BY-LAWS OF
New York Budo Association Inc.

ARTICLE I

NAME

This corporation is and shall be known as New York Budo Association Inc. (the "Corporation").

ARTICLE II

The Corporation shall have no members.

ARTICLE III

BOARD OF DIRECTORS

Section 1. Powers and Number. The Corporation shall be managed by the Board of Directors (the "Board"). [The Board shall include independent directors (as defined in Article V, Section 3(e))][1]. The number of Directors constituting the entire Board shall be determined by a vote of the majority of the entire Board from time to time and shall be at least three but no more than fifteen. As used in these By-Laws, the term "entire Board" means the total number of Directors entitled to vote which the Corporation would have at the time in question if there were no vacancies, consisting of the number of Directors that were elected as of the most recently held election of Directors.

Section 2. Election and Term of Office. The initial Directors shall be the persons named in the certificate of incorporation, and they shall serve until the first annual meeting of the Board. At each annual meeting, the Board, by majority vote, shall elect Directors to hold office for a term of one year, and each such Director shall continue in office for such term and until such Director's successor shall have been elected or qualified, or until such Director's death, resignation or removal.

Section 3. Newly Created Directorships and Vacancies. Newly created Directorships and vacancies among the Directors for any reason may be filled by a majority vote of the Directors, and the Directors so elected shall serve until the next annual meeting of Directors.

Section 4. Resignations. Any Director may resign from office at any time by delivering a resignation in writing to the President or Secretary, and the acceptance of such resignation, unless required by the terms thereof, shall not be necessary to make such resignation effective.

[1] Note to company: Please confirm if you want to add this sentence. The IRS requires that "a governing board should include independent members and should not be dominated by employees or others who are not, by their very nature, independent individuals because of family or business relationships." This sentence could make the bylaws look good to the IRS, but if you think it is difficult to comply with this requirement, you can delete this sentence.

Section 5. Removal. Any Director may be removed at any time with cause by a majority vote of the entire Board, such removal to take effect immediately upon such vote.

Section 6. Meetings. Meetings of the Board may be held at any place within or without the State of New York as the Board may from time to time fix, or as shall be specified in the notice or waivers of notice thereof.

Section 7. Annual Meetings. The annual meeting of the Board for the election of Directors and officers of the Corporation and for the transaction of such other business as may properly come before the meeting, shall be held at such time and place as may be specified by the Board.

Section 8. Other Regular Meetings. With respect to regular meetings other than the annual meeting, the Board shall meet at times and places to be specified by the Board.

Section 9. Special Meetings. Special meetings of the Board may be called at any time by the President [or Vice President][2] or upon written demand of not less than one-fifth of the entire Board.

Section 10. Notice of Meetings. Notice of the time and place of each meeting of the Board shall be mailed to each Director, postage prepaid, addressed to such Director at such Director's residence or usual place of business (or at such other address as such Director may have designated in a written request filed with the Secretary), sent by electronic mail or other form of electronic communication or given personally or by telephone no less than [twenty-four hours][3] before the time at which such meeting is to be held. Notice of a meeting need not be given to any Director who submits a waiver of notice whether before or after the meeting, or who attends the meeting without protesting prior thereto or at its commencement, the lack of notice to such Director. Such waiver of notice may be written or electronic. If written, the waiver must be executed by the Director signing such waiver or causing his or her signature to be affixed to such waiver by any reasonable means, including facsimile signature. If electronic, the transmission of the consent must be sent by electronic mail and set forth, or be submitted with, information from which it can reasonably be determined that the transmission was authorized by the Director.

Section 11. Chairperson. The Board may elect a Chairperson, to be present at and preside over all meetings of the Board. In order for an employee to serve as Chairperson, or hold another title with similar responsibilities, the Board must approve such employee serving as chair by a two-thirds vote and the basis for the approval must be contemporaneously documented in writing.

Section 12. Quorum and Voting. Unless a greater proportion is required by law, one-third of the entire Board shall constitute a quorum for the transaction of business or of any specified

[2] Note to company: Please see note 3 and confirm.
[3] Note to company: Please confirm if you think this is ok—the temporal element of the call to meet is up to you.

item of business. Except as otherwise provided by law or by these by-laws, the vote of a majority of the Directors present at the time of the vote, if a quorum is present at such time, shall be the act of the Board.

Section 13. Presence at Meeting by Telephone or Other Electronic Communications. Any one or more members of the Board or any committee thereof may participate in any meeting of the Board or of such committee by means of a conference telephone or similar equipment or by electronic video screen communication. Participation by such means shall constitute presence in person at a meeting so long as all persons participating in the meeting can hear each other at the same time and each Director can participate in all matters before the Board of Directors, including, without limitation, the ability to propose, object to, and vote upon a specific action to be taken by the Board of Directors.

Section 14. Action by Written Consent. Except as at the time otherwise required or permitted by law, any action required or permitted to be taken at any meeting of the Board or any committee thereof may be taken without a meeting if all members of the Board or of such committee consent in writing or by electronic means to the adoption of a resolution authorizing such action. If such consent is written, the consent must be executed by the Director by signing such consent or causing his or her signature to be affixed to such consent by any reasonable means, including facsimile signature. If such consent is electronic, the transmission of the consent must be sent by electronic mail and set forth, or be submitted with, information from which it can reasonably be determined that the transmission was authorized by the Director. The resolution and written or electronic consents thereto shall be filed with the minutes of the proceedings of the Board or of such committee.

Section 15. Compensation. Any Director of the Corporation is authorized to receive reasonable compensation for services rendered to the Corporation. No person who may benefit from such compensation may be present at or otherwise participate in any Board or committee deliberation or vote concerning such person's compensation; provided that nothing in this Section shall prohibit the Board or authorized committee from requesting that a person who may benefit from such compensation present information as background or answer questions at a committee or Board meeting prior to the commencement of deliberations or voting relating thereto.

ARTICLE IV

OFFICERS, EMPLOYEES, AGENTS

Section 1. Number and Qualifications. The officers of the Corporation shall be [a President, a Vice President, a Secretary, and a Treasurer and such other officers, if any, including Assistant Secretaries or Assistant Treasuries, as the Board may from time to time appoint. The other officers of the Corporation may, but need not, be Directors. One person may hold two or more offices, except the offices of President and Secretary. No instrument required to be signed by more than one officer may be signed by one person in more than one capacity.

Section 2. Election and Term of Office. The officers of the Corporation shall be elected by the Board at the organizational meeting of the Board and at every annual meeting thereafter[, or shall be appointed by the President annually subject to the Board's approval]. Vacancies may be filled or new offices created and filled at any meeting of the Board. Each officer shall hold office until the annual meeting of the Board following such officer's election [or until the annual appointment by the President following such officer's appointment], or until a successor shall have been elected [or appointed] and shall have qualified, or until such officer's earlier death, resignation or removal.[4]

Section 3. Employees and Other Agents. The Board may appoint from time to time such employees and other agents as it shall deem necessary, each of whom shall hold office at the pleasure of the Board, and shall have such authority and perform such duties as the Board may from time to time determine. To the full extent allowed by law and the certificate of incorporation of the Corporation, the Board may delegate to any employee or agent any powers possessed by the Board.

Section 4. Removal. Any officer, employee or agent of the Corporation may be removed with or without cause by a vote of the majority of the entire Board.

Section 5. Vacancies. In case of any vacancy in any office, a successor to fill the unexpired portion of the term may be elected by the Board.

Section 6. President: Powers and Duties. The President shall have general supervision of the affairs of the Corporation, and shall keep the Board fully informed about the activities of the Corporation. If the Board has not elected a Chairperson, the President shall serve as the Chairperson of the Board. The President has the power to sign alone, unless the Board shall specifically require an additional signature, in the name of the Corporation all contracts authorized either generally or specifically by the Board. The President shall perform such other duties as shall from time to time be assigned by the Board.

Section 7. Vice President: Powers and Duties. The Vice President shall have such powers and duties as may be assigned to him by the Board. In the absence of the President, the Vice President shall perform the duties of the President.

Section 8. Secretary: Powers and Duties. The Secretary shall act as secretary of all meetings. The Secretary shall be responsible for the giving and serving of all notices of the Corporation and shall perform all the duties customarily incident to the office of the Secretary, subject to the control of the Board, and shall perform such other duties as shall from time to time be assigned by the Board.

Section 9. Treasurer: Powers and Duties. The Treasurer shall keep or cause to be kept full and accurate accounts of receipts and disbursements of the Corporation, and shall deposit or cause to be deposited all moneys and other valuable effects of the Corporation in the name and to

[4] Note to company: Please confirm if you want to add the bracketed phrases in Section 2.

the credit of the Corporation in such banks or depositories as the Board may designate. At the annual meeting of the Board and whenever else required by the Board, the Treasurer shall render a statement of the Corporation's accounts.[5] The Treasurer shall at all reasonable times exhibit the Corporation's books and accounts to any officer or Director of the Corporation and shall perform all duties incident to the position of Treasurer subject to the control of the Board.

Section 10. Compensation. Any employee or agent of the Corporation is authorized to receive reasonable compensation for services rendered to the Corporation. No person who may benefit from such compensation may be present at or otherwise participate in any Board or committee deliberation or vote concerning such person's compensation; provided that nothing in this Section shall prohibit the Board or authorized committee from requesting that a person who may benefit from such compensation present information as background or answer questions at a committee or Board meeting prior to the commencement of deliberations or voting relating thereto.[6]

ARTICLE V

COMMITTEES

Section 1. Committees of the Board. The Board may, by resolution adopted by a majority of the entire Board, establish and appoint an executive committee, an Audit Committee and other committees. The President shall appoint a chairperson of each committee. Each committee so appointed shall consist of three or more Directors and, to the extent provided in the resolution establishing it, shall have all the authority of the Board except as to the following matters:

1. the filling of vacancies on the Board or on any committee;
2. the amendment or repeal of the by-laws or the adoption of new by-laws;
3. the amendment or repeal of any resolution of the Board which by its terms shall not be so amendable or repealable;
4. the fixing of compensation of the Directors for serving on the Board or any committee.

[5] Governance Note to company: NY N-PCL § 519 requires that the president and treasurer shall present an annual report showing such accounts at the annual meeting of the Board.

[6] Governance Note to company: NY N-PCL §715(e) requires that the fixing of salaries of officers, if not done in or pursuant to the bylaws, shall require the affirmative vote of *a majority of the entire board*. This standard may become burdensome for an organization with a large board, particularly if many of the directors are not active. It is therefore worth considering whether making specific provision in the by-laws for a compensation committee or other less cumbersome method of fixing compensation.

In addition, the IRS encourages a charity to rely on a rebuttable presumption test. Under the test, compensation payments are presumed to be reasonable if (1) the compensation arrangement is approved in advance by an authorized body composed entirely of individuals who do not have a conflict of interest with respect to the arrangement, (2) the authorized body obtained and relied upon appropriate data as to comparability prior to making its determination, and (3) the authorized body adequately documented the basis for its determination concurrently with making the determination.

At any meeting of such committee, the presence of a majority of its members then in office shall constitute a quorum for the transaction of business.

Section 2. Committees of the Corporation. The Board may create committees other than committees of the Board to be committees of the Corporation. Any such committee created by the Board shall be appointed by the President with the consent of the Board. Such committees may consist of Directors and others. Any such committee of the Corporation shall not have the authority to bind the Board.[7]

Section 3. Audit Oversight.[8]

(a) The Audit Committee shall be comprised solely of independent directors and shall oversee the accounting and financial reporting processes of the Corporation and the audit of the Corporation's financial statements. The Audit Committee shall annually retain or renew the retention of an independent auditor to conduct the audit and, upon completion thereof, review the results of the audit and any related management letter with the independent auditor.[9]

(b) The Audit Committee shall, in addition to those duties set forth in paragraph (a) of this Section:[10]

(i) review with the independent auditor the scope and planning of the audit prior to the audit's commencement;

(ii) upon completion of the audit, review and discuss with the independent auditor: (1) any material risks and weaknesses in internal controls identified by the auditor; (2) any restrictions on the scope of the auditor's activities or access to requested information; (3) any significant disagreements between the auditor and management; and (4) the adequacy of the Corporation's accounting and financial reporting processes;

(iii) annually consider the performance and independence of the independent auditor; and

(iv) report on the committee's activities to the Board.

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[7] Governance Note to company: Committees of the corporation, other than committees of the board may be elected or pursuant to a procedure set forth in the by-laws, or if no procedure is provided, in the same manner as officers of the corporation are elected or appointed, and need not be elected or appointed by a majority of the board. NY N-PCL § 712(e).

[8] Governance Note to company: An Audit Committee is not required. If no audit committee is provided for, the functions described in this Section 3 can be performed by the Board or a committee of the Board composed entirely of "independent directors." NY N-PCL § 712(a).

[9] Governance Note to company: This audit is required for an organization with gross revenues exceeding $500,000. NY N-PCL § 712-a.

[10] Governance Note to company: These additional requirements are only required of an organization with gross revenues exceeding $500,000 that is required to file an independent certified public accountant's audit report with the Attorney General. NY N-PCL § 712-a.

(c) The Audit Committee shall oversee the adoption, implementation of, and compliance with any conflict of interest policy and whistleblower policy[11] adopted by the Corporation if this function is not otherwise performed by another committee of the Board comprised solely of independent directors.

(d) Only independent directors may participate in any Board or committee deliberations or voting relating to matters set forth in this Section 3.

(e) As used in these By-laws, "independent director" shall mean a Director who:

(i) is not, and has not been within the last three years, an employee of the Corporation or an affiliate (as defined in Article VII, Section 2(c)) of the Corporation, and does not have a relative (as defined in Article VII, Section 2(c)) who is, or has been within the last three years, a key person of the Corporation or an affiliate of the Corporation;

(ii) has not received, and does not have a relative who has received, in any of the last three fiscal years, more than $10,000 in direct compensation from the Corporation or an affiliate of the Corporation (other than reimbursement for expenses reasonably incurred as a Director or reasonable compensation for service as a Director); and

(iii) is not a current employee of or does not have a substantial financial interest in, and does not have a relative who is a current officer of or has a substantial financial interest in, any entity that has made payments to, or received payments from, the Corporation or an affiliate of the Corporation for property or services in an amount which, in any of the last three fiscal years, exceeds the lesser of $25,000 or 2% of such entity's consolidated gross revenues. For purposes of this clause (iii), "payment" does not include charitable contributions.

ARTICLE VI

CONTRACTS, CHECKS, BANK ACCOUNTS AND INVESTMENTS

Section 1. Checks, Notes and Contracts. The Board is authorized to select such depositories as it shall deem proper for the funds of the Corporation and shall determine who shall be authorized on the Corporation's behalf to sign bills, notes, receipts, acceptances, endorsements, checks, releases, contracts and other documents.

Section 2. Investments. The funds of the Corporation may be retained in whole or in part in cash or may be invested and reinvested from time to time in such property, real, personal or otherwise, including stocks, bonds or other securities, as the Board may deem desirable.

[11] Governance Note to company: A NY not-for-profit is required to have a whistleblower policy if it has gross revenues exceeding $1,000,000 and has over 20 employees. NY N-PCL § 715-b.

ARTICLE VII

TRANSACTIONS WITH DIRECTORS OR OFFICERS

Section 1. Conflict of Interest Policy. The Corporation shall adopt a conflict of interest policy to ensure that its Directors, officers and key persons act in the Corporation's best interest and comply with applicable legal requirements, including the requirements set forth in Section 715 of the New York Not-for-Profit Corporation Law.

Section 2. Related Party Transactions.

(a) The Corporation shall not enter into any related party transaction unless the transaction is determined by the Board to be fair, reasonable and in the Corporation's best interest at the time of such determination.

(b) Any Director, officer or key person who has an interest in a related party transaction shall disclose in good faith to the Board, or an authorized committee thereof, the material facts concerning such interest. With respect to any related party transaction involving the Corporation and in which a related party has a substantial financial interest, the Board, or an authorized committee thereof, shall: (i) prior to entering into the transaction, consider alternative transactions to the extent available; (ii) approve the transaction by not less than a majority vote of the Directors or committee members present at the meeting; and (iii) contemporaneously document in writing the basis for the Board or authorized committee's approval, including its consideration of any alternative transactions. No related party may participate in deliberations or voting relating to the transaction in which such related party has an interest; provided that the Board or authorized committee may request that a related party present information concerning a related party transaction at a Board or committee meeting prior to the commencement of deliberations or voting relating thereto.

(c) As used in these By-Laws, a "related party transaction" means any transaction, agreement or any other arrangement in which a related party has a financial interest and in which the Corporation or any affiliate of the Corporation is a participant, where:

(i) an "affiliate" of the Corporation means any entity controlled by, in control of, or under common control with the Corporation;

(ii) a "related party" means (i) any Director, officer or key person of the Corporation or any affiliate of the Corporation; (ii) any relative of any Director, officer or key person of the Corporation or any affiliate of the Corporation; or (iii) any entity in which any individual described in the foregoing clauses (i) and (ii) has a thirty-five percent or greater ownership or beneficial interest or, in the case of a partnership or professional corporation, a direct or indirect ownership interest in excess of five percent:

(iii) a "relative" of an individual means his or her (i) spouse, ancestors, brothers and sisters (whether whole or half-blood), children (whether natural or adopted), grandchildren, great-grandchildren, and spouses of brothers, sisters, children, grandchildren, and great-grandchildren; or (ii) domestic partner as defined in Section 2994-a of the New York State Public Health Law; and

(iv) a "key person" means any person who (i) has responsibilities, or exercises powers or influence over the corporation as a whole similar to the responsibilities, powers, or influence of directors and officers; (ii) manages the corporation, or a segment of the corporation that represents a substantial portion of the activities, assets, income or expenses of the corporation; or (iii) alone or with others controls or determines a substantial portion of the corporation's capital expenditures or operating budget.

A transaction will not be considered a "related party transaction" if (i) the transaction or the related party's financial interest in the transaction is de minimis; (ii) the transaction would not customarily be reviewed by the board or boards of similar organizations in the ordinary course of business, and is available to others on the same or ordinary terms; or (iii) the transaction constitutes a benefit provided to a related party solely as a member of a class of beneficiaries served by the not-for-profit corporation or charitable trust as part of the accomplishment of its mission, which benefit is available to all similarly situated members of the same class.

Section 3. Loans to Directors or Officers. No loans, other than through the purchase of bonds, debentures, or similar obligations of the type customarily sold in public offerings, or through ordinary deposit of funds in a bank, shall be made by the Corporation to any of its Directors or officers, or to any other corporation, firm, association or other entity in which one or more of its Directors or officers are directors or officers or hold a substantial financial interest, except a loan made by the Corporation to a corporation which is a charitable corporation under Sections 201(b)-(d) of the New York Not-for-Profit Corporation Law. A loan made in violation of this Section shall be a violation of the duty to the Corporation of the Directors or officers authorizing it or participating in it, but the obligation of the borrower with respect to the loan shall not be affected thereby.

ARTICLE VIII

OFFICE AND BOOKS

Section 1. Office. The office of the Corporation shall be located at such place within or without the State of New York as the Board may from time to time determine.

Section 2. Books. There shall be kept at the office of the Corporation correct books of account of the activities and transactions of the Corporation including a minute book, which shall contain a copy of the charter, a copy of these by-laws, and all minutes of meetings and written consents of the Board.

ARTICLE IX

FISCAL YEAR

The fiscal year of the Corporation shall be the [calendar year].[12]

ARTICLE X

INDEMNIFICATION

The Corporation shall, to the fullest extent now or hereafter permitted by law, indemnify any person made, or threatened to be made, a party to any action or proceeding, whether civil or criminal, by reason of the fact that he, his testator or intestate is or was a Director, officer, employee or agent of the Corporation, against judgments, fines, amounts paid in settlement and reasonable expenses, including attorneys' fees and shall advance the expenses of such person in defending such an action or proceeding,[13] except to the extent specifically prohibited by law.[14] The Corporation may make provision with respect to such indemnification of or advancement of expenses[15] to officers and Directors by agreement or by resolution of the Board of Directors.[16]

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[12] Note to company: please confirm. The fiscal year can begin and start at any time, but it is advised that it begin in a period of relative inactivity.

[13] Governance note to company: NY N-PCL § 722(a) authorizes the corporation to indemnify officers and directors if the indemnified person acted in good faith for a purpose s/he reasonably believed to be lawful and in the best interests of the corporation.

In addition to indemnification by the corporation, NY N-PCL § 720-a states that, *except for proceedings brought by the attorney general and the cause of action provided in NY N-PCL § 720* (see note 16 below), a director or officer serving without compensation may not be held liable for official conduct *unless such conduct constituted gross negligence or was intended to cause harm*.

Furthermore, directors or officers discharging the duties of their respective positions in good faith and with the care an ordinarily prudent person in a like position would exercise under similar circumstances may not be held liable for official conduct undertaken in reliance on information and reports provided by officers, employees, attorneys, accountants or Board committees (NY N-PCL § 717(b)).

[14] Governance note to company: NY N-PCL § 721 prohibits a corporation from indemnifying an officer or director for acts committed in bad faith, with intentional dishonesty or for personal gain.

NY N-PCL § 719 holds a director liable to creditors, members and other beneficiaries of the corporation's activities for voting for certain corporate actions (e.g. unauthorized distributions) unless s/he discharged his/her duty under NY N-PCL § 717 (i.e. discharging the duties of their respective positions in good faith and with the care an ordinarily prudent person in a like position would exercise under similar circumstances).

Also, under NY N-PCL § 720, an action may be brought against one or more directors or officers of a corporation to procure a judgment for the following relief:

(1) To compel the defendant to account for his official conduct in the following cases: (A) The neglect of, or failure to perform, or other violation of his duties in the management and disposition of corporate assets committed to his charge. (B) The acquisition by himself, transfer to others, loss or waste of corporate assets due to any neglect of, or failure to perform, or other violation of his duties.

(2) To set aside an unlawful conveyance, assignment or transfer of corporate assets, where the transferee knew of its unlawfulness.

(3) To enjoin a proposed unlawful conveyance, assignment or transfer of corporate assets, where there are reasonable grounds for belief that it will be made.

[15] Governance note to company: NY N-PCL § 723(c) authorizes the corporation to advance expenses if the director or officer executes an undertaking agreeing to re-pay the expenses is s/he is ultimately found not to be entitled to indemnification.

[16] Governance note to company: NY N-PCL § 726 empowers a corporation to purchase insurance to indemnify directors even when the code otherwise forbids indemnification (in such a case, the insurance must provide for a retention amount and co-insurance). However, such indemnification insurance must be limited to the cost of

ARTICLE XI

AMENDMENTS

These by-laws may be amended by majority vote of the Board at any meeting of the Board, provided that notice of the proposed amendment has been included in the notice of the meeting.

defense if the insured person's deliberately dishonest actions are material to the cause of action or resulted in his/her advantage or financial gain.