

# What are Corporate Bylaws?

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If you're starting your own business, it's a good first step to protect yourself by incorporating. But it's not enough to simply have the corporation—there are other considerations after creating articles of organization for your business. To fully protect your interests and the interests of business partners, you need to create corporate bylaws or business bylaws that govern how your business runs. But you may be wondering: what are company bylaws?

## **What are Corporate Bylaws? What are Company Bylaws?**

After dealing with the legal requirements for creating a business and setting up a corporation, you should form a board of directors to make important decisions on the direction of the business. And that board of directors develops a set of corporate bylaws—rules and regulations that dictate how the corporation is set up organizationally and how it will be run on a day-to-day basis.

Many states require corporations to have these business bylaws, but unlike Articles of Incorporation, your business bylaws or corporate bylaws aren't required to be filed with the state. But that doesn't make them less important, nor can you afford to give them less attention and effort. Corporate bylaws or business bylaws set forth expectations and a vision for the business and can help avoid issues when conflicts over business decisions arise.

# What are Corporate Bylaws?

## What Do Corporate Bylaws Include?

Every set of corporate bylaws or business bylaws will differ based upon the needs and wants of the business and its composite members, but most well-crafted corporate bylaws include rules and regulations on the following subjects:

### 1. Basic Corporate Info/Statement of Purpose

Beyond standard details about the name and location of the business, this area of business bylaws offers a chance for the board to set forth its big picture goals and aspirations. This includes issues like why you are in business, who your business is looking to serve or target, and how you aim to reach those goals, all while differentiating yourselves from your competitors.

These statements and goals can be particularly important for corporations that are looking to qualify as 501(c)(3) non-profit corporations, so extra care should be given by those entities to use the right language when preparing the bylaws.

### 2. Members

A corporation has members which are not the same as members in a limited liability company (LLC). Instead, these members are the directors, officers, shareholders, and employees of the corporation. Your corporate bylaws should address the type of members your corporation has or can have, the rights and responsibilities are for each type of member, the voting rights of members, and how members can be added or removed.

Members aren't necessarily just individuals; partnerships, other corporations or other entities can become members in the corporation.

### 3. Board of Directors

The board of directors serves an important purpose for any corporation, and your corporate bylaws or business bylaws should set forth:

The maximum and minimum number of board members

The qualifications required to serve on the board

The length of term on the board

How elections for the board are held

How directors can call for and conduct board meetings

Your bylaws should also set forth what is considered a quorum for board of directors' meetings, or the minimum number of directors necessary to conduct business and approve decisions.

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## 4. Officers

The board of directors will need to designate officers to handle the day-to-day operations of the business. The corporate bylaws and business bylaws define those roles and titles and what their responsibilities are, and how they can be elected, appointed, or removed from their positions.

## 5. Stock

One of the first things your corporation needs to do is issue stock to its respective shareholders. Your corporate bylaws and business bylaws will dictate the types of stock and the number of available stock, who is receiving stocks and how much, and how that transfer will be affected. Your corporate bylaws or business bylaws should also differentiate between voting and non-voting stock for future shareholder meetings.

## 6. Shareholder Meetings

Your corporation will need to hold annual shareholder meetings, and your corporate bylaws or business bylaws should state when and where those annual meetings are to be held, as well as the order of business at the meetings and the required number of shareholders to meet quorum. Your shareholders can also hold quarterly or special meetings if they so choose, and your corporate bylaws or business bylaws should state the circumstances, timing, and manner in which those meetings can be called.

## 7. Committees

Your board of directors can choose to create committees made up of a subset of directors to handle certain tasks or tackle specific issues. The corporate bylaws or business bylaws should state what kinds of committees your corporation should have, how they operate, and under what authority. The board should also put in place procedures on how to form ad-hoc committees as needed.

Given that committees can cover a variety of issues surrounding the operation of your business, it's helpful to have a board with a diversity of skills and viewpoints to draw upon available expertise as needed.

## 8. Conflicts of Interest

Given that board members may be involved in a number of ventures, the bylaws should lay out a requirement for directors to disclose any conflicts of interest they may have and to recuse themselves from discussions or decisions that would otherwise present an ethical problem. Those rules prevent board members from being put in an uncomfortable position and maintain your company's reputation.

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## **Amending the Bylaws**

Most rules require a process for changes, additions, or deletions, and corporate bylaws are no exception. Your bylaws should address how the bylaws can be amended, including which individual or individuals must consent or what vote margins among voting members have to be achieved in order for the amendment to be adopted.

## **Get Help with Your Corporate Bylaws or Business Bylaws**

Crafting your corporate bylaws or business bylaws is an important step, and while you may be able to make amendments later, you're better served getting things right the first time. Become a LegalShield Member to talk with a lawyer today about all your corporate bylaw or business bylaw questions.

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