation for commencement of action. With respect to any shareholder or creditor making demand under subdivision 2 or 3, the time from such demand and until compliance therewith by the corporation shall not be computed as a part of the period of limitation for the commencement of an action under sections 301.15, 301.16, 301.22, or 301.23. Any statement furnished by a corporation which is false in any substantial matter, or which does not give in reasonable detail the information demanded, shall not constitute compliance with such demand. With respect to any shareholder or creditor who has relied upon any such false statement furnished by a corporation to him or to another, the period of limitation shall not commence until he has learned or ought to have learned of the falsity of the statement.

[1933 c 300 s 34; 1951 c 98 s 7] (7492-34)

301.36 VOLUNTARY TRANSFER OF CORPORATE ASSETS. A corporation may, by action taken at any meeting of its board of directors, sell, lease, exchange, or otherwise dispose of all, or substantially all, of its property and assets, including its good will, upon such terms and conditions and for such considerations, which may be money, shares, bonds, or other instruments for the payment of money or other property, as its board of directors deems expedient, when and as authorized by the vote of holders of shares entitling them to exercise at least two-thirds of the voting power on such proposal or the vote of such other proportion, not less than a majority, or vote by classes, as the articles may require, at a shareholders' meeting called for that purpose, or when authorized upon the written consent of the holders of such shares. Notice of any such meetings shall be given to all shareholders of record, whether or not they shall be entitled to vote thereat.

[1933 c 300 s 35] (7492-35)

301.37 AMENDMENTS OF ARTICLES OF INCORPORATION. Subdivision 1. **Extent.** A corporation may amend its articles of incorporation in the manner herein provided, so as to include or omit any provision which it would be lawful to include in or omit from original articles at the time the amendment is made, or so as to extend its duration for a further definite time or perpetually.

Subd. 2. Supersede original articles. Prior to the allotment of any shares, amended articles to supersede the original articles may be executed and acknowledged by all the incorporators and filed and recorded as provided in sections 301.06 and 301.07 with respect to original articles.

Subd. 3. When and how made after allotment of shares. After allotment of any shares:

(1) Amendment of the articles may be made at any meeting of the shareholders, provided notice of proposal to amend, stating the nature of such proposal, shall have been mailed to each shareholder entitled to vote thereon, and in the case of an amendment which would extend the duration for a further definite time or perpetually to each shareholder whether or not entitled to vote thereon, at least ten days prior to such meeting, or by written consent of such shareholders given as provided by section 301.26, subdivision 11;

(2) Except as hereinafter in this section provided, an amendment may be adopted only if it receives either:

(a) The affirmative vote of the holders of two-thirds of the voting power of all shareholders entitled under the articles to vote, or such larger or smaller vote, not less than a majority, as the articles may require; or

(b) If not otherwise provided by the articles, the affirmative vote of the holders of a majority of the voting power of all shareholders entitled under the articles to vote and does not receive the negative vote of the holders of more than one-fourth of the voting power of all shareholders entitled to vote;

(3) If an amendment would adversely affect the rights of the holders of shares of any class, then, in addition to the vote required by subdivision 3, clause (2), of this section, the holders of each class of shares so affected by the amendment shall be entitled to vote as a class upon such amendment, whether or not by the terms of the articles such class is entitled to vote; and such amendment shall be adopted only if it receives, as to each class so affected by the amendment, either:

(a) The affirmative vote of the holders of two-thirds of the shares of such class, or such larger or smaller vote thereof, not less than a majority, as the articles may require; or

(b) If not otherwise provided by the articles, the affirmative vote of the holders of a majority of the shares of such class and does not receive the negative vote of the holders of more than one-fourth of the shares of such class;

(4) If an amendment would make any substantial change in the purpose or purposes for which the corporation was organized, then the holders of each class of the shares shall be entitled to vote as a class upon such amendment, whether by the terms of the articles such class is entitled to vote or not; and such amendment shall be adopted only if it receives as to each class either:

(a) The affirmative vote of the holders of two-thirds of the shares of such class, or such larger vote as the articles may require; or

(b) If not otherwise provided by the articles, the affirmative vote of the holders of a majority of the shares of such class and does not receive the negative vote of the holders of more than one-fourth of the shares of such class.

(5) A corporation may by action taken in the same manner as required for amendment of articles of incorporation adopt restated articles of incorporation consisting of the articles of incorporation as amended to date. Restated articles of incorporation may, but need not be, adopted in connection with an amendment to the articles of incorporation. Restated articles of incorporation shall contain all the statements required by this chapter to be included in original articles of incorporation except that: in lieu of setting forth the names and addresses of the first board of directors, the restated articles shall set forth the names and addresses of the directors at the time of the adoption of the restated articles; and no statement need be made with respect to the names and addresses of the incorporators. The certificate to be filed to accomplish any such restated articles shall be entitled "Certificate of Restated Articles of Incorporation of (name of corporation)" and shall contain a statement that such articles supersede and take the place of existing articles of incorporation and all amendments thereto. Restated articles of incorporation when executed, filed and recorded in the manner prescribed in this section for articles of amendment shall supersede and take the place of theretofore existing articles of incorporation and amendments thereto. The secretary of state upon request shall certify such articles as restated articles of incorporation.

(6) After June 30, 1965, if any proposed amendment would alter the vote required to authorize a particular type of corporate action under applicable provisions of law or under its existing articles, such amendment in order to be adopted must receive the vote which was required to authorize such particular type of corporate action prior to such amendment.

Subd. 4. When effective. After an amendment has been adopted by the shareholders, articles of amendment setting forth the amendment and the manner of adoption thereof shall be signed and acknowledged by the president or vice president and by the secretary or assistant secretary, and filed for record with the secretary of state. If they conform to law, he shall, when all fees and charges therefor have been paid as required by law, record the same. The amendment shall be effective upon rec-

ording or upon such later date, or date and hour, not more than 31 days after recording, as may be specified in the amendment.

[1933 c 300 s 36; 1935 c 117 s 6-8; 1957 c 570 s 1; 1965 c 504 s 8; 1969 c 181 s 5; 1973 c 47 s 3] (7492-36)

301.371 CORPORATE EXISTENCE, RENEWAL. Subdivision 1. **Authority to renew.** If the period of duration of any corporation organized under any law of this state has expired and such corporation has continued to transact its business, or its assets have not been liquidated and distributed, such corporation may, if it is a corporation organized for a purpose or purposes for which a corporation might then be formed under this chapter, renew its corporate existence from the date of its expiration for a further definite time or perpetually from and after the term of its expired period of duration with the same force and effect as if extended prior to the expiration of its term of existence.

Subd. 2. **Manner of renewal.** Such renewal shall be effective by taking the same proceedings and obtaining the same vote of shareholders as are required by section 301.37 for the extension of the period of duration of corporate existence prior to the expiration of such period, and any shareholder not assenting to such renewal shall be entitled to proceed to enforce, upon the demand and in the manner provided therein, his rights under section 301.40.

Subd. 3. **Proceedings to relate back.** Such proceedings shall relate back to the date of the expiration of such original corporate period, as fixed by its articles of incorporation or by statutory limitation, and when such period is extended as provided by this section, any and all corporate acts and contracts done and performed, made and entered into after the expiration of said original period, shall be and each is hereby declared to be legal and valid.

Subd. 4. **Application.** This section shall not apply to any corporation, the charter of which has been declared forfeited by the final judgment of any court of competent jurisdiction of this state or to any corporation as to which there is pending any action or proceeding in any of the courts of this state for the forfeiture of its charter, nor shall this section affect any action or proceedings now pending in any of the courts of this state in relation to any corporation described in subdivision 1.

Subd. 5. **Election.** Every corporation renewing its corporate existence pursuant to the provisions of this section which was not formed under this chapter and which has not previously elected to come under such sections by such renewal shall be deemed conclusively to have elected to accept and be bound by the provisions of said sections.

Subd. 6. **Other amendments.** Any corporation taking action to renew the period of duration of its corporate existence pursuant to the provisions of this section may make such other amendment or amendments to its articles of incorporation as might be permitted under section 301.37 to a corporation whose period of duration had not expired, and the articles of amendment setting forth the renewal of the period of duration may also set forth such other amendment or amendments.

[1965 c 504 s 13]

301.38 PROVISIONS RELATING TO CERTAIN AMENDMENTS. Subdivision 1. **Increasing or decreasing number of shares.** If the total authorized number of shares is increased or decreased, the articles of amendment shall also state:

(1) The total number of shares, including those previously authorized, which the corporation will thenceforth be authorized to have;

(2) The number of shares having a par value and the par value thereof, and the number of shares without par value, and, if the shares are divided into more than one class, a statement of the number of shares in each class.

Subd. 2. **Change of par value shares to shares without par value.** If shares having a par value are changed into an equal or different number of shares without par value, the amount of stated capital represented by shares without par value allotted to replace outstanding shares having a par value shall be the amount of the aggregate par value of such outstanding shares.

Subd. 3. **Change of shares without par value to par value shares.** If shares without par value are changed into an equal or different number of shares having a par value, the shares having a par value allotted to replace outstanding shares without par value shall be fully paid for, and the stated capital of the corporation shall not thereby

be decreased and shall be increased by the difference, if any, between the par value of the shares so allotted and the stated capital represented by the shares without par value so to be replaced.

Subd. 4. **Change of shares without par value to other classes or series without par value.** If shares without par value are changed into a different number of the same class or of any other class or classes of shares without par value, the stated capital of the corporation shall not thereby be affected.

[1933 c 300 s 37] (7492-37)

301.39 STATED CAPITAL, REDUCTION. Subdivision 1. **Resolution, redemption of outstanding shares.** A corporation having outstanding shares entitled to preferential dividends or to a preference upon involuntary liquidation may, by resolution adopted by the board of directors, subject to the restrictions, if any, contained in the articles of incorporation, (1) redeem such shares in whole or in part at the redemption price thereof; (2) acquire such shares in whole or in part by purchase or by exchange, but in the case of purchase of shares subject to redemption at not more than the redemption price thereof; or (3) retire any such shares previously acquired in any manner. The corporation may by resolution adopted by the board of directors, and notwithstanding the provisions of section 301.22, subdivision 6, apply to such redemption, acquisition or retirement a part of its stated capital not exceeding the aggregate amount of the preference (exclusive of accrued and unpaid dividends) to which the shares so redeemed, acquired or retired were entitled upon involuntary liquidation. Whenever any stated capital of the corporation is so applied, articles of reduction of stated capital setting forth the number and description by class and series of the shares so redeemed, acquired or retired, the preference (exclusive of accrued and unpaid dividends) to which such shares were entitled upon involuntary liquidation, and the amount in dollars of the stated capital which the corporation shall have immediately following the effective date of such articles of reduction, shall be executed and filed for record in the form and manner required by section 301.37, subdivision 4, for the execution and filing of articles of amendment, and upon the recording thereof by the secretary of state the reduction of stated capital shall become effective. As soon as said articles of reduction shall have become effective any such shares so redeemed, acquired or retired shall have the status of authorized and unissued shares of the class to which such shares belong.

Subd. 2. **Resolution, reduction of stated capital.** In addition to the method set forth in subdivision 1 the stated capital of a corporation may be reduced to an amount not less than the par value of its shares having par value then outstanding by a resolution adopted by the vote of the holders of a majority in interest of the shares entitled to vote thereon, at a meeting of the shareholders called for such purpose, or by such greater vote as the articles of incorporation may require; provided, however, that, without the prior affirmative vote of a majority in interest of each class of stock entitled to a preference upon involuntary liquidation, in addition to the vote above required, the stated capital shall not be reduced pursuant to the provisions of this subdivision below an amount equal to the sum of the par value of all outstanding shares having a par value and the aggregate amount to which outstanding shares without par value are entitled upon involuntary liquidation in preference to shares of another class or classes. Upon the adoption of a resolution reducing the stated capital pursuant to this subdivision, articles of reduction of stated capital setting forth the amount of stated capital which the corporation shall have immediately following the effective date of such articles of reduction shall be executed and filed for record in the form and manner required by section 301.37, subdivision 4, for the execution and filing of articles of amendment, and, subject to the provisions of subdivision 4, upon the recording thereof by the secretary of state the reduction of stated capital shall become effective.

Subd. 3. **Distribution, when not to be made.** No distribution from stated capital under subdivision 1 or subdivision 6 or from paid-in surplus created by a reduction of stated capital under subdivision 2 shall be made to the shareholders in any form unless the fair value of the assets of the corporation remaining after such distribution shall be at least equal to the aggregate of its liabilities and of its stated capital as so reduced. If any such distribution is made in violation hereof, the directors and shareholders shall be liable to the corporation to the extent, in the manner, and subject to the conditions and limitations stated in section 301.23.

Subd. 4. **Resolution, when adopted.** A resolution reducing the stated capital of a corporation may be adopted at a shareholders' meeting at which an amendment of its articles is adopted, and such reduction may be conditioned upon such amendment becoming effective; and in such event such reduction shall not become effective until articles of amendment shall have been duly filed for record, as provided in section 301.37, and then only upon the filing for record of articles of reduction with the secretary of state, as provided in subdivision 2.

Subd. 5. **Stated capital, minimum amount.** The stated capital of a corporation shall never be reduced to an amount less than the par value of all shares remaining outstanding which have a par value nor to an amount less than \$1,000.

Subd. 6. **Registered open-end investment companies.** A corporation which is a registered open-end investment company under the Act of Congress designated as the Investment Company Act of 1940, and which is obligated to redeem, or repurchase its shares at the option of a shareholder, may apply to the redemption or repurchase of such of its shares, as are subject to such option that part of its stated capital which is proportionate to that part of its outstanding shares which are so redeemed or repurchased, notwithstanding the provisions of section 301.22, subdivision 6. Whenever any stated capital of such an investment company has been heretofore or is hereafter so applied, articles of reduction of stated capital setting forth the number and description of the shares so redeemed or repurchased since the date of the last preceding articles of reduction, and the amount in dollars of stated capital which the corporation shall have immediately following the effective date of such articles of reduction, shall be signed and acknowledged by the president or a vice-president and by the secretary or an assistant secretary of the corporation and filed for record with the secretary of state. Such articles of reduction shall be made and filed at least once in each fiscal year in which such stated capital is so applied. If the articles of reduction conform to law, and when all fees and charges required by law are paid, the secretary of state shall record the articles of reduction and the reduction of stated capital described in the articles shall thereupon become effective and thereafter the shares so redeemed or repurchased shall have the status of authorized and unissued shares.

[1933 c 300 s 38; 1951 c 98 s 15; 1957 c 33 s 1,2] (7492-38)

301.40 RIGHTS OF SHAREHOLDERS NOT ASSENTING TO CERTAIN CORPORATE ACTION. Subdivision 1. **Objection to proposed amendment of articles.** If a corporation has given notice to shareholders of a proposal to amend the articles of incorporation, which proposed amendment would substantially change the corporate purposes or would extend the duration of the corporation, a shareholder may, at any time prior to the date of the meeting at which such proposed amendment is to be voted upon, file a written objection to such amendment in the office of the secretary or president of the corporation and demand payment for all shares owned by such shareholder; provided, that such demand shall be of no force and effect if such shareholder votes in favor of the amendment, or at any time consents thereto in writing, or if the proposed amendment be not in fact effected.

Subd. 2. **Appraisers.** If, after such a demand by one or more shareholders, the corporation and one or more shareholders cannot agree upon the fair cash value of the shares at the time such amendment was authorized, such value shall be determined in a single proceeding by three disinterested appraisers, one of whom shall be named by the shareholders, another by the corporation, and the third by the two thus chosen. The appraiser named by such shareholders shall, in the event of disagreement among such shareholders, be selected by the holders of a majority of the shares with respect to which payment has been demanded. The determination of a majority of the appraisers in good faith made shall be binding on all demanding shareholders and the corporation, and if the amount so determined is not paid by the corporation within 30 days after it is made, such amount may be recovered in an action by any such demanding shareholder against the corporation. The corporation shall not be required to make payment of such amount except upon transfer to it of the shares for which such payment was demanded and upon surrender of the certificate or certificates evidencing the same.

Subd. 3. **Expenses.** The appraisers' expenses and fees, together with other expenses, not including counsel fees, incurred in the conduct of the arbitration shall be paid by the corporation except that all or any part of such costs and expenses may be apportioned and assessed against any or all of the demanding shareholders if a majority of the appraisers in good faith find that such demanding shareholders refused to

accept an offer to purchase of the corporation and that such refusal was arbitrary or vexatious or otherwise not in good faith.

Subd. 4. **Withdrawal of demand.** Any shareholder making such demand may withdraw the demand at any time prior to the determination of the fair cash value of the shares by filing written notice of such withdrawal in the office of the secretary or president of the corporation.

Subd. 5. **Payment, when not made.** A shareholder shall not be entitled to payment for his shares under the provisions of this section unless the value of the corporate assets which would remain after such payment would be at least equal to the aggregate amount of its debts and liabilities exclusive of stated capital.

[1933 c 300 s 39; 1935 c 212 s 1; 1965 c 504 s 9] (7492-39)

301.41 CONSOLIDATION, MERGER. Subdivision 1. **Manner.** Two or more corporations, except corporations formed for the purpose of carrying on the business of a railroad, may merge into one of the constituent corporations or consolidate into a new corporation, in accordance with the provisions of sections 301.42 to 301.45. The consolidation of corporations formed for the purpose of carrying on the business of a railroad shall continue to be governed by the provisions of sections 222.06 to 222.12.

Subd. 2. **Certain corporations, merger, consolidation.** One or more domestic corporations formed under sections 301.01 to 301.61, or which have accepted and come under those sections, except corporations formed for the purpose of carrying on the business of a railroad, and one or more foreign corporations with authority to carry on any business, other than the business of a railroad, for the conduct of which a corporation might be organized under those sections may be:

(1) Merged into one of such domestic corporations or one of such foreign corporations; or

(2) Consolidated into a new corporation to be formed under sections 301.01 to 301.61 or under the laws of the state or country in which one of such foreign corporations is formed if such foreign corporations are authorized by the laws of the respective states or countries under which they were formed to effect such merger or consolidation. Any such merger or consolidation shall be effected as to such domestic corporations in accordance with and subject to the provisions of sections 301.42 to 301.45. The consolidated or surviving corporation, if a domestic corporation, shall in all respects be subject to the provisions of sections 301.43 to 301.45, and shall have only such powers and authority as a corporation formed under sections 301.01 to 301.61 may have. The consolidated or surviving corporation, if a foreign corporation, shall in all respects be subject to the provisions of sections 301.43 and 301.44 and to section 301.45, subdivisions 1 and 6, and shall agree in the agreement of merger that it may be served with process in this state in any proceeding for enforcement of any obligation of any constituent corporation which is a domestic corporation, as well as for enforcement of any obligation resulting from the provisions of section 301.44, and shall in said agreement of merger irrevocably appoint the secretary of state of this state as its agent to accept service of process in any such suit or other proceeding and shall specify the address to which a copy of such process shall be mailed by the secretary of state, and in any such suit or proceeding of process upon it may be made in any of the manners set forth in section 303.13. Any such merger or consolidation shall be effected as to such foreign corporations in accordance with the applicable laws of the respective states or countries under which they were formed and in accordance with the provisions of section 301.42, subdivisions 1, 3, and 4. The consolidated or surviving corporation shall be subject, as to the rights of dissenting shareholders of each constituent foreign corporation, to the applicable laws of the respective state or country under which such foreign corporation was formed.

[1933 c 300 s 40; 1935 c 117 s 9; 1937 c 150 s 1; 1951 c 98 s 8] (7492-40)

301.42 CONSOLIDATION, MERGER; PROCEDURE. Subdivision 1. **Agreement, contents.** The directors, or a majority of them, or if less than three are authorized, all of the directors, of each of the corporations to be consolidated or merged shall enter into an agreement signed by them, prescribing the terms and conditions of the consolidation or merger, the mode of carrying the same into effect, and stating such other facts as are applicable among those required or permitted by section 301.04 to be stated in articles of incorporation, and the manner and basis of converting the shares of each of the constituent corporations into shares or other securities of the consolidated or surviving corporation (whether into the same or a different num-

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ber of shares of the consolidated or surviving corporation and whether with or without par value), and, if any shares of any of the constituent corporations are not to be converted solely into shares or other securities of the consolidated or surviving corporation, the amount of shares or other securities of any other corporation or cash which the holders of such shares are to receive in exchange for, or upon conversion of and surrender of the certificates evidencing, such shares, which shares or securities of any such other corporation or cash may be in addition to or in lieu of the shares or other securities of the consolidated or surviving corporation, together with such other details and provisions as are deemed necessary or desirable.

Subd. 2. Submission of agreement. The agreement shall be submitted for consideration to the shareholders of record of each corporation at a meeting, notice of the time, place and object of which shall be mailed at least two weeks before the meeting to each shareholder of record, whether entitled to vote or not, at his last post office address, as shown by the records of the secretary of the corporation. At such meeting, or an adjournment thereof, the agreement shall be considered and a vote by ballot taken for the adoption or rejection of the same. If the votes of shareholders of each corporation holding stock in such corporation entitling them to exercise at least two-thirds of the voting power thereof, or such other proportion of the voting power, not less than one-half, as may be prescribed by the articles of incorporation, shall be for the adoption of the agreement, then that fact shall be certified on the agreement by the secretary or assistant secretary of each corporation.

Subd. 3. Signatures. The agreement so adopted and certified shall be signed by the president or vice-president and secretary or assistant secretary of each corporation and acknowledged on behalf of the corporation by such officers.

Subd. 4. Filing. The agreement so adopted, certified and acknowledged shall be filed for record with the secretary of state. If the same conforms to law, he shall, when the fees and charges provided in subdivision 5 have been paid, record the same, and issue a certificate of incorporation or merger, as the case may be. The corporate existence of a consolidated corporation shall begin upon the issuance of the certificate of incorporation, or upon such later date, or date and hour, not more than 31 days after the issuance of the certificate, as may be specified in the agreement of consolidation. A merger shall be effective upon the issuance of the certificate of merger, or upon such later date, or date and hour, not more than 31 days after the issuance of the certificate, as may be specified in the agreement of merger. The certificate of incorporation, or the certificate of merger, and the agreement bearing the endorsement of the fact and time of delivery thereof to the secretary of state, or a copy of such agreement certified by him, shall be filed by the secretary of state for record in the offices of the county recorders of the counties in which the corporate parties to the agreement have their registered offices, for which service there shall be paid to the secretary of state the fees prescribed by section 301.071.

Subd. 5. Fees. Before the secretary of state shall record any agreement of consolidation or merger in cases where the consolidated or surviving corporation is a domestic corporation, there shall be paid to the state treasurer the same fees as are required to be paid on incorporation by a domestic corporation having authorized shares of the same kind and amount as the consolidated or surviving corporation, less the aggregate amount of fees theretofore paid to the state treasurer in respect of the authorized shares of each constituent corporation which is a domestic corporation and less the aggregate amount of license fees theretofore paid to the state treasurer in respect of the issued shares of each constituent corporation which is a foreign corporation qualified to do business in this state.

[1933 c 300 s 41; 1951 c 98 s 9; 1955 c 820 s 26; 1965 c 504 s 10,11; 1969 c 181 s 6,7; 1969 c 391 s 1; 1976 c 181 s 2] (7492-41)

301.421 MERGER WITH SUBSIDIARY. Any domestic corporation owning all of the outstanding stock of one or more domestic or foreign corporations and any foreign corporation owning all the outstanding stock of one or more domestic corporations may merge such wholly owned subsidiary corporation or corporations, if the laws under which the foreign corporation or corporations exist permit a merger as in this section provided, by filing for record with the secretary of state a certificate of ownership in the name of the corporation owning such stock signed and acknowledged on behalf of the corporation by the president or a vice president and the secretary or an assistant secretary. The certificate shall set forth (a) that the corporation owns all the outstanding stock of the merged corporation or corporations, (b) a copy

of a resolution, duly adopted, by its board of directors, to merge such other corporation or corporations and to assume all of their obligations (c) and if the surviving corporation is a foreign corporation, (i) that the surviving corporation may be served with process in this state in any proceeding for enforcement of any obligation of any constituent corporation which is a domestic corporation, (ii) that the secretary of state is irrevocably appointed as the agent of the surviving corporation to accept service of process in any such suit or other proceeding, and (iii) the address to which a copy of such process shall be mailed by the secretary of state. In any such suit or proceeding, service upon the surviving corporation may be made in any one of the manners set forth in section 303.13. If the certificate conforms to law, the secretary of state shall, when the fees have been paid, record the same and issue a certificate of merger. The merger shall be effective upon the issuance of the certificate of merger or upon such later date, or date and hour, as is specified in the resolution, which date may not be more than 31 days after the date on which the certificate of ownership was filed in the office of the secretary of state.

[1969 c 181 s 9]

301.43 EFFECT OF CONSOLIDATION OR MERGER. Upon the effective date of the consolidation or merger, as provided by sections 301.42 or 301.421:

(1) The separate existence of the constituent corporations, or of all except the one into which the constituent corporations have merged, as the case may be, shall cease, unless the agreement of consolidation or merger expressly provides for the continuance of the corporate existence and identity of one or more of the constituent corporations, in which case the corporate existence and identity thereof shall continue in the consolidated or surviving corporation, as the case may be;

(2) All the property, assets, rights, privileges, powers, franchises and immunities of each of the constituent corporations so consolidated or merged shall vest in the consolidated or surviving corporation, as the case may be;

(3) All debts, liabilities and obligations of the constituent corporations shall become the debts, liabilities and obligations of the consolidated or surviving corporation, as the case may be.

[1933 c 300 s 42; 1969 c 181 s 8] (7492-42)

301.44 DISSENTING SHAREHOLDERS; RIGHTS. Subdivision 1. **Demand for payment.** If a domestic corporation has given notice to shareholders of a proposal to merge into or consolidate with any other corporation or corporations, a shareholder may, at any time prior to the date of the meeting at which such proposed merger or consolidation is to be voted upon, file a written objection to such merger or consolidation in the office of the secretary or president of the corporation and demand payment for his shares and have the fair cash value thereof determined as provided in section 301.40, the relevant provisions of which section shall be in all respects applicable; provided, that such demand shall be of no force and effect if such shareholder votes in favor of the merger or consolidation, or at any time consents thereto in writing, or if the proposed merger or consolidation be not in fact effected. The liability of such corporation to such dissenting shareholder for the fair cash value of the shares so agreed upon or awarded shall also be a liability of the consolidated or surviving corporation, as the case may be.

Subd. 2. **Failure to object deemed assent.** Those shareholders of the constituent corporations who do not object in writing and demand payment for their shares pursuant to the provisions of subdivision 1 shall be deemed to have assented to the consolidation or merger, as the case may be, on the terms specified in the agreement of the consolidation or merger.

[1933 c 300 s 43; 1951 c 98 s 10] (7492-43)

301.45 ADDITIONAL PROVISIONS RELATING TO CONSOLIDATION OR MERGER. Subdivision 1. **Liabilities not affected.** The liabilities of the constituent corporations or of their shareholders, directors, or officers, shall not be affected nor shall the rights of creditors or of any persons dealing with such corporations be impaired by the consolidation or merger, and any claim existing or action or proceeding pending by or against any of such constituent corporations may be prosecuted to judgment as if such consolidation or merger had not taken place, or the consolidated or surviving corporation may be proceeded against or substituted in its place.

Subd. 2. **Stated capital, amount.** The stated capital of a consolidated or surviving corporation at the time it begins business shall be at least equal to the aggregate par value of the shares having par value to be distributed pursuant to the agreement of consolidation or merger, plus the amount of the stated capital designated by such agreement in respect of shares without par value to be so distributed. If any shares without par value to be so distributed shall be entitled to a preference upon liquidation, the amount of stated capital in respect of such shares shall not be less than the aggregate amount to which such shares would be entitled upon involuntary liquidation in preference to shares of another class or classes, without the prior affirmative vote or written consent of a majority in interest of all persons to whom such shares are to be distributed.

Subd. 3. **Surplus, when not distributed.** If, in connection with a consolidation or merger, there be a reduction of the aggregate stated capital of the constituent corporations, no part of any surplus thereby created shall be distributed to the shareholders of the consolidated or surviving corporation unless the fair value of the assets of the consolidated or surviving corporation remaining after such distribution at least equals the aggregate of its liabilities and its stated capital.

Subd. 4. **Shares of stock distributed.** No distribution other than of shares of stock of the consolidated or surviving corporation shall be made to the shareholders of the constituent corporations, or any of them, unless after such distribution the fair value of the assets of such consolidation or surviving corporation shall at least equal the sum of its liabilities and its stated capital.

Subd. 5. **Liability.** If any distribution is made in violation of subdivisions 3 or 4, the directors and shareholders shall be liable to the corporation to the extent, in the manner, and subject to the conditions and limitations stated in section 301.23.

Subd. 6. **Continuance of authority.** When a conveyance, assignment, transfer, or any act, deed, or instrument is necessary or appropriate to evidence the vesting of property or rights in the consolidated or surviving corporation, the officers of the respective constituent corporations shall execute, acknowledge, and deliver such deeds or instruments and do such acts as may be necessary or appropriate in the premises. For such purposes the existence, capacity, and authority of the constituent corporations and their respective officers and directors shall be deemed to be continued, notwithstanding such consolidation or merger.

[1933 c 300 s 44] (7492-44)

301.46 PROCEEDINGS FOR DISSOLUTION. A corporation may be wound up and dissolved either voluntarily or involuntarily. If the proceedings are voluntary, they may be conducted either out of court or subject to the supervision of the court. If involuntary, they shall be subject to the supervision of the court.

[1933 c 300 s 45] (7492-45)

301.47 VOLUNTARY PROCEEDINGS FOR DISSOLUTION. Subdivision 1. Voluntary proceedings for dissolution may be instituted whenever a resolution therefor is adopted by the holders of at least two-thirds of the voting power of all shareholders at a shareholders' meeting duly called for that purpose.

Subd. 2. The resolution may provide that the affairs of the corporation shall be wound up out of court, in which case the resolution shall designate a trustee or trustees, one of whom shall be a resident of the state of Minnesota, to conduct the winding up, and may provide a method for filling vacancies in the office of the trustee; but such appointment shall not be operative until a certificate, setting forth the resolution and the manner of adoption thereof, signed and acknowledged by the president or vice-president and by the secretary or assistant secretary, shall be filed for record with the secretary of state, and thereupon the trustee or trustees shall be vested by operation of law with the title to all assets of the corporation.

Subd. 3. If a vacancy occurs in the office of trustee, it may be filled by resolution adopted by the holders of a majority of the voting power represented at a meeting of shareholders. Such meeting may be called by the remaining trustee or trustees, if any, and if none, then in the manner provided in section 301.25, subdivision 3.

Subd. 4. Unless the resolution to dissolve otherwise provides, the trustee or trustees may be removed, with or without cause, by the holders of a majority of the voting power of the shareholders at a meeting called for that purpose.

Subd. 5. The resolution to dissolve may provide that the affairs of the corporation shall be wound up under the supervision of the court, in which case the resolution shall authorize certain directors or shareholders to sign and present a petition to the court praying that the corporation be wound up and dissolved under the supervision of the court.

Subd. 6. Where a corporation is being wound up and dissolved out of court, the trustee, or if there be more than one, then a majority of the trustees, may by petition apply to the court for a receiver and to have the proceedings continued under the supervision of the court, and thereafter the proceedings shall continue as if originally instituted subject to the supervision of the court.

[1933 c 300 s 46; 1949 c 286 s 1; 1951 c 98 s 11] (7492-46)

301.48 WINDING UP OUT OF COURT. Subdivision 1. **Duties of trustee.** Except as otherwise provided in the resolution for dissolution, the trustee or trustees appointed by the shareholders to conduct a winding up out of court shall, as speedily as practicable after his or their appointment has become operative, as provided in section 301.47, proceed:

- (1) To collect all sums due or owing to the corporation;
- (2) To sell and convert into cash all corporate assets;
- (3) To collect any amounts remaining unpaid on subscriptions to shares; and
- (4) To pay all debts and liabilities of the corporation according to their respective priorities.

Subd. 2. **Property distributed.** Any property remaining after discharging the debts and liabilities of the corporation shall be distributed by the trustee or trustees to the shareholders according to their respective rights and preferences.

Subd. 3. **Reorganization permitted.** Nothing in this section shall interfere with a reorganization pursuant to the provisions of section 301.55.

[1933 c 300 s 47] (7492-47)

301.481 [Renumbered 308.341]

301.49 GROUNDS FOR INVOLUNTARY DISSOLUTION. A corporation may be dissolved by involuntary proceedings in the discretion of the court when it is made to appear:

- (1) That the corporate assets are insufficient to pay when due all just demands for which the corporation is liable; or
- (2) That the objects of the corporation have wholly failed or are entirely abandoned or their accomplishment is impracticable; or
- (3) That the directors or those in control of the corporation have been guilty of fraud or mismanagement, or of abuse of authority, or of persistent unfairness toward minority shareholders; or
- (4) That there is internal dissension and that two or more factions of the shareholders in the corporation are so deadlocked that its business cannot longer be conducted with advantage to its shareholders; or
- (5) That the period for which the corporation was formed has terminated without extension.

[1933 c 300 s 48] (7492-48)

301.50 WHO MAY INSTITUTE INVOLUNTARY PROCEEDINGS. A petition for involuntary dissolution of a corporation may be filed by:

- (1) A shareholder; or
- (2) A judgment creditor after return unsatisfied of an execution on his judgment.

The commencement of a proceeding for dissolution out of court shall not affect the right of any qualified person to petition for involuntary proceedings for dissolution.

[1933 c 300 s 49] (7492-49)

301.51 APPOINTMENT OF RECEIVERS. Upon the filing of a petition by a corporation for voluntary liquidation, or by the trustee or trustees, as authorized in section 301.47, subdivision 6, the court may appoint a liquidating receiver or receivers.

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Upon the filing of a petition for involuntary dissolution, the court shall fix a time and place for hearing thereon and order such notice thereof to be given as it may deem proper. At the time and place so fixed the court shall hear the evidence of all parties interested and, if any ground specified in the complaint is sustained, may, in its discretion, appoint a liquidating receiver or receivers.

Upon the filing of any such petition, the court shall have the ordinary powers of a court of equity to appoint a temporary receiver or receivers.

[1933 c 300 s 50] (7492-50)

301.511 ACTIVE STATUS REPORT. Subdivision 1. Every domestic corporation which has been issued a certificate of incorporation before July 1, 1979 shall file once with the secretary of state, between July 1, 1979 and June 30, 1982, an active status report. Once the report has been filed by a corporation and accepted by the secretary of state, no further notices need be mailed to, nor further reports required of, the corporation pursuant to this section. The report shall set forth:

- (a) The name of the corporation;
- (b) The address of its registered office in this state;
- (c) The address of its principal office or business headquarters in this state; and
- (d) The names and addresses of the corporation's current president and secretary, or if the corporation is in the hands of a receiver or trustee, the name and address of the receiver or trustee.

The report shall be made on a form prescribed by the secretary of state, and the information contained therein shall be given as of the date of the execution of the report. The report shall be signed by an officer of the corporation on its behalf or, if the corporation is in the hands of a trustee or receiver, by the trustee or receiver.

Subd. 2. Each report filed with and accepted by the secretary of state and accompanied by a filing fee in the amount prescribed in section 301.071, subdivision 2, clause (l), shall be deemed complete. The reports shall be maintained in the office of the secretary of state and shall be available for public inspection at regular business hours.

Subd. 3. The secretary of state shall mail to the registered office of the corporation notice of the rejection or acceptance of the active status report within ten days of receipt of the report. If the secretary of state rejects the report, he shall specify the reasons for the rejection.

Notification of acceptance of the status report shall constitute certification of the corporation's right to the continued exclusive use of the corporate name.

Subd. 4. After June 30, 1982, if a domestic corporation has failed to file the report and pay the fee required by this section, the corporation loses its right to the exclusive use of its corporate name. The corporation may reacquire this right by filing the report and paying the fee required by this section, unless the name has been adopted by another corporation, or a person, an unincorporated association, or a foreign corporation has signified its intent to procure incorporation or to do business as a foreign corporation in this state under the name in accordance with section 301.05, subdivisions 3 or 4. A corporation which is unable to reacquire the exclusive use of its corporate name shall adopt a new corporate name which complies with the provisions of section 301.05.

[1978 c 712 s 1]

301.52 TRUSTEES, RECEIVERS; DUTIES, POWERS. The receiver or receivers appointed as provided in section 301.51 shall, after giving such bond as the court may require for the faithful performance of his or their duties, be vested by operation of law with the title to all assets of the corporation and shall proceed with the liquidation of the affairs of the corporation in such manner as the court shall direct.

Trustees or receivers in dissolution proceedings shall have full authority to enforce, within or without the state, any and all causes of action which the creditors or shareholders or any class thereof may have against officers, directors, shareholders, or any one else, and to enforce, defend, compromise, compound, and settle claims in favor of or against the corporation upon such terms as they shall deem best; but if the proceeding is subject to the supervision of the court, no such compromise, composition, or settlement shall be valid unless approved by the court.

Such trustees or receivers may call meetings of the shareholders in the manner the directors might have done, or, if the proceeding is subject to the supervision of the court, in such manner as the court may direct.

[1933 c 300 s 51; 1951 c 98 s 12] (7492-51)

301.53 EFFECT OF DISSOLUTION PROCEEDINGS. Upon the adoption of a resolution for dissolution, or upon a finding by the court of the existence of grounds for involuntary dissolution, the authority and duties of the directors and officers of the corporation shall cease, except in so far as may be necessary to preserve the corporate assets, or in so far as they may be continued by the trustee or receiver, or as may be necessary for the calling of meetings of the shareholders.

[1933 c 300 s 52] (7492-52)

301.54 CLAIMS AGAINST CORPORATIONS IN DISSOLUTION SUBJECT TO COURT SUPERVISION. Subdivision 1. **Order limiting time for filing claim.** In a proceeding for dissolution subject to court supervision, the court shall make an order limiting the time for creditors to present claims against the corporation, and fixing the time and place of hearing thereon.

Subd. 2. **Allowance of claim.** The time so limited shall not be more than one year, nor less than six months, unless it shall appear by affidavit that there are no claims, in which case the limitation may be three months. For cause shown, and upon notice to the receiver or receivers, the court in its discretion may receive, hear and allow a claim filed within 18 months after the day on which the order to present claims was entered if an order of dissolution shall not have been entered before such claim is filed.

Subd. 3. **Publication of notice.** Three weeks' published notice of such order to present claims shall be given, and a copy thereof shall be mailed to each creditor shown by the books of the corporation or known to the receiver, at the address of such creditor appearing on such books or known to the receiver.

Subd. 4. **Failure to present claims.** All claims, whether due, not due, or contingent, which are not presented within the time fixed by the court, shall be forever barred from participation in any assets of such corporation at any time in the possession or under the control of the receiver or receivers, whether or not distributed to creditors or shareholders; provided, that contingent claims which do not become absolute and capable of liquidation before the order of dissolution, need not be so presented or allowed.

Subd. 5. **Claims itemized.** Claims presented shall be itemized and show the security, if any, held therefor, and be verified by an affidavit of the claimant or his agent or attorney showing the balance due, that no payments have been made thereon that are not credited, and that there are no offsets thereto known to the affiant.

Subd. 6. **Counterclaims.** Any claim may be pleaded as an offset or counterclaim in any action brought against the claimant by the receiver or receivers, except in an action for the balance due upon a subscription for or contract to purchase shares.

Subd. 7. **Contingent claims.** If a claim presented be contingent or not due, the particulars thereof shall be stated. If contingent claims are presented, the court may require such provision to be made as it may deem adequate for payment thereof, if and when due, and no distribution to shareholders shall be made until such order shall have been made and complied with.

[1933 c 300 s 53] (7492-53)

301.55 COMPROMISE ARRANGEMENTS; REORGANIZATION; APPROVAL AND EFFECT. Subdivision 1. **Meetings.** When a compromise or arrangement is proposed between a corporation and its creditors or any class of them, or between the corporation and its shareholders or any class of them, or between the corporation and both creditors and shareholders or any class or classes of them, the court may, upon the application of the corporation or of a liquidating trustee or receiver thereof, order a meeting of the creditors or class of creditors, or of the shareholders or class of shareholders, as the case may be, to be called in such manner as the court may direct.

Subd. 2. **Approval.** If the majority in number representing three-fourths in value of the creditors or class of creditors, or if the shareholders or class of shareholders holding three-fourths of the voting power of all shareholders or of the class of shareholders, as the case may be, agree to any compromise or arrangement or to a reorga-

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nization of the corporation as a consequence of such compromise or arrangement, the said compromise or arrangement and the said reorganization shall, if sanctioned by the court, be binding on all the creditors or class of creditors, and on all the shareholders or class of shareholders, as the case may be, and also on the corporation and its liquidating trustee or receiver, if any.

Subd. 3. **Exemption.** If the articles of incorporation so provide, the corporation shall not be subject to the provisions of this section.

[1933 c 300 s 54] (7492-54)

301.56 ORDER OR CERTIFICATE OF DISSOLUTION; FILING; OMITTED ASSETS. When a corporation has been completely wound up, the court, if the proceeding is subject to the supervision of the court, shall make an order adjudging the corporation to be dissolved; and if the proceeding is out of court, the trustee or trustees shall sign and acknowledge a certificate stating that the corporation has been completely wound up and is dissolved.

The order or certificate of dissolution shall be filed for record with the secretary of state and thereupon the corporate existence shall terminate.

The title to any assets omitted from the winding up shall vest in the trustee or trustees, or receiver or receivers, for the benefit of the persons entitled thereto and shall be administered and distributed accordingly.

[1933 c 300 s 55] (7492-55)

301.563 [Repealed, 1951 c 550 s 78]

301.57 ACTION TO TERMINATE CORPORATE EXISTENCE. Subdivision 1. **Grounds.** When the public interest may require, the attorney general may bring an action against a corporation to terminate its corporate existence, upon the ground that:

(1) The corporate franchise was procured through fraud practiced upon the state;

or

(2) The corporation should not have been formed under sections 301.01 to 301.61; or

(3) The corporation was formed without a substantial compliance with the conditions prescribed by sections 301.01 to 301.61 as precedent or essential to incorporation; or

(4) The corporation has offended against any provision of the statutes regulating corporations or has abused or usurped corporate privileges or powers; or

(5) The corporation has knowingly and persistently violated any provision of law; or

(6) The corporation has done or omitted any act which amounts to a surrender of its corporate franchise, has failed to exercise or has discontinued its corporate privileges, or has abandoned the corporate enterprise.

Subd. 2. **Correction.** If the ground for the action is an act which the corporation has done or omitted to do, and correction can be made by amendment to its articles, or otherwise, then such action shall not be instituted unless the attorney general shall give the corporation written notice of the act done or omitted to be done, and the corporation shall fail to institute proceedings to correct the same within 30 days thereafter.

Subd. 3. **Receiver.** If the court adjudges that the existence of the corporation be terminated, it may appoint a receiver of the corporation's property and make distribution thereof among its creditors and shareholders. The attorney general shall cause a copy of the judgment terminating the corporate existence to be filed for record with the secretary of state and in the office of the county recorder of the county in which the registered office of the corporation was located.

[1933 c 300 s 56; 1976 c 181 s 2] (7492-56)

301.58 MONOPOLIES AND RESTRAINT OF TRADE. Nothing in sections 301.01 to 301.61 shall be construed to authorize a corporation to do any act in violation of the common law or the statutes of this state or of the United States with respect to monopolies and illegal restraint of trade.

[1933 c 300 s 57] (7492-57)

301.59 RESERVATION OF RIGHT TO ALTER, AMEND OR REPEAL. The state hereby fully reserves the right to alter, amend or repeal the several provisions of sections 301.01 to 301.61 and all corporations formed or coming under these sections are subject to such reserved right.

[1933 c 300 s 60] (7492-60)

301.60 APPLICATION TO EXISTING CORPORATIONS; ELECTION NOT UNDER PROVISIONS; ACCEPTANCE WITHOUT ELECTION. Subdivision 1. **Application.** Sections 301.01 to 301.61 shall not apply to corporations in existence at the time Laws 1933, Chapter 300, takes effect; but every such corporation formed under the laws of Minnesota, if formed for a purpose or purposes for which a corporation might be formed under these sections, may accept and come thereunder, and every such corporation shall be conclusively presumed to have accepted and come thereunder unless, within the year after Laws 1933, Chapter 300, takes effect, the corporation shall signify its election not to accept or be bound by the provisions thereof.

Subd. 2. **Election not to accept provisions.** Such election shall be effective only if made by resolution of the stockholders adopted by a majority vote of all stockholders then entitled to vote and voting at an annual meeting or at a special meeting duly called for that purpose, and, if a copy of the resolution, certified by the president or vice-president, and the secretary or assistant secretary, shall be filed with the secretary of state and if a copy thereof, duly certified by the secretary of state, shall be filed for record in the office of the county recorder of the county in which the corporation's principal place of business is located, together with the payment of the fees prescribed by Laws 1955, Chapter 820, to the secretary of state within the one-year period provided in subdivision 1.

Subd. 3. **Resolution.** Whether or not a corporation eligible to accept the provisions of sections 301.01 to 301.61 has elected not to accept, under subdivision 2 it may, at any time, accept and come under the provisions of these sections by resolution adopted, certified, and filed with the payment of fees, in the same manner as provided in subdivision 2 for election not to accept.

Subd. 4. **Resolutions; filing, recordation.** The secretary of state, upon receiving payment of the fees prescribed by Laws 1955, Chapter 820, shall record each resolution of acceptance whenever filed, if the same conforms to the requirements of this section.

Subd. 5. **Acceptance.** Upon acceptance of the provisions of sections 301.01 to 301.61, whether by resolution as provided in subdivision 3, or by failure within the one-year period to elect not to accept, all provisions of these sections shall apply to all accepting corporations as fully as though such corporations had been formed hereunder, except as hereinafter in this section otherwise provided.

Subd. 6. **Principal place of business.** The principal place of business of the accepting corporation shall become its registered office. If its certificate of incorporation or any amendment thereof does not contain a statement of the location and post office address of such principal place of business, the accepting corporation shall, upon coming under sections 301.01 to 301.61, file for record with the secretary of state a certificate stating the location and post office address of its registered office.

Subd. 7. **Stated capital.** The stated capital of the accepting corporation shall be a sum equal to the aggregate of the following amounts:

(1) The aggregate par value of all shares having par value outstanding at the time it comes under sections 301.01 to 301.61;

(2) The aggregate consideration received by the corporation for all shares without par value issued by it prior to the time it comes under said sections, less such part of such consideration as has been received as paid-in surplus, and less the aggregate purchase price of all its shares without par value repurchased by the corporation prior to the time said sections become effective.

Subd. 8. **Surplus.** The surplus of the accepting corporation, at the time it comes under sections 301.01 to 301.61, shall be determined as provided by section 301.22, subdivision 1, but the whole of such surplus shall be deemed earned surplus.

Subd. 9. **Duration.** The duration of the accepting corporation shall not be in any wise altered by its coming under sections 301.01 to 301.61. Any extension of its duration for a further definite time or perpetually shall be effected in the same manner as provided in section 301.37 for a corporation formed under this chapter. A shareholder

who did not vote in favor of, or consent in writing to, such amendment, whether entitled to vote thereon or not, shall have the rights and remedies provided by section 301.40. The provisions of section 301.37, subdivision 4, shall apply to amendments under this subdivision.

Subd. 10. What provisions of articles remain in force. All provisions of the certificate of incorporation of an accepting corporation which might lawfully be included in articles of incorporation under the provisions of sections 301.01 to 301.61 shall remain in full force, notwithstanding such provisions would not be required by those sections to be included in articles of incorporation. Any provision of the certificate of incorporation which might not lawfully be included in articles of incorporation under those sections shall, when the corporation comes thereunder, cease to be effective for any purpose.

[1933 c 300 s 61; 1935 c 117 s 10,11; Ex1936 c 53 s 1; 1955 c 820 s 27,28; 1965 c 504 s 12; 1976 c 181 s 2] (7492-61)

301.61 LAWS NOT TO APPLY TO CORPORATIONS FORMED OR COMING UNDER SECTIONS 301.01 TO 301.61. The provisions of sections 300.12, 300.14 to 300.24, 300.26 to 300.35, 300.37 to 300.45, 300.52 to 300.55, 300.57, 300.58, 300.60, 300.62, 300.64, 300.65, 222.19, 222.23, 316.07 to 316.09, 316.11, and 316.14 to 316.23 shall not apply to corporations formed under sections 301.01 to 301.61; nor shall they apply to any existing corporation after it comes under these sections in accordance with the provisions of section 301.60.

[1933 c 300 s 62; 1935 c 117 s 12] (7492-62)

301.62 CORPORATIONS TO BE BOUND. Every corporation formed for business purposes prior to the passage of sections 301.01 to 301.61, which did not file an acceptance of the terms of these sections nor a refusal to accept or be bound by the provisions thereof prior to one year after the passage thereof and which shall not since April 18, 1934, have amended its articles of incorporation so as to extend the period of its duration, may file a refusal to accept or be bound by the provisions of these sections at any time prior to May 1, 1935, with the same effect as if the refusal had been filed prior to one year after the passage of these sections; provided, that any such corporation which shall not file its refusal to accept or be bound by the provisions of these sections on or prior to May 1, 1935, shall be conclusively presumed to be and to have been bound by the provisions of these sections at all times after one year from the passage of these sections, and all acts and proceedings of any such corporation taken or had under the provisions of these sections from and after the period of one year after the passage thereof shall be and the same are hereby declared legal and valid.

[1935 c 44 s 1] (7492-61a)

301.63 WHO MAY COME UNDER SECTIONS 301.01 TO 301.61. Any corporation organized under or possessing a charter granted by a special act or acts of the legislature of the state or territory of Minnesota, which accepts and comes under sections 301.01 to 301.61, shall be and remain subject to and shall not thereafter by amendment become divested of the duties, obligations, and liabilities to the state or public imposed by such special act or acts or by the charter so possessed which would not be imposed on it if organized under these sections, but such corporation by accepting and coming under these sections shall thereby forfeit and surrender all rights, privileges, immunities, and franchises which it may have by reason of such special act or acts or by the charter so possessed, to the extent that such rights, privileges, immunities, and franchises could not be possessed by a corporation organized under these sections; provided, that nothing contained in this section shall be construed so as to deny to a corporation organized under or possessing a charter granted by such special act or acts which accepts and comes under these sections any right, privilege, or power possessed by a corporation organized under these sections.

[1935 c 117 s 13] (7492-65)

301.64 REORGANIZATION OF DISSOLVED CORPORATIONS. The creditors, stockholders, or both, of any Minnesota corporation organized and existing in this state prior to the passage of sections 301.01 to 301.61, which corporations were ordered dissolved by any district court of this state prior to the passage of these sections, and were in the hands of a receiver at the time of the passage thereof, are

hereby authorized to reorganize under and pursuant to section 301.55.

[*Ex1936 c 84 s 1*] (7492-69g)

301.65 LIMITATION OF ACTION TO QUESTION VALIDITY OF REORGANIZATION. Any corporations which have complied with section 301.64 shall be deemed to have met the requirements of section 301.55, and no action shall be maintained against any such corporations upon the claim of a failure to comply therewith unless such action be brought within 30 days after the time for appeal from the order of reorganization has expired.

[*Ex1936 c 84 s 3*] (7492-69i)

301.66 RENEWAL OF CORPORATIONS HAVING WORD "TRUST" IN NAME. Any corporation heretofore organized under Revised Laws 1905, Chapter 58, and amendments thereto, whose corporate name, at the time of incorporation, included the word "trust" in combination with other words, and which has continued to do business in this state under such corporate name for a period of at least 25 years since its incorporation, and whose period of duration has not expired at the time of the passage of Extra Session Laws 1936, Chapter 97, and which has accepted and come under, or shall hereafter accept and come under, the provisions of sections 301.01 to 301.61, may renew its corporate existence with the same corporate name from the date of the expiration of its period of duration for an additional period not exceeding 30 years from and after the time of its expired period of duration, by taking the same proceedings and by paying into the state treasury the same incorporation fees as now provided by law for the renewal of the corporate existence of such corporations in cases where such renewal is made before the end of its period of duration.

[*Ex1936 c 97 s 1*] (7492-69l)

301.67 CORPORATIONS WHOSE CHARTERS HAVE BEEN FORFEITED. Section 301.66 shall not apply to any corporation the charter of which has been declared forfeited by the final judgment of any court of competent jurisdiction of this state, nor to any corporation as to which there is pending any action or proceeding in any of the courts of this state for the forfeiture of its charter, nor shall section 301.66 affect any action or proceeding now pending in any of the courts of this state in relation to any corporation described in section 301.66.

[*Ex1936 c 97 s 2*] (7492-69m)

DEVELOPMENT CORPORATIONS

301.71 DEVELOPMENT CORPORATIONS. Subdivision 1. Any three or more natural persons who are residents of this state may form a development corporation by complying with the conditions prescribed in sections 301.71 to 301.84.

Subd. 2. They subscribe and acknowledge a certificate specifying:

(1) The name, the general nature of its business, and the principal place of transacting its business. The name shall distinguish the corporation from all other corporations authorized to do business in the state, and shall contain the words "Development Corporation".

(2) The period of its duration, which may be limited or perpetual.

(3) The name and residence of each incorporator.

(4) The names and addresses of those composing this board until the first election.

(5) The highest amount of indebtedness or liability to which the corporation shall be subject.

Subd. 3. The certificate may contain any other lawful provision defining and regulating the powers and business of the corporation, its officers, directors, members, and stockholders.

[*1957 c 896 s 1; 1967 c 619 s 1*]

301.72 PURPOSES. The purpose of the corporation is to assist, encourage and through the cooperative efforts of the institutions and corporations which, from time to time become members thereof, develop and advance the business prosperity and economic welfare of this state; to encourage and assist in the location of new business and industry in this state and to rehabilitate existing business and industry; to stimulate and assist in the expansion of all kinds of business activity which will tend to pro-

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mote the business development and maintain the economic stability of this state, and provide maximum opportunities for employment; to cooperate and act in conjunction with other organizations, public or private, the objects of which are the promotion and advancement of industrial, commercial, agricultural and recreational developments in this state; and to furnish money and credit to approved and deserving applicants, for the promotion, development and conduct of all kinds of business activity in this state, thereby establishing a source of credit not otherwise readily available therefor.

[1957 c 896 s 2]

301.73 CERTIFICATE. The certificate of the corporation shall be filed for record with the secretary of state. If he finds that the certificate conforms to law, has endorsed thereon the approval of the commissioner of banks, and that the required fee has been paid, the secretary of state shall record the same and certify that fact thereon. After such recordation the certificate shall be filed for record with the county recorder of the county of the principal place of business, as specified in the certificate.

[1957 c 896 s 3; 1976 c 181 s 2]

301.74 PUBLICATION OF CERTIFICATE. Every such certificate of incorporation shall be published in a qualified newspaper in the county of such principal place of business for two successive days in a daily, or for two successive weeks in a weekly, newspaper. Upon filing with the secretary of state proof of such publication, its corporate organization shall be complete.

[1957 c 896 s 4]

301.75 ADDITIONAL POWERS. In addition to the powers enumerated in section 300.08, subdivision 1, the corporation may:

(a) Borrow money and otherwise incur indebtedness for any of the purposes of the corporation; to issue its bonds, debentures, notes or other evidences of indebtedness, whether secured or unsecured, therefore and to secure the same by mortgage, pledge, deed or trust or other lien on its property, franchises, rights and privileges of every kind and nature or any part thereof.

(b) Lend money to, and to guarantee, endorse, or act as surety on the bonds, notes, contracts or other obligations of, or otherwise assist financially, any person, firm, corporation or association, and to establish and regulate the terms and conditions with respect to any such loans or financial assistance and the charges for interest and service connected therewith.

(c) Purchase, receive, hold, lease, or otherwise acquire, and to sell, convey, mortgage, lease, pledge, or otherwise dispose of, upon such terms and conditions as the board of directors may deem advisable, real and personal property, together with such rights and privileges as may be incidental and appurtenant thereto and the use thereof, including, but not restricted to, any real or personal property acquired by the corporation from time to time in the satisfaction of debts or enforcement of obligations.

(d) Acquire, by purchase or otherwise, the good will, business, rights, real and personal property and other assets, or any part thereof, of such persons, firms, corporations, joint stock companies, associations or trusts as may be in furtherance of the corporate purposes provided herein, and to assume, undertake, guarantee or pay the obligations, debts and liabilities of any such person, firm, corporation, joint stock company, association or trust; to acquire improved or unimproved real estate for the purpose of constructing industrial plants or other business establishments thereon or for the purpose of disposing of such real estate to others for the construction of industrial plants or other business establishments, and, in furtherance of the corporate purposes provided herein, to acquire, construct or reconstruct, alter, repair, maintain, operate, sell, lease, or otherwise dispose of industrial plants or business establishments.

(e) Acquire, subscribe for, own, hold, sell, assign, transfer, mortgage, pledge or otherwise dispose of the stock, shares, bonds, debentures, notes or other securities and evidences of interest in, or indebtedness of, any person, firm, corporation, joint stock company, association or trust, and, while the owner or holder thereof, to exercise all the rights, powers and privileges of ownership, including the right to vote thereon.

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(f) Cooperate with and avail itself of the facilities of the Department of Economic Development and any similar governmental agencies; and to cooperate with and assist, and otherwise encourage, local organizations in the various communities of the state the purpose of which shall be the promotion, assistance, and development of the business prosperity and economic welfare of such communities and of this state.

[1957 c 896 s 5; 1967 c 299 s 9]

301.76 CAPITAL STOCK. The capital stock of the corporation shall be 20,000 shares of no par value, which shall be issued for \$50 per share in cash. At least 25 percent of the capital stock shall be paid into the treasury of the corporation in cash before the corporation may transact any business other than such as relates to its organization.

[1957 c 896 s 6]

301.77 DIRECTORS. Subdivision 1. All the corporate powers of the corporation shall be exercised by a board of not less than eight elected directors (but the number of elected directors shall always be an even number) who shall be residents of Minnesota and, except in the case of the first board, representative of the various sections of the state as determined in the bylaws. The commissioner of the department of economic development shall be, ex officio, a director with all the authority but without the liability as such, except for gross negligence or wilful misconduct. The number of directors and their term of office shall be determined in the bylaws. If any vacancy occurs in the board of directors through death, resignation, or otherwise, the remaining directors may elect a person to fill the vacancy until the next annual meeting of the corporation.

Subd. 2. The first board of directors shall adopt bylaws, which remain effective until amended or repealed by action of a subsequent board.

Subd. 3. The first annual meeting shall be held at a date to be fixed by the board of directors as soon as reasonably possible after a minimum of 25 percent of the capital stock of the corporation shall have been paid into its treasury. The annual meeting shall be called in the manner provided by the bylaws. At the first annual meeting, and at each annual meeting thereafter, a majority of the elected directors shall be elected by a vote of the nonstockholder members of the corporation hereinafter provided for, and the remaining elected directors shall be elected by a vote of the stockholder members. The stockholder members shall have one vote for each share of stock. The nonstockholder members shall each have one vote, and each nonstockholder member having a loan limit as herein defined of more than \$10,000 shall have one additional vote in such election.

[1957 c 896 s 7; 1976 c 2 s 122]

301.78 NONSTOCKHOLDER MEMBERS. The nonstockholder members of the corporation shall consist of such national or state banks, savings banks, saving and loan associations, trust companies, stock or mutual insurance companies and other financial institutions as may make application for membership in said corporation, and membership shall become effective upon the acceptance of such application by the board of directors. Each such member of the corporation shall lend money to the corporation as and when called upon by it to do so on such terms and other conditions as shall be approved from time to time by a majority of the directors. The total amount of loans by any member at any one time shall not exceed the following limit, to be determined as of the time such member becomes a member (on the basis of the balance sheet of such member at the close of its preceding fiscal year, certified by its proper officers): two and one-half percent of the capital and surplus of commercial banks and trust companies; two and one-half percent of one-half of the total surplus accounts of savings banks; two and one-half percent of the guaranty funds, surplus and undivided profits of savings and loan associations and two and one-half percent of the capital and surplus of stock insurance companies; two and one-half percent of the guaranty funds or of the surplus, whichever is applicable, of mutual insurance companies and comparable limits approved by the board of directors of the corporation for other banking, financing and insurance companies and related corporations, partnerships,

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foundations, and other institutions. All loan limits shall be established at the thousand dollar amount nearest to the amount computed in accordance with the aforesaid percentages. All calls of funds which nonstockholder members are committed to lend to the corporation shall be prorated by the corporation among the nonstockholder members in the same proportion that the individual lines of credit bear to the aggregate lines of credit. Upon 60 days written notice, a member of the corporation may withdraw from membership in the corporation at the expiration date of such notice, and after said expiration date shall be free of obligations hereunder except those accrued prior to said expiration date.

[1957 c 896 s 8]

301.79 EARNED SURPLUS. The corporation shall set apart as an earned surplus all of its net earnings in each and every year until such earned surplus shall equal the total of the paid-in capital. Said earned surplus shall be held in cash or invested in United States Government bonds, and shall be kept and used to meet losses and contingencies of the corporation. Whenever the amount of the earned surplus becomes impaired, it shall be restored to the required amount in the manner provided for its original accumulation.

[1957 c 896 s 9]

301.80 LIMITATIONS ON OBLIGATIONS. At no time shall the total obligations of the corporation exceed ten times the amount of the paid-in capital and surplus, not including earned surplus.

[1957 c 896 s 10]

301.81 DEPOSIT OF FUNDS. The corporation shall not deposit any of its funds in any banking institution unless such institution has been designated as a depository by a vote of a majority of the directors, exclusive of any director who is an officer or director of the depository so designated. The corporation shall not receive money on deposit. No loans shall be made directly or indirectly to any officer of the corporation or to any firm of which such officer is a member, or officer.

[1957 c 896 s 11]

301.82 SUPERVISION AND EXAMINATION. The corporation is subject to the supervision of and examination by the commissioner of banks in the manner provided by section 46.04. The corporation shall pay the actual expenses of the examination as fixed by the commissioner. The corporation shall make such reports of its condition to the commissioner as he may prescribe.

[1957 c 896 s 12]

301.83 RIGHTS OF HOLDERS OF CAPITAL STOCK. The holders of capital stock as such shall have no preemptive or preferential right to purchase or subscribe for any part of the unissued capital stock of the corporation of any class or for any new issue of stock of any class, whether now or hereafter authorized or issued, or to purchase or subscribe for any bonds or other obligations, whether or not convertible into stock of any class of the corporation, now or hereafter authorized or issued.

[1957 c 896 s 13]

301.84 OBLIGATIONS ARE LEGAL INVESTMENTS FOR MEMBERS. Notwithstanding any other statute, the notes or other interest-bearing obligations of any corporation organized under sections 301.71 to 301.84, issued in accordance with sections 301.71 to 301.84 and the articles of incorporation and the bylaws of the corporation shall be legal investments for any banks, savings banks, savings and loan associations, trust companies, stock or mutual insurance companies or other financial institutions which become members of the corporation.

[1957 c 896 s 14]