

CHAPTER 7-03 OFFICERS AND EMPLOYEES

7-03-01. Directors and officers - Election - Qualification - Duties - Meetings. The conduct and management of the affairs and business of such association is vested in a board of directors which must consist of an uneven number of members, not less than five nor more than eleven. The incorporators of the association shall possess the qualifications of directors and shall serve as directors until the first meeting of the shareholders, and until their successors are elected and qualified. The directors thereafter must be elected by the shareholders of the association in accordance with the provisions of this title and the bylaws of the association. No person is eligible to election as a director or an officer unless that person is the owner in good faith and in that person's own right on the books of the association of shares upon which at least two hundred dollars have been paid. The directors shall hold their office for not less than one year nor more than three years, and if the term of office is for a longer period than one year, the bylaws must provide that the terms of an equal number thereof, as nearly as possible, expire each year. Each director, when appointed or elected, shall take an oath that the director, so far as the duty devolves upon the director, diligently and honestly will administer the affairs of such association, that the director will not knowingly or willingly violate or permit to be violated, any of the provisions of this title; that the director is a bona fide owner of the number of shares required by this section to become a director, standing in the director's own name on the books of the association, and that said shares are not hypothecated nor in any way pledged as security for any debt. Such oath, subscribed by the director making it and certified by the officer before whom it was taken, must be filed in the office of the commissioner of financial institutions as a part of the qualification of such director. Meetings of the board of directors must be held at least once each month. Any person elected to be a director who, after such election, hypothecates, pledges, or ceases to be the owner in that person's own right of the necessary qualifying shares thereupon shall vacate that person's office. The board of directors, when authorized to do so by the bylaws, may elect the officers or any of them and fill vacancies until the next annual meeting of the shareholders.

7-03-02. Removal of directors by association. A director may be removed from office by a vote of the shareholders holding two-thirds of the outstanding capital shares, at a general meeting held after notice given in the manner provided in this title. Meetings of the shareholders for this purpose may be called by a majority vote of the directors or by shareholders holding not less than twenty-five percent of the outstanding capital shares.

7-03-03. Removal of directors, officers, or employees by commissioner. Any director, officer, or employee of any association found by the commissioner of financial institutions to be incompetent or dishonest may be removed by the commissioner from such office or position upon the failure of the board of directors to act.

7-03-04. Agents and solicitors - Licenses and revocation thereof. No person receiving compensation from a building and loan association may act as solicitor or agent for the sale of the shares of stock, shares of membership, certificates, or other securities or forms of investment issued by such association, except shares issued in connection with and not exceeding the amount of any loan as made, until that person first has procured a license therefor from the commissioner of financial institutions. No license, however, may be required by any officer or director of such association. To obtain such license there must be filed with the commissioner a duplicate of the authorization or appointment issued to such person, together with a request from a licensed association that a license be issued to that person to act as an agent or solicitor for it, accompanied by a fee of two dollars. All such licenses expire by limitation on the thirty-first day of December succeeding their issue and may be renewed from time to time for an additional period of one year upon a request therefor from the association originally applying and upon payment of a renewal fee of two dollars. Any such license may be revoked at any time, on the application of the association for whom it was issued, or may be revoked by the commissioner for cause. The commissioner shall keep an alphabetical list of the names of persons to whom such licenses are issued with the date of issue and renewal and the name of

the association for whom such licensee is authorized to act. All such licenses must be issued under rules and regulations to be prescribed by the state banking board.

7-03-05. Bonds of directors, officers, agents, and employees. Every officer, director, employee, or agent handling or having the custody or charge of funds, securities, books, or records belonging to a building and loan association, before entering upon the discharge of that person's duties, shall give a good and sufficient bond in such sum and upon such conditions as may be required by the board of directors in keeping with rules and regulations relative thereto established by the commissioner of financial institutions. All such bonds must be approved by the board of directors of such association and are subject to the approval of the commissioner. In lieu of individual bonds, a blanket bond covering all active officers and employees of such association may be executed, subject to the provisions as to approval of surety, amount, and form specified herein. The board of directors, at its discretion, may require any other bond or bonds in addition to the bond herein required. Officers of an association who do not handle the association's funds or securities are not required to give bond. Bonds must be executed in duplicate-original, one of which must be filed with the commissioner and the other must be retained by an officer or custodian of the association. All directors and officers of such association, on being reelected to office, and all agents and employees, upon their reappointment, shall renew their bonds.

7-03-06. Purchase of obligations and assets by certain persons prohibited - Penalty. No director, officer, agent, or other employee of any building and loan association, directly or indirectly for that person's own personal benefit, may purchase or be interested in the purchase of any obligation of said association for a less sum than appears upon the books of such association to be the value thereof, or of any of the assets of any such association, for a less sum than the actual value thereof as determined by the board of directors. Every person violating any provision of this section shall forfeit to the state three times the face value of any such obligation or three times the actual value of any such assets so purchased for each offense.

7-03-07. Obtaining property by fraud and false bookkeeping and reports - Preventing inspection of books - Penalty. Any director, officer, agent, or employee of any building and loan association is guilty of a class C felony who:

1. Willfully, with intent to defraud, omits to make, or cause or direct to be made, a full and true entry in its books and accounts of the receipt by the person of any of the property of such association;
2. Concurr in omitting to make any material entry thereof;
3. Willfully makes or concurs in making or publishing any written report, exhibition, or statement of its affairs or pecuniary condition, containing any material statement which is false; or
4. Having the custody or control of its books, willfully refuses or fails to make any proper entry in the books of such association as required by law, or to exhibit or allow the same to be inspected and extracts to be taken therefrom by the commissioner of financial institutions, the commissioner's chief deputy, or any of the commissioner's examiners.

7-03-08. Penalty for declaring greater dividends than earned. Any member of the board of directors of a building and loan association who knowingly votes to declare, or who, being secretary or manager thereof, willfully declares a greater dividend than actually has been earned, or than previously has been accumulated as undivided profits by such association, personally is liable to the association therefor, jointly and severally, and such association may recover such penalty by action in its own name in any court of competent jurisdiction in this state. Such action may be instituted on the affirmative vote of one-third of the directors or of the owners of fifty percent of the shares of such association.

7-03-09. Penalties in general. Any director, officer, agent, or employee of any building and loan association knowingly violating, or knowingly permitting to be violated, any provision of this title the violation of which is not designated specifically in this title to be a crime, is guilty of a class B misdemeanor.