§601. Authorized shares

1. Classes and number of shares authorized. A corporation's articles of incorporation must set forth any classes of shares and series of shares within a class, and the number of shares of each class and series that the corporation is authorized to issue. If more than one class or series of shares is authorized, the articles of incorporation must prescribe a distinguishing designation for each class or series and must describe, prior to the issuance of shares of a class or series, the terms, including the preferences, rights and limitations of that class or series. Except to the extent varied as permitted by this section, all shares of a class or series must have terms, including preferences, rights and limitations that are identical with those of other shares of the same class or series.
[PL 2003, c. 344, Pt. B, §56 (AMD).]

2. Voting rights authorized. A corporation's articles of incorporation must authorize one or more classes or series of shares that together have unlimited voting rights and one or more classes or series of shares, which may be the same class or classes or series as those with voting rights, that together are entitled to receive the net assets of the corporation upon dissolution.
[PL 2003, c. 344, Pt. B, §56 (AMD).]

3. Designations, preferences, limitations and relative rights. A corporation's articles of incorporation may authorize one or more classes or series of shares that:

A. Have special, conditional or limited voting rights or no right to vote, except to the extent otherwise provided by this Act; [PL 2003, c. 344, Pt. B, §56 (AMD).]

B. Are redeemable or convertible as specified in the articles of incorporation:

(1) At the option of the corporation, the shareholder or another person or upon the occurrence of a specified event;

(2) For cash, indebtedness, securities or other property; and

(3) At prices and in amounts specified, or determined in accordance with a formula; [PL 2003, c. 344, Pt. B, §56 (AMD).]

C. Entitle the holders to distributions calculated in any manner, including dividends that may be cumulative, noncumulative or partially cumulative; or [PL 2001, c. 640, Pt. A, §2 (NEW); PL 2001, c. 640, Pt. B, §7 (AFF).]

D. Have preference over any other class or series of shares with respect to distributions, including distributions upon the dissolution of the corporation. [PL 2003, c. 344, Pt. B, §56 (AMD).]

The description of the designations, preferences, limitations, and relative rights of share classes in this subsection is not exhaustive.
[PL 2003, c. 344, Pt. B, §56 (AMD).]

4. Rules of construction for preferred shares. Unless otherwise provided by this Act or by a corporation's articles of incorporation or by resolution of the board of directors in the case of shares whose terms may be fixed as provided by section 602:

A. Shares that are preferred as to dividends are deemed cumulative preferred shares; [PL 2001, c. 640, Pt. A, §2 (NEW); PL 2001, c. 640, Pt. B, §7 (AFF).]

B. Shares that are preferred as to dividends are not entitled to participate in dividends beyond the amount of the stated dividend preference; [PL 2001, c. 640, Pt. A, §2 (NEW); PL 2001, c. 640, Pt. B, §7 (AFF).]

C. Shares that are preferred as to dividends are preferred, on liquidation of the corporation, to the extent of the par or stated value of the shares, if any; [PL 2001, c. 640, Pt. A, §2 (NEW); PL 2001, c. 640, Pt. B, §7 (AFF).]

D. Shares that are preferred as to liquidation are not entitled to participate in liquidation payments beyond the amount of the liquidation preference stated in the articles of incorporation or implied under paragraph C; [PL 2001, c. 640, Pt. A, §2 (NEW); PL 2001, c. 640, Pt. B, §7 (AFF).]

E. If preferred shares cumulative as to dividends are entitled to a preferential payment on liquidation, the payment must also include the amount of dividends accrued but unpaid as of the date of liquidation; [PL 2001, c. 640, Pt. A, §2 (NEW); PL 2001, c. 640, Pt. B, §7 (AFF).]

F. Shares that are preferred as to dividends or as to payments upon liquidation are not entitled to vote; and [PL 2001, c. 640, Pt. A, §2 (NEW); PL 2001, c. 640, Pt. B, §7 (AFF).]

G. "Liquidation," "rights upon liquidation" and terms of like import shall refer to the formal dissolution of the corporation. Sale of all the corporate assets or participation of the corporation in a merger or consolidation is not deemed a liquidation. [PL 2001, c. 640, Pt. A, §2 (NEW); PL 2001, c. 640, Pt. B, §7 (AFF).]

This subsection does not apply to shares already issued or authorized on December 31, 1971.
[PL 2001, c. 640, Pt. A, §2 (NEW); PL 2001, c. 640, Pt. B, §7 (AFF).]

5. Extrinsic facts. Terms of shares may be made dependent upon facts objectively ascertainable outside the articles of incorporation in accordance with section 121, subsection 10.
[PL 2003, c. 344, Pt. B, §56 (NEW).]

6. Variations among holders. Any of the terms of shares may vary among holders of the same class or series of shares as long as the variations are expressly set forth in the articles of incorporation.
[PL 2003, c. 344, Pt. B, §56 (NEW).]

SECTION HISTORY

PL 2001, c. 640, §A2 (NEW). PL 2001, c. 640, §B7 (AFF). PL 2003, c. 344, §B56 (AMD).

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