Article 6.

Shares and Distribution.

Part 1. Shares.

§ 55-6-01. Authorized shares.

(a) The articles of incorporation must prescribe the classes of shares and the number of shares of each class that the corporation is authorized to issue. If more than one class of shares is authorized, the articles of incorporation must prescribe a distinguishing designation for each class, and, prior to the issuance of shares of a class, the preferences, limitations, and relative rights of that class must be described in the articles of incorporation. All shares of a class must have preferences, limitations, and relative rights identical with those of other shares of the same class unless the articles of incorporation divide a class into series. If a class is divided into series, all the shares of any one series must have preferences, limitations, and relative rights identical with those of other shares of the same series. The requirement of identical rights within a class shall not be construed to conflict with any special voting rights specified elsewhere in this Chapter.

(b) Each series of a class must be given a distinguishing designation.

(c) The articles of incorporation must authorize:

(1) One or more classes of shares that together have unlimited voting rights, provided, however, that this subdivision shall not apply to articles of incorporation of not-for-profit corporations formed for religious, charitable, nonprofit, social, or literary purposes prior to July 1, 1989, and

(2) One or more classes of shares (which may be the same class or classes as those with voting rights) that together are entitled to receive the net assets of the corporation upon dissolution.

(d) The articles of incorporation may authorize one or more classes or series within a class of shares that:

(1) Have special, conditional, or limited voting rights, or no right to vote, except to the extent prohibited by this Chapter;

(2) Are redeemable or convertible as specified in the articles of incorporation (i) at the option of the corporation, the shareholder, or another person or upon the occurrence of a designated event; (ii) for cash, indebtedness, securities, or other property; (iii) in a designated amount or in an amount determined in accordance with a designated formula or by reference to extrinsic data or events;

(3) Entitle the holders to distributions calculated in any manner, including dividends that may be cumulative, noncumulative, or partially cumulative;

(4) Have preference over any other class or series within a class of shares with respect to distributions, including dividends and distributions upon the dissolution of the corporation.

(5) Notwithstanding the provisions of (d)(3) and (4) of this section, noncumulative preferred shares of a class or series within a class out of which shares were initially issued after June 30, 1957, and before October 1, 1969, shall be entitled to a dividend credit, as defined in this Chapter, and until such dividend credit is fully discharged no dividend shall be paid to any shares that are subordinate to such preferred shares as to dividends.

(e) The description of the designations, preferences, limitations, and relative rights in subsection (d) is not exhaustive. (1901, c. 2, s. 19; 1903, c. 660, ss. 2, 3; Rev., s. 1159; C.S., s. 1156; 1921, c. 116, s. 1; 1923, c. 155; C.S., s. 1167(a); 1925, c. 118, ss. 2, 2a; c. 262, s. 1; 1939, c.

199; 1949, c. 929; G.S., ss. 55-61, 55-73; 1953, c. 822, ss. 1, 3; 1955, c. 1371, s. 1; 1969, c. 751, ss. 15-17; 1985, c. 117, s. 1; 1989, c. 265, s. 1; 2021-162, s. 4.)