



Bylaw Basics

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How Do We Know If We Have the Bylaws We Need?

To meet our needs, bylaws must allow for smooth functioning of the coop's internal governance processes while being consistent with both our owners' values and with the relevant laws.

- Bylaws are the means by which the owners delegate authority to the board. Under that authority, the board ensures that the co-op meets owners' needs while remaining ethically, legally and financially sound.
- Bylaws explain the fundamental rights and responsibilities of both the owners and the board. Effective bylaws create the foundation for a transparent, fair and efficient governance process.
- The bylaws also explain how the co-op will satisfy its legal requirements.
- So, to meet our needs, bylaws must be: 1. User friendly, 2. Comprehensive without being overly detailed and 3. Consistent with applicable law.

1. What's required to be user friendly?

1. Bylaws should be written in plain English. There is no need to use complex legal terminology for the vast majority of the wording. Bylaws should be clear enough so they can be easily read and understood by most board members. See sample in the Food Co-op 500's Legal Primer for the Formation of Retail Food Co-ops at <http://www.foodcoopinitiative.coop/sites/default/files/LegalPrimer.pdf>
2. Bylaws should be well organized into logical sections so that anyone can easily find the details of a particular issue. For example, there should be separate sections for meetings of the board and meetings of the owners. <http://library.cdsconsulting.coop/doc/fresh-start-bylaws-template/>

2. How can we be sure our bylaws are comprehensive but not burdensome?

1. There are no hard and fast rules about the exact amount of detail. Bylaws should include sufficient detail to create clear, fair and legal processes without being unduly rigid. The bylaws should be general enough to cover any situation. Detailed mission/vision statements, descriptions of committees, and specific operational details don't belong in bylaws
2. Consider having your bylaws reviewed not only by an attorney, but by someone familiar with bylaws of food cooperatives to be sure you are aware of common issues and practices. For example, a good resource to use for creating a sound patronage refund system is Bruce Mayer's article in Cooperative Grocer # 134 (2008) at <http://www.cooperativegrocer.coop/articles/index.php?id=779>
3. The bylaws should also meet the minimum governance requirements laid out in the applicable state law. How to know what law applies? For starters, look at your co-op's Certificate of Incorporation. This is the parent document for your cooperative. For issues that are likely to require your regular attention (for example if the state law explains how much notice is required for a special meeting), consider restating the statutory language in the bylaws as a 'reminder'.

3. Should we obtain legal review of proposed amendments?

1. Yes! Always have your work reviewed by an attorney familiar with the applicable state laws. Ideally, the attorney should also be familiar with co-ops and their values. Your attorney will need a copy of your current Articles of Incorporation in order to properly assist you.

Questions to think about:

1. Are our bylaws user friendly?
2. Do our bylaws provide an appropriate amount of detail?
3. When was the last time our bylaws had legal review?

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