



BYLAWS – THE GUTS OF A CORPORATION

Most states make forming a corporation relatively painless by providing forms for practically everything. The bylaws of the corporation, however, are an area you don't want to rely on a form.

What Are Bylaws?

Bylaws are the technical rules that govern how a corporation will be run. They are a private document for the corporation and are not filed with any government entity. The purpose of the bylaws is to set out how things such as meetings, voting and share transfer will occur with the business.

Provisions

Typically, the bylaws will be the biggest document in your corporate book. If you are a single shareholder entity, they tend to be fairly straightforward since there isn't really any dispute possibility unless you have a split personality. If there are two or more shareholders, however, the document is going to be a key item because it is going to detail voting rights and so on.

Typically, the bylaws of a corporation will cover the following specific issues:

1. Board of Director Meetings – When, where and how meetings will be conducted.
2. Notice of Meetings – The form, time and how notice must be given to board members.
3. Quorums – Before a board can issue resolutions on corporate business, a certain percentage of board members must be present. This “Quorum” is set out in the bylaws.
4. Annual Meetings – The bylaws typically detail when and where the annual meeting of the entity will occur.
5. Special Meetings - The process by which special board meetings may be called when an issue arises that requires the immediate attention of the board.
6. Voting Rights – Language detailing the voting rights of shareholders and board members in relation to passing or defeating resolutions.
7. Share Transfer Rights – Language detailing share transfer issues such as right of first refusal and so on.
8. Directors – Language detailing how many board members there will be, the length of their term, compensation, etc.
9. Amendment – The process by which the bylaws can be amended to reflect the evolution of the business.
10. Removal – Language detailing when and how a board member can be involuntarily removed.

There are numerous other provisions that can and probably should go into the bylaws of a corporation. Make sure to discuss them with your attorney.

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