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Attorney for Plaintiffs

SUPERIOR COURT OF THE STATE OF CALIFORNIA
IN AND FOR THE COUNTY OF SAN DIEGO

A&B MARKET PLUS, INC. dba CAMPUS
LIQUOR AND DELI.; LS & SLG, INC. dba
ADAMS AVENUE LIQUOR; WALL FIRST
VENTURE, INC. dba RJ LIQUOR; O.B. STAR,
INC, dba LITICKERS LIQUOR; SAEED SOMO
dba MESA FOOD AND LIQUOR; LATIF
MAROGY dba SPOTTS LIQUOR and dba
SUNRISE MARKET AND GAS; HANI
SHAMOUN dba MIKE'S MARKET,

Plaintiffs,

v.

NEIGHBORHOOD MARKET ASSOCIATION,
INC., a non-profit mutual benefit corporation;
MARK ARABO, President & CEO of Neighborhood
Market Association, Inc.; AMIR ORAM, Secretary /
Treasurer of Neighborhood Market Association; and
DOES 1 through 50, Inclusive,

Defendants.

CASE NO: 37-2015-00032389-CU-OE-CTL

**PLAINTIFFS' FIRST AMENDED
COMPLAINT:**

- 1. Breach of Fiduciary Duty;**
- 2. Illegal Compensation; and**
- 3. Injunctive Relief**

Judge: Hon. Richard E. L. Strauss
Dept.: C-75
Action Filed: 09/24/2015

PLAINTIFFS hereby allege as follows:

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GENERAL ALLEGATIONS

1. Plaintiff A&B MARKET PLUS, INC. dba CAMPUS LIQUOR AND DELI (hereinafter "Plaintiff" or "CAMPUS"), is and at all times was, a licensed California corporation with its principal place of business in San Diego County, California. The president of A&B MARKET PLUS, INC. is Mr. Arkan Somo. CAMPUS is a member of the NEIGHBORHOOD MARKET ASSOCIATION, INC. (hereinafter "Defendants" or "NMA"), a non-profit mutual benefit corporation.
2. Plaintiff LS & SLG, INC. dba ADAMS AVENUE LIQUOR (hereinafter "Plaintiff" or "ADAMS"), is and at all times was, a licensed California corporation with its principal place of business in San Diego County, California. The president of LS & SLG, INC. is Samir Salem. ADAMS is a member of the NMA.
3. Plaintiff WALL FIRST VENTURE, INC. dba RJ LIQUOR (hereinafter "Plaintiff" or "RJ"), is and at all times was, a licensed California corporation with its principal place of business in San Diego County, California. The president of WALL FIRST VENTURE, INC. is Samir Salem. RJ is a member of the NMA.
4. Plaintiff O.B. STAR, INC. dba LITICKER'S LIQUOR (hereinafter "Plaintiff" or "LITICKER'S"), is and at all times was, a licensed California corporation with its principal place of business in San Diego County, California. The president of O.B. STAR, INC. is Basil Zetouna. LITICKER'S is a member of the NMA.
5. Plaintiff SAEED SOMO dba MESA FOOD AND LIQUOR (hereinafter "Plaintiff" or "MESA"), is and at all times was, a sole proprietorship with its principal place of business in San Diego County, California. MESA is a member of the NMA.
6. Plaintiff LATIF MAROGY dba SPOTTS LIQUOR, and dba SUNRISE MARKET AND GAS (hereinafter "Plaintiff" or "SPOTTS" and "SUNRISE"), are and at all times were, two sole proprietorships with their principal places of business in San Diego County, California. Both SPOTTS and SUNRISE are members of the NMA.

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- 1 7. Plaintiff HANI SHAMOUN dba MIKE'S MARKET (hereinafter "Plaintiff" or
2 "MIKE'S"), is and at all times was, a sole proprietorship with its principal place of
3 business in San Diego County, California. MIKE'S is a member of the NMA.
- 4 8. Defendant NEIGHBORHOOD MARKET ASSOCIATION, INC. (hereinafter referred to as
5 "NMA") is, and at all times mentioned in this complaint was, a licensed California non-profit
6 mutual benefit corporation, organized and existing under the laws of the State of California,
7 with its principal place of business in the County of San Diego.
- 8 9. Defendant MARK ARABO (hereinafter referred to as "ARABO") is, and at all times
9 mentioned in this complaint was, the President and Chief Executive Officer of the NMA.
- 10 10. Defendant AMIR ORAM (hereinafter referred to as "ORAM") was, and at all times
11 mentioned in this complaint was, the Treasurer and/or Secretary of the NMA.
- 12 11. Plaintiffs are ignorant of the true names and capacities of Defendants sued herein as Does 1
13 through 50, inclusive, and therefore sues these Defendants by such fictitious names.
14 Plaintiffs will amend this Complaint to allege their true names and capacities when
15 ascertained. Plaintiffs are informed and believe and thereon allege that each of the
16 fictitiously named Defendants is responsible in some manner for the occurrences herein
17 alleged, and that Plaintiffs' injuries as herein alleged were proximately caused by said
18 Defendants.
- 19 12. Plaintiffs are informed and believe and thereon allege that at all times herein mentioned, each
20 of the Defendants was the agent and employee of each of the remaining Defendants and in
21 doing the things hereinafter alleged, was acting within the course and scope of such agency
22 and employment, and with the permission and consent of each said Defendant.
- 23 13. On or about February 2015 and September 2015 respectively, Plaintiffs requested in writing
24 to the NMA, in accordance with Article XII of the NMA Bylaws (attached hereto as Exhibit
25 "1") that Plaintiffs be permitted their full inspection rights of the minutes, records and
26 financial accounts of the NMA.

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1 14. Defendants have refused to permit, and continue to refuse to permit, Plaintiffs full inspection
2 rights of the minutes, records and financial accounts of the NMA in direct violation of
3 California Corporations Code, Sections 8330 and 8333 and the NMA's own bylaws.

4 15. On or about February 2015 and September 2015 respectively, Plaintiffs also demanded, in
5 accordance with Article III Section 5(B) of the NMA Bylaws (See Exhibit "1") and
6 California Government Code §6330, that Plaintiffs have access to the membership lists of the
7 NMA.

8 16. Defendants have refused to produce, and continue to refuse to produce to Plaintiffs the NMA
9 membership list.

10 **FIRST CAUSE OF ACTION**
11 **(Against All Defendants & Does 1-50 for**
12 **Breach of Fiduciary Duty)**

13 17. Plaintiffs re-allege the allegations set forth above in paragraphs 1 through 16 and incorporate
14 them herein as if set forth in full.

15 18. From January 1, 2011 to the present, Plaintiffs are informed and believe, and herein allege
16 that Defendant ARABO and Defendant ORAM, improperly authorized and/or approved
17 expenses and excess compensation for Defendants' personal benefit which were improperly
18 charged to the NMA in breach of Defendants' fiduciary duty to the NMA membership.

19 19. Plaintiffs are informed and believe, and herein allege that such expenses include, but are not
20 limited to, compensation in the form of a "finder's fee" involving the sale of real estate in the
21 amount of approximately \$210,000.00 which was paid to Defendant ARABO, despite the
22 fact that Defendant ARABO was not a broker in the transaction or otherwise entitled to this
23 compensation. Additionally, the NMA reimbursed ARABO and/or associates of ARABO
24 approximately \$38,000.00 in travel expenses for travel and costs not associated with NMA
25 business. This compensation was authorized by Defendant ARABO, as President and CEO
26 of the NMA and Defendant ORAM as the then Secretary / Treasurer of the NMA.

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1 20. The compensation and expenses paid out to Defendants were not in the best interest of the
2 NMA or its members and was authorized in violation of the NMA bylaws and the California
3 Corporations Code.

4 21. On or about June 2015 and September 2015 respectively, Plaintiffs served written demands
5 on Defendants to restore the funds improperly paid to Defendant ARABO and/or his
6 associates to the NMA accounts. Defendants have refused to comply with Plaintiffs'
7 demand.

8 22. As a result of the improperly authorized compensation and expenses paid to Defendants, the
9 NMA and its members have suffered damages in an amount that exceeds \$248,000.00.

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11 **SECOND CAUSE OF ACTION**
(Against All Defendants & Does 1-50 for
12 **Illegal Compensation)**

13 23. Plaintiffs re-allege the allegations set forth above in paragraphs 1 through 22 and incorporate
14 them herein as if set forth in full.

15 24. Plaintiffs are informed and believe, and herein allege that on or about 2014, the NMA paid
16 Defendant ARABO approximately \$210,000.00 compensation in the form of a "finder's fee"
17 involving the sale of NMA real estate, despite the fact that Defendant ARABO was not a
18 broker in the transaction or otherwise entitled to this compensation. Additionally, the NMA
19 reimbursed ARABO and/or associates of ARABO approximately \$38,000.00 in travel
20 expenses for travel and costs not associated with NMA business. This compensation was
21 authorized by Defendant ARABO, as President and CEO of NMA and Defendant ORAM as
22 Secretary / Treasurer of the NMA.

23 25. The compensation and expenses paid out to Defendants were not in the best interest of the
24 NMA or its members and was authorized in violation of the NMA bylaws and the California
25 Corporations Code.

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1 26. On or about June 2015 and September 2015 respectively, Plaintiffs served written demands
2 on Defendants to restore the funds improperly paid to Defendant ARABO and/or his
3 associates to the NMA accounts. Defendants have refused to comply with Plaintiff's
4 demand.

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6 **THIRD CAUSE OF ACTION**
7 **(Against All Defendants & Does 1-50 for**
8 **Injunctive Relief)**

9 27. Plaintiffs re-allege the allegations set forth above in paragraphs 1 through 26 and incorporate
10 them herein as if set forth in full.

11 28. On or about February 2015 and September 2015 respectively, Plaintiffs demanded, in
12 accordance with Article XII of the NMA Bylaws, that Plaintiffs be permitted their full
13 inspection rights of the minutes, records and financial accounts of the NMA.

14 29. Defendants have refused to permit, and continue to refuse to permit, Plaintiffs full inspection
15 rights of the minutes, records and financial accounts of the NMA.

16 30. Plaintiffs are informed and believe, and herein allege that Defendants have refused to grant
17 Plaintiffs access to the minutes, records, and financial accounts of NMA because disclosure
18 of such information will document improper acts, including, but not limited to improper
19 allocation of NMA funds.

20 31. On or about February 2015 and September 2015 respectively, Plaintiffs also demanded, in
21 accordance with Article III of the NMA Bylaws (attached hereto as Exhibit "1") and
22 California Government Code §6330, that Plaintiffs have access to the membership list of the
23 NMA.

24 32. Defendants have refused to produce, and continue to refuse to produce to Plaintiffs the NMA
25 membership list.

26 33. Plaintiffs are informed and believe and herein allege that Defendants, unless ordered by the
27 Court, will continue to deprive Plaintiffs of their membership rights and will cause
28 irreparable injury and damage to members of the NMA, the exact nature, extent, and amount,
of those damages being impossible to ascertain.

1 34. Plaintiffs have no adequate remedy in law in that Defendants have violated, and continue to
2 violate, Plaintiffs' rights as members of the NMA in denying Plaintiffs access to the minutes,
3 records, financial accounts, and membership list of the NMA.

4 **FOURTH CAUSE OF ACTION**

5 **(By CAMPUS LIQUOR and DELI Against All Defendants**
6 **& Does 1-50 for Injunctive Relief)**

7 35. Plaintiff CAMPUS re-alleges the allegations set forth above in paragraphs 1 through 34 and
8 incorporates them herein as if set forth in full.

9 36. On or about June 5, 2015, CAMPUS was informed by the NMA that its membership in the
10 NMA had lapsed due to non-payment of its annual membership dues. This position is not
11 supported by the NMA bylaws or California Corporations Codes.

12 37. Plaintiff CAMPUS has always paid its annual dues on or about June of the subject year when
13 an invoice is generated by the NMA. This spring/summer invoicing of members is the
14 standard practice of the NMA for all of its members.

15 38. The NMA has claimed to exclude CAMPUS as a member in "good standing" despite the
16 fact that every other member of the NMA pays its yearly dues in the spring and/or summer
17 after being invoiced by the NMA. The NMA is retaliating against CAMPUS for attempting
18 to exercise its rights under the NMA bylaws and California Law.

19 **WHEREFORE**, Plaintiffs pray for damages as follows:

- 20
- 21 1. For the Court to issue temporary and permanent injunctions restraining and enjoining
22 Defendants from denying NMA members access to the minutes, records, financial accounts,
23 and membership list of the NMA;
 - 24 2. During the pendency of this action, for the Court to issue a preliminary injunction restraining
25 and enjoining Defendants from denying Plaintiffs access to the minutes, records, financial
26 accounts, and membership list of the NMA;
 - 27 3. For the reinstatement of CAMPUS LIQUOR & DELI as a member in "good standing" of the
28 NMA;

4. For NMA Officers to be removed and/or sanctioned as the Court sees fit;
5. General, special and compensatory damages in an amount according to proof;
6. Cost of suit;
7. Attorney fees; and
8. For such other relief as the Court deems just and proper.

LAW OFFICES OF NORMAN DAVID GRISSOM

Dated: October 1, 2015

By: 

Norman D. Grissom, Esq.
Attorney for Plaintiffs

EXHIBIT "1"



NMA

Neighborhood Market Association

8923 La Mesa Blvd., 2nd Floor

La Mesa, California 91941

EIN Federal: 33-0673466

FTB IDN: 1924026

EDD No: 426-2953-5

BYLAWS & MISSION STATEMENT FOR THE NEIGHBORHOOD MARKET ASSOCIATION

NMA Mission Statement

Neighborhood Market Association ("NMA") is a non-profit mutual benefit corporation dedicated to empowering independent retailers in the food and alcohol beverage industry throughout California, Nevada, Arizona and other States on the West Coast of the United States of America.

Our objectives are to provide representation, education, leadership, community outreach, buying power, and support to our members in order to improve their quality of life and simultaneously facilitate prosperity in the neighborhoods they serve.

NMA is here to serve only independent retailers. NMA strongly believes that independent retailers are the cornerstones of the entrepreneurial spirit.

This innovative spirit and drive comes from the many family operated independent businesses we proudly represent. NMA strongly believes in doing everything it can to help family owned independent retailers.

In that sense, every person affiliated with NMA is treated like they are part of the family, part of the American dream, and part of an institution.

After all, "NMA is Your Family In The Industry."

Article I.

Name and Location

Section 1. Name

The name of this association shall be the NEIGHBORHOOD MARKET ASSOCIATION ("NMA"), a non-profit mutual benefit corporation incorporated in the State of California.

Section 2. Place of Business

The principal office of the NMA for its transaction of business is located in the County of San Diego, California. The NMA Executive Board of Directors (hereinafter referred to as the "Executive Board") is hereby granted full power and authority to change the location of the principal office and may establish such other offices, as it deems appropriate. Any such change or establishment of other locations shall be noted by the Secretary, but shall not be considered an amendment of these Bylaws.

Section 3. Geographic Territories for NMA Districts

NMA will have the following six (6) Districts in the western United States. The Executive Board shall have the discretion to establish any additional districts outside of these regions and shall take all legal and administrative action necessary to establish and maintain such districts.

- A. The San Diego District governs and represents the Counties of San Diego, Imperial, Riverside and Orange.
- B. The Los Angeles District governs and represents the Counties of Los Angeles, San Bernardino, Ventura, Santa Barbara and San Luis Obispo.
- C. The Central Valley District governs and represents the Counties of Fresno, Kern, Merced, Kings, Tulare, Inyo, Madera, Mariposa, Mono, Tuolumne, Calaveras, Stanislaus, and San Benito
- D. The Bay Area/Sacramento District governs and represents the Counties of Sacramento, Amador, Alpine, El Dorado, Placer, Nevada, Sierra, Yuba, Sutter, Plumas, Butte, Lassen, Modoc, Shasta, Siskiyou, Del Norte, Trinity, Tehama, Glenn, Colusa, Yolo, Lake, Solano, San Francisco, Sonoma, Napa, Mendocino, Marin, Contra Costa, San Joaquin, Alameda, San Mateo, Santa Clara, Santa Cruz, and Monterey, Humboldt.
- E. The State of Nevada District governs and represents Counties within the State of Nevada.
- F. The State of Arizona District governs and represents Counties within the State of Arizona.

Section 4. Establishment of District Offices

(A) A District office may be established in each district to serve the NMA members in each respective territory. Once a district has 500 members or more, NMA may designate an NMA representative to serve the members of that particular district. NMA District offices and personnel shall be subject to the oversight, control and discretion of the Executive Board and the establishment and NMA finances and other pertinent concerns will determine maintenance of such district offices and personnel.

Article II.

Objectives and Purposes

The objectives and purposes for which the NMA is formed shall be:

- (A) To promote the common business interests of the retail food and beverage industry and establish a means whereby these retailers may meet for their mutual benefit and advantage;
- (B) To provide convenient machinery for raising and maintaining the standards of ethics and business practices in the retail food and beverage industry;
- (C) To assemble, develop and distribute to its members and the general public data and information about the retail food and beverage industry;
- (D) , To conduct educational and research programs to discover more efficient methods of operation and to collect and provide information to its members relating to typical management issues;
- (E) To provide means for the exchange of information on matters relating to food and beverage distribution and to develop training and educational methods and material for improving standards in the retail food and beverage industry;
- (F) To foster cooperation among its members in furtherance of their common purposes;
- (G) To promote activities designed to increase the economy and efficiency of the retail food and beverage industry;
- (H) To encourage cooperation with other industries and organizations including, but not limited to, entering agreements for the sharing of consultants, personnel, facilities, advertising, and any other activities approved by the Executive Board;
- (I) To do any and all things necessary, legal, and proper in connection with the accomplishment of the objectives and purposes of the NMA.
- (J) To cooperate with all other lawful agencies having the same general purposes as NMA; and
- (K) To cooperate and maintain good relations with all governmental, state and municipal agencies.

Article III.

Membership

Section 1. Classes of Membership

NMA shall have the following classes of membership:

- (A) Retail membership is limited to only independent markets and any person, neighborhood store, convenience store, small store, supermarket, gas station or other retail food or beverage industry related retailer engaged in the retail sale of food, groceries, alcohol beverages or fuel products;

"Independent markets" are defined as non-publicly traded corporations or other legal entities.
"Person" is defined as an individual or any other legal entity formed for the primary purpose of engaging in a retail business.

(B) Supplier members shall be manufacturers, brokers, wholesalers, and other suppliers, and the employees and agents thereof connected with the food and beverage industry that are desirous of receiving services from NMA;

(C) Honorary members shall be individuals or entities whom the Executive Board finds to be worthy of reward for outstanding service to the retail food and beverage industry.

Section 2. Voting Privileges

Voting privileges for NMA members shall be as follows:

(A) All retail members and supplier members in good standing shall have voting privileges for elections within NMA; only retail members and supplier members shall be able to serve on the Executive Board;

(B) The following member classifications shall not have any voting privileges and only one may serve on each NMA District Board of Directors;

(1) Honorary members;

Section 3. Admission to Membership

Applicants for membership to NMA shall be admitted to membership only, in accordance with Executive Board approved admission policy. In no event shall any admission policy of NMA discriminate on the basis of race, sex, religion, national origin, color, age, sexual orientation, political affiliation or any other basis declared to be discriminatory or illegal under applicable state or federal law.

Section 4. Dues

(A) The Executive Board shall establish a policy for the payment of members' dues according to the classes of membership. The Executive Board shall determine the amount of dues payable by each class of membership annually.

(B) Fees may be payable for the first year of admission to membership and annually thereafter at such time as may be fixed by the Executive Board. Any member, upon payment of the appropriate membership dues is deemed to be in good standing. Membership dues owed shall be taken from individual NMA member rebates at the end of the NMA fiscal year and the individual NMA member rebate balance, if any, will be mailed out to each individual NMA member at the end of the NMA fiscal year. After membership dues are fulfilled for the year, all other accumulated member rebates shall be mailed out at the end of the NMA fiscal year to each individual NMA member.

(C) If dues are not paid in full or for some reason, the member's rebates fail to equal their dues, this failure shall result in a member losing good standing status. Any member who shall be delinquent in paying their dues in full for a period of ninety (90) days from the time dues become payable shall be notified of the delinquency and suspended from further membership within NMA until payment in full of all delinquent dues and any penalties established by the Executive Board are received and accepted by the Executive Board. If full payment of dues and any applicable penalty is not made within the succeeding thirty (30) days after the foregoing notice, the suspended member shall be terminated from membership within NMA unless

otherwise determined by the Executive Board. Dues shall not be refunded to any member who resigns, or whose membership is suspended or terminated for any reason.

(D) NMA's official fiscal year is hereby designated to be from January 1st through December 31st of each year.

(E) The NMA principal office will keep an accurate accounting of the finances of each individual district. Accounting for each NMA District and the State shall be discussed at each meeting of the Executive Board.

(F) Fifty dollars (\$50.00) from every member's dues will be contributed to the NMA Political Action Committee ("PAC") on an annual basis, unless that member chooses to opt out of contribution to the Political Action Committee by checking off a box on the membership application or membership renewal form. Membership dues will not be decreased in the event a member opts out of contributing to the PAC.

Section 5. Number of Members

(A) There shall be no limit to the number of members the NMA may admit.

(B) NMA shall keep a membership list in a form prescribed by policy of the Executive Board, containing the name, address, and class of each member. The membership list shall be subject to the rights of inspection required by law and defined by policy of the Executive Board.

Section 6. Transferability of Membership

Neither the membership in NMA nor any rights in the membership may be transferred for value or otherwise. Notwithstanding the foregoing, individual retail membership may be transferred to a legal entity created by such individual to own and operate the individual's retail business, provided such individual retains at least fifty-one percent (51%) or more of the equity ownership interest in the legal entity so created.

Section 7. Resignation

Any member may resign from NMA by filing a written resignation with the Executive Board. A member's rights and benefits under these Bylaws, and under the policies and practices of NMA, shall terminate immediately upon resignation, but such resignation shall not relieve the member so resigning of any existing obligation including the obligation to pay any dues or other charges that had accrued and were unpaid unless the resigning member promptly resigns upon learning of the dues or other charges and the obligation to pay such dues or other charges are not established by contract.

Section 8. Suspension or Termination

(A) Membership in NMA may be suspended or terminated by the Executive Board upon approval of two-thirds (2/3) of the directors on the Executive Board. Grounds for such action shall include, but not be limited to, non-payment of dues, failure to adequately support the objectives and purposes of NMA, or for other good reasons and good cause as determined by the Executive Board. Conventional standards of due process will be followed, including notice and a right to be heard.

(B) The Executive Board shall establish a policy, which prescribes the procedures for suspension or termination of membership. A member's rights and benefits under these Bylaws and under the policies and practices of NMA shall terminate indefinitely upon the suspension or termination of their membership.

(C) A former member may be reinstated as a member of NMA if the factors, which led to suspension or termination, have been corrected to the satisfaction of the Executive Board.

Section 9. Grievances

Any member, former member, or applicant for membership aggrieved by the acts or determinations of NMA may petition the Executive Board for a hearing in accordance with the grievance policy established by the Executive Board. Conventional standards of due process will be followed, including notice and a right to be heard.

Article IV.

Donations

Upon the approval of the Executive Board, donations may be received from any person, firm, or corporation. Unless otherwise qualified, contributors shall not be members of the NMA and shall have no voting privileges. The mere fact that a donation is made to and received by NMA shall not, in itself, influence or affect the outcome of any vote by the Executive Board or determine support or the lack thereof by NMA for any particular interest or policy of the donor.

Article V.

Meetings

Section 1. Annual and Special Meetings

(A) There shall be an annual meeting of the NMA members to be held at a time and place as may be determined by the Executive Board. The annual meeting shall be for the purpose of receiving annual reports, the discussion of subjects of timely interest to the membership and ratification of amendments which have been properly brought before the Executive Board. The Executive Board may, at its discretion, authorize members who are not present in person to participate by electronic transmission, telephone or electronic video communication.

(B) The Executive Board may call special meetings of the NMA membership; the Chairman of the Executive Board, or the President of NMA with the concurrence of the Chairman of the Executive Board may call for a special meeting. Special meetings may also be called by ten percent (10%) or more of the voting members of NMA through a written request for a special meeting addressed to the Chairman of the Executive Board or the President of NMA and the meeting shall be scheduled not less than thirty (30) days nor more than ninety (90) days after receipt of the written request.

Section 2. Notice

Notice of any special meeting for NMA provided for in this Article shall be given in writing no less than ten (10) days nor more than ninety (90) days before the date of the meeting and mailed by first class mail, postage prepaid, to all qualified members. If mailed by other means, the notice must be given not less than

twenty (20) days after receipt of the written request for a special meeting from ten percent (10%) or more of the members.

The notice shall:

- (A) Be mailed to all retailer and supplier members who are members in good standing with NMA at the close of business on the business day before the notice is given;
- (B) State the place, date and time of the meeting and shall state those matters which the Executive Board, at the time notice is given, intends to present for actions by the members. Any other proper matter may be presented at the meeting as determined by the Executive Board.
- (C) Be mailed by U.S. mail, postage prepaid, sent via electronic mail, or included in any newspaper, magazine or other publication regularly sent to NMA members.
- (D) An affidavit of the giving of notice of an annual or special meeting, when executed by the Secretary of the NMA or the Secretary's duly authorized agent, will be sufficient evidence of the giving of notice.

Section 3. Written Waiver or Consent

The transactions of any meeting of members, either annual or special, called or noticed, and wherever held, shall be as valid as though taken at a meeting duly held after regular call and notice if a quorum is present and if, either before or after the meeting, each person entitled to vote who was not present in person signs a written waiver of notice or approves the minutes of the meeting via written ratification. Except as otherwise provided by law, the written waiver of notice or consent need not specify either the business to be transacted or the purpose of any annual or special meeting of members. Any written waiver, consent, or approval shall be filed with the corporate records or made a part of the minutes of the meeting.

Section 4. Waiver of Attendance

Attendance by a member at a meeting shall also constitute a waiver of notice of the meeting except when the person objects at the beginning of the meeting to the transaction of any business due to the inadequacy or illegality of the notice. Also, attendance at a meeting is not a waiver of any right to object to the consideration of matters not included in the notice of the meeting unless the waiver is expressly made at the meeting.

Section 5. Quorum

(A) At an annual or special meeting of members a quorum shall consist of one-half (1/2) members entitled to vote and a majority of those present and voting shall decide on only issues that appear on the agenda. If there are fewer than one half (1/2) the members actually attending the meeting, no subject may be acted on unless a written statement of its general nature was sent to the members at least ten (10) days before the meeting or in the manner required by the Bylaws provisions governing the time and manner of giving notice.

(B) The only issues that shall be voted on at an annual meeting or special meeting shall appear on the agenda. Three fourths (3/4) of the Executive Board must agree prior to placing an action item on the Agenda for an annual meeting or special meeting.

(C) Except as provided by law, a meeting at which a quorum is initially present may continue to transact business notwithstanding the withdrawal of members if any action taken is approved by at least a majority of the minimum required quorum for the meeting.

Section 6. Voting Proxy

Each voting member, their affiliate, or associate, present and in good standing at any annual meeting or special meeting shall have one (1) vote. All NMA members in good standing are welcome to attend and participate in the annual meeting or special meeting. Any person voting by proxy must present a written proxy to the meeting, duly signed by the member on whose behalf the proxy will be utilized.

Section 7. Rules

Robert's Rules of Order, as may be amended from time to time, shall govern all debates when not in conflict with the provisions of these Bylaws, the Articles of Incorporation of NMA or the law.

Article VI.

Elections

Section 1. District Board of Directors

(A) Eligibility of Candidates for District Board of Directors:

Any person in good standing who is affiliated or associated with a retailer member may be nominated and elected to the District Board of Directors. Any person in good standing who is affiliated or associated with a supplier member may be appointed by the respective District Board of Directors at its discretion.

(B) Nomination of District Board of Directors

Applications for District Board of Directors positions will go out to all retailer members, in good standing, a minimum of thirty (30) days before the election ballots are to be mailed to all NMA voting members in good standing.

(C) Election of District Board of Directors

Once the deadline passes for applications for the District Board of Directors, then all applications of NMA members in good standing will be mailed out to all voting NMA members in good standing. NMA members that are eligible to vote will have thirty (30) days to do so. All completed ballots must be mailed to a designated P.O. Box in a sealed envelope, which will be included with the ballot postage prepaid, and will not be opened until after the deadline indicated on the ballot. All completed ballots will be counted in accordance with the procedures set forth in this Section and Section 2 of this Article. Those elected will be sworn in as the new NMA District Board of Directors at their respective Annual Banquet or at the Executive Annual Banquet.

(D) The District Board of Directors shall consist of twelve (12) retailers and six (6) suppliers. If not more than twelve (12) retailers and six (6) suppliers apply to serve on the NMA District Board of Directors, then the respective District Chairman and officers may fill the vacancies on their Board of Directors accordingly.

Section 2. District Board of Directors Election Procedures

The procedures pertaining to the election of the District Board of Directors will include, but not be limited to:

1. Listing the names of the nominees for the District Board of Directors;
2. Checking each voter against the official NMA membership list;
3. The District Board will designate three (3) NMA members in good standing to count the ballots. This group shall consist of two (2) Retailer Members and one (1) Supplier Member, none of which can be nominees for the current election.
4. NMA members must vote for a minimum of fifty percent (50%) of the positions being elected in order for the ballot to be considered completed.
5. At the close of voting, the three (3) NMA Members selected by the District Board will count all completed ballots received in the designated P.O. Box by the deadline indicated. Ballots cannot be faxed to the NMA office, and copies will not be accepted and will not count; and
6. The state NMA staff will sign off on the results of the election and announce the names of the new District Board of Directors for each of the NMA districts.

Article VII.

Board of Directors

Section 1. Executive Duties

The governing body of NMA shall be the Executive Board who shall have supervision, control and direction of the affairs of NMA, its Districts, committees and publications and other NMA activities. The Executive Board may adopt policies; rules and regulations for the conduct of its business as shall be deemed advisable and may, in the execution of the powers granted, delegate certain aspects of its authority and responsibility to the officers and or Districts within NMA. The Executive Board may establish such committees and panels as the Executive Board may from time to time deem necessary. All directors on the Executive Board must always act in the best interests of NMA and remove themselves from all discussions, debates and votes, which involve a conflict of interest.

The NMA Executive Board is an elected, non-paid, voluntary position.

In order to serve on the NMA Executive Board, a director **must complete at least two (2) of the five (5) functions specified below every year, at a minimum:**

- Bring in 3 new members into the NMA.
- Be responsible for at least one table at the annual banquet (buy or sell one table).
- Contribute \$500 to the NMA Political Action Committee.
- Visit at least one (1) NMA member a month (non-family member) to see how what they think of NMA.
- Contribute fifteen (15) hours of volunteer work to NMA, not including NMA events and meetings (The director must use the director's resources and strengths, CPA, business practices, contacts).

Section 1A. District Duties

The governing body within each NMA District shall be the District Board of Directors who shall have supervision, control and direction of the affairs of their NMA District, committees and other NMA activities. All District Board of Directors must always act in the best interests of NMA and remove themselves from all discussions, debates and votes, which involve a conflict of interest.

Each NMA District Board of Directors is an elected, non-paid, voluntary position.

In order to serve on an NMA District Board of Directors, a director must complete at least two (2) of the five (5) functions specified below every year, at a minimum:

- Bring in 3 new members into the NMA.
- Be responsible for at least one table at the annual banquet (buy or sell one table).
- Contribute \$500 to the NMA Political Action Committee.
- Visit at least one (1) NMA member a month (non-family member) to see how what they think of NMA.
- Contribute fifteen (15) hours of volunteer work to NMA, not including NMA events and meetings (The director must use the director's resources and strengths, CPA, business practices, contacts).

Section 2 Executive Board of Directors

The Executive Board will consist of three (3) officers, as specified in Article VIII, below (only retailer board members are eligible to serve as officers), nineteen (19) retailer directors, and three (3) supplier directors, for a total of twenty-two (22) directors on the Executive Board. Only a retailer in good standing may serve as an officer and director of the Executive Board. All six (6) Districts will be represented on the Executive Board. Each District Board of Directors will send their Chairman and any other representatives from their respective District Board of Directors to serve on the Executive Board. The San Diego District shall have eleven (11) representatives on the Executive Board. The Los Angeles District shall have two (2) representatives on the Executive Board. The Central Valley District shall have two (2) representatives on the Executive Board. The Northern California District shall have two (2) representatives on the Executive Board. The Nevada District shall have one (1) representative on the Executive Board. The Arizona District shall have one (1) representative on the Executive Board. Additionally, the outgoing Chairman of the Executive Board shall automatically be granted a seat on the Executive Board for the following term, thereby reducing the number of seats in his/her respective district by one. The three (3) suppliers on the Executive Board shall be chosen by the retailer directors on the Executive Board and such suppliers must be able to act in a statewide capacity in order to serve.

Section 2A. District Board Composition

Each District Board of Directors will consist of three (3) officers (only retailer directors are eligible to serve as officers), no more than twelve (12) retailer directors, and no more than six (6) supplier directors, for a total of eighteen (18) directors on the District Board of Directors. Only a Retailer in good standing may serve as an officer of the District Board of Directors. Each District Board of Directors elects their officers. Each District Board of Directors may not have more than thirty-three percent (33%) of the directors on their District Board of Directors drawn from supplier members. Additionally, the outgoing Chairman of the District Board shall automatically be granted a seat on the District Board for the following term,.

Section 3. Terms of Office: Conditions – Executive Board of Directors

The Executive Board officially assumes office after they are sworn in at the NMA Annual Banquet. Directors on the Executive Board shall serve a two (2) year term and may apply for the same position with no term limits, other than those specified in this Section 3. NMA Officers shall serve a two (2) year term, a maximum of three (3) two (2) year terms or six (6) consecutive years for any one office. Officer and director positions will be up for re-election every two (2) years.

Section 3A. Terms of Office: Conditions – District Board of Directors

Each District Board of Directors officially assumes office after that Board is sworn in either at the NMA Annual Banquet or their respective District Annual Banquet. District Boards of Directors are to serve a two (2) year term and may apply for the same position with no term limits, other than those specified in this

Section 3A. NMA District officers shall serve a two (2) year term with no term limits. District officer and director positions will be up for re-election every two (2) years.

Section 4. Meeting of the NMA Executive Board

- (A) Meetings of the Executive Board shall take place three (3) times a year, once every trimester at a location to be decided by the Executive Board, in its sole discretion. The last meeting of the year will always be the NMA Annual Meeting where all directors on the Executive Board, on the District Boards of Directors and members in good standing assemble.

Section 4A. Meeting of the NMA District Board

- (A) Meetings of the District Board of Directors shall take place no more than six (6) times a year, and no less than two (2) times per year.
- (B) Meetings may be held at any place, preferably within the District it governs, at the discretion of the respective District Board;

Section 5. Waiver of Notice - Board Meeting - Executive Board and District Boards

The transactions of any meeting of the Executive Board or of the District Boards of Directors, however called and noticed or wherever held, shall be as valid as though taken at a meeting duly held after regular call and notice if a quorum is present.

Section 6. Quorum: Voting - Meeting of the Board -- Executive and District Boards

- (A) At any meeting of the Executive Board or of a District Board of Directors no less than one-half (1/2) of the Board shall constitute a quorum for the transaction of NMA business and any business thus transacted shall be valid providing it is affirmatively passed upon by a majority of those present unless otherwise provided in these Bylaws. Except as provided in law, a meeting at which a quorum is initially present may continue to transact business notwithstanding the withdrawal of directors if any action taken is approved by at least a majority of the minimum required quorum for the meeting.

- (B) All NMA members in good standing and any potential NMA members are welcome to attend and sit through an NMA Executive Board or District Board of Directors meeting.

Section 7. Voting Rights -- Executive Board and District Boards of Directors

Voting rights of directors on the Executive Board or on any District Board of Director shall not be delegated to anyone nor exercised by proxy. All directors of the Executive Board and of the District Boards of Directors shall be required to be qualified to serve on their respective Board during their full term of office. Any director of the Executive Board or of a District Board of Directors after election or appointment, who does not remain so qualified, shall become ineligible to serve as a director of the respective Board unless the circumstances, which caused the disqualification, are corrected within three (3) months or to the satisfaction of the respective Board.

Section 8. Notice of Resignation -- Executive Board and District Boards of Directors

Any director of the Executive Board or of a District Board of Directors may resign effective on giving written notice to the Chairman, Vice Chairman, or Secretary/Treasurer of that respective Board, unless the

notice specifies a later time for the effectiveness of the resignation. Any vacancy by the death, resignation, removal, disqualification, or otherwise of any director or officer shall be filled by that respective Board for the unexpired portion of the term.

Section 9. Absence -- Executive Board and District Boards of Directors

Any director or officer of the Executive Board or of a District Board of Directors who shall have been absent from two (2) consecutive regular meetings of their respective Board during a single calendar year shall either:

- A. Automatically vacate membership of that respective Board and of their office and the vacancy shall be filled by appointment by a majority of that respective Board; or
- B. Be given the opportunity to explain the absences to the respective Board of Directors at the following meeting and allow the Board, in its discretion, by affirmative vote of two-thirds (2/3) of the respective Board, to either remove the director or officer, or allow the absences to be excused.

Section 10. Removal -- Executive Board and District Boards of Directors

The Executive Board or a District Board of Directors may in its discretion, by affirmative vote of two thirds (2/3) of its Board, remove any director or officer for cause as provided in law. Before such removal, the director or officer, as applicable, shall be entitled to due process of law, including notice and a right to be heard. Notwithstanding such due process rights, removal of a director or officer for cause shall proceed, and the applicable directorship or office, as applicable, shall be filled and the new director or officer shall assume their duties and perform their functions, pending the giving of notice to and the conduct of a hearing for the director or officer who has been removed, in order for NMA to continue on with the orderly administration of its affairs.

Section 11. Compensation & Reimbursement -- Executive and District Boards

Directors of the Executive Board and of the District Boards of Directors shall not receive any compensation for serving on their respective Board. However, directors of the Executive Board will be reimbursed for all reasonable travel expenses, including mileage and meals incurred on behalf of NMA for the purpose of furthering the interests and affairs of NMA. NMA will cover all airfare costs for directors of the Executive Board incurred to attend meetings of the Executive Board, and for all staff, general counsel and other outside counsel who are requested to attend such meetings. NMA will cover all airfare costs for directors of the Executive Board and of District Board of Directors attending, and of staff, general counsel and other counsel requested to attend, the Annual Meeting. The Executive Board may prescribe a reimbursement policy and procedures for the claims, approval and payment of such expenses. Reimbursement to an Executive Board Member or District Board Member for a hotel stay when attending any Board meeting shall be at the discretion of the Executive Board. NMA shall attempt to obtain reduced or discount hotel room fees for its members attending any Board meeting or any Special or Annual Meeting.

Section 12. Rules -- Executive and District Boards

Robert's Rules of Order, as may be amended from time to time, shall govern all debates, when not in conflict with the provisions of these Bylaws, the NMA Articles of Incorporation or the law.

Article VIII.

Officers

Section I. Officer Composition & Term of Office & Eligibility -- Executive and District Boards

- (A) The officers to the NMA Executive Board and of the District Boards of Directors shall consist of the Chairman of the Board, Vice Chairman, Treasurer and Secretary.
- (B) The Chairman of the Board, Vice Chairman, Treasurer and Secretary of the Executive Board shall be nominated and elected by the directors of NMA Executive Board.
- (C) The Chairman of the Board, Vice Chairman and Secretary/Treasurer of each District Board of Directors shall be nominated and elected by the NMA District Directors after their respective Board election, every two years.
- (D) The Executive Board shall employ a person as President and Chief Executive Officer (CEO) of NMA and shall fix the terms and conditions of such person's employment.
- (E) Because all officers of both the Executive Board and of the District Boards of Directors must be retail members of NMA, only retail members sitting on the respective Boards are eligible to vote for officers of their respective Board.
- (F) No tier or seniority system will exist for officers of the Executive Board or of the District Boards of Directors. For example, progression of officers, for example, from Secretary to Chairman is no longer required.

Section 2. Chairman of the Board -- Executive and District Chairman

(A) The Chairman of the Executive Board shall be the principal elected officer of NMA, shall preside at Executive Board meetings, and shall be a member ex officio of all other committees and at such other times as the Chairman shall deem proper. The Chairman shall regularly communicate to the members of NMA and of the Executive Board regarding such matters, and make such suggestions, as are necessary to promote the efficiency and welfare of NMA. The Chairman shall also perform such other duties as are incumbent to the office, or as may be prescribed by the Executive Board, or defined by NMA policies. The Chairman of the Executive Board will have signatory powers for all NMA accounts, subject to such additional signatories and oversight as may be deemed necessary and appropriate by the Executive Board to protect the rights and interests of NMA members.

(B) The Chairman of the District Boards of Directors shall be the principal elected officer of the respective geographic district they represent, and shall preside at their District NMA Board of Directors meetings, and shall be a member ex officio of all other District committees and at such other times as the Chairman shall deem proper. The District Chairman shall regularly communicate to the Executive Board, members of NMA and to the District Board of Directors regarding such matters, and make such suggestions as necessary to promote the efficiency and welfare of the NMA District they represent. The District Chairman shall also perform such other duties as are incumbent to the office, or as may be prescribed by the Executive Board and the District Board of Directors, or defined by NMA policies. The Chairman of the District Boards of Directors shall serve on the Executive Board and shall give a written and oral report about their district at each trimester Executive Board meeting.

Section 3. Executive and District Vice Chairperson

- (A) The Vice Chairman of the Executive Board shall help advise the Chairman of the Executive Board and will be privy to all committees and will act on behalf of the Chairman if the Chairman is not present at any NMA meeting or function. The Vice Chairman will have signatory powers for all NMA accounts, subject to such additional signatories and oversight as may be deemed necessary and appropriate by the Executive Board to protect the rights and interests of NMA members.
- (B) The Vice Chairman of a District Board of Directors shall help advise the Chairman of the District Board of Directors and will be privy to all committees and will act on behalf of the Chairman of the District Board of Directors if the Chairman is not present at any NMA meeting or function.

Section 4. Executive and District Secretary/Treasurer

- (A) The Secretary/Treasurer of the Executive Board shall ensure that all notices required by these Bylaws are issued in a timely manner, shall maintain accurate minutes and records of all committees of the Executive Board and of the Executive Board regular and special meetings, and of the Annual Meeting. The Secretary/Treasurer shall also serve as Chief Financial Officer of NMA with general charge of the financial affairs of the NMA. The Secretary/Treasurer shall supervise collection, documentation, reporting and disbursement of funds for NMA and submit financial reports to the Executive Board every trimester. The Secretary/Treasurer will have signatory powers for all NMA accounts, subject to such additional signatories and oversight as may be deemed necessary and appropriate by the Executive Board to protect the rights and interests of NMA members, and shall work with the Executive Board, NMA's President and CEO and NMA's bookkeepers and accountants to ensure the proper and accurate maintenance and reporting of NMA's financial affairs, and the proper disbursement of NMA's funds. All financial books and records of NMA shall be prepared and maintained in accordance with generally accepted accounting principals and procedures, as determined by NMA's certified public accountant(s), and shall perform any other duties as usually pertain to the office, or as defined in NMA policies or as required by law.
- (B) The Secretary/Treasurer of a District Board of Directors shall ensure that all notices required by these Bylaws are issued in a timely manner, shall maintain accurate minutes and records of all committees of the District Board of Directors and of the District Board of Directors regular and special meetings, and shall perform any other duties as usually pertain to the office, or as defined in NMA policies or as required by law. The Secretary/Treasurer of a District Board of Directors shall serve as Chief Financial Officer with general charge of the financial affairs and accounts of the respective NMA District; supervise collection and disbursement of funds for their respective NMA District; and submit regular financial reports to the District Board of Directors at each meeting. The Secretary/Treasurer of a District Board of Director shall submit quarterly financial reports concerning the current financial affairs of the district to the Executive Board and the Treasurer of the Executive Board.

Section 5. President & Chief Executive Officer (CEO) of NMA

Subject to the supervisory powers of the Executive Board, the President & CEO of NMA shall:

- (A) Be the Chief Administrative Officer of NMA and responsible for all daily management functions;
- (B) Manage and direct all daily activities of the NMA as prescribed by the Executive Board and shall be responsible and report directly to the Executive Board;

(C) Employ and may terminate the employment of members of the NMA staff necessary to carry on the work of NMA, and fix their compensation within the approved budget of NMA, as set by the Executive Board;

(D) Define the duties of the staff, supervise their performance and establish their titles which, in the President's & CEO's judgment, are in the best interests of the NMA;

(D) Perform any other powers and duties as may be prescribed by the Executive Board.

(E) Is in charge and in control of the NMA Political Action Committee;

(F) Has discretion to retain the legislative advocate of their preference in accordance with the best interests of NMA;

(G) Always act in the best interests of NMA;

Article IX.

Executive and District Committees

Section 1. Executive Committees

(A) NMA Membership Committee: The Executive Board, at its sole discretion, may establish an NMA Membership Committee. The Executive Board shall decide on the number of members on such committee and its powers and authorities, subject to the provisions of these Bylaws and applicable law.

(B) Executive Program Endorsement Committee may meet once a month and decide on the programs NMA shall endorse for the benefit of NMA and its members. The Executive Program Endorsement Committee decisions will be reported at the meetings of the Executive Board and at each meeting of the District Board of Directors. The Executive Program Endorsement Committee membership will be decided by the Executive Board. The decisions of the Executive Program Endorsement Committee shall be final, unless the Executive Board specifically requests a review of the endorsed program. Only retailer members and current NMA Executive staff may serve on the Executive Program Endorsement Committee. For a program to be endorsed, there must a minimum of 3 members present at the meeting. The Executive Program Endorsement Committee may meet once a month at the NMA State Office located in San Diego County, California.

(C) Other NMA committees and panels may be created from time to time as the need arises. The Executive Board shall appoint all NMA committees and panels. All NMA committees and panels shall decide the policies, rules and regulations under which they will conduct their affairs, subject to approval or ratification by the Executive Board. The Executive Board shall be the final authority on all projects and policies adopted by any Executive or District NMA committee or panel.

Article X.

NMA Annual Events

Section 1. Annual Events

(A) NMA holds a number of annual events each year including, but not limited to the NMA Annual Banquet, Golf Tournament, Tradeshow, Holiday Package Show, and PAC Golf Tournament. Each District has discretion over what events they would like to administer in their geographic area. The NMA State Office and staff will assist with every event in each district.

(B) Each District must inform and receive permission from the Executive Board and State Office for any new event prior to its creation, announcement and execution. If the new event is agreed upon by the Executive Board, then the NMA State Office and staff will help with the event in the District.

(C) A District shall not be allowed to hold any event that is not agreed upon by the Executive Board.

Article XI.

Liability and Indemnification

Section 1. Liability

(A) A member of the Executive Board or of a District Board of Directors acting in any authorized capacity on behalf of NMA shall not, solely because of such position, be personally liable for the debts, obligations, and liabilities of NMA.

(B) A president, officer, director, or employee is not personally liable for the debts, obligations, or liabilities of NMA so long as he or she acts in accordance with the standard of conduct specified in these Bylaws and in accordance with the law.

(C) The NMA Executive Board of Directors may, in its discretion, and to the extent allowed by law, authorize the corporation to indemnify its directors, officers, employees and other agents against damages and liabilities including court costs and attorneys fees incurred in the course and scope of their employment or duties on behalf of the corporation or arising out of their status as such directors officers, employees and other agents.

Section 2. Required Standard of Conduct

The person seeking indemnification must be found to have acted in good faith; in the course and scope of such person's authority; in a manner the person believed to be in the best interest of NMA, and with such care, including reasonable inquiry, as an ordinarily prudent person in a like position would use in similar circumstances. In no event shall any person acting in the capacity of an officer, director, employee or agent of NMA be considered to have express, apparent or implied authority to act outside the course and scope of such person's authority, nor as having the authority to intentionally violate the provisions of the Articles of Incorporation of NMA, of these Bylaws and/or of the law, including, but not limited to, the violation of that person's fiduciary duties to NMA or of the criminal law.

Section 3. Advance of Expenses

Subject to prior approval by the Executive Board, expenses incurred in defending any proceeding may be advanced by NMA before the final disposition of the proceeding on receipt of an undertaking by or on behalf of the agent to repay the amount of the advance unless it is determined by the NMA Executive Board ultimately that the agent is entitled to be indemnified as authorized in this Article.

Section 4. Contractual Right

Nothing contained in this Article shall affect any right to indemnification to which persons other than directors and officers of NMA, or any subsidiary hereof, may be entitled by contract or otherwise.

Section 5. Insurance

The NMA Executive Board may adopt a resolution authorizing the purchase and maintenance of insurance on behalf of any agent of NMA against any liability incurred in the course and scope of the agent's performance of the agent's duties on behalf of NMA, other than for violating provisions against self-dealing, violations involving intentional wrongdoing, or violations of criminal law, asserted against or incurred by the agent in such capability or arising out of the agent's status as such, whether or not NMA would have the power to indemnify the agent for the liability under the provisions of this Section.

Section 6. Binding Arbitration and Costs

Any dispute or claim in law or in equity arising out of or concerning the contents of these Bylaws or pertaining to the interpretation of these Bylaws shall be decided by binding Arbitration in San Diego, California, in accordance with the Commercial Arbitration Rules of the American Arbitration Association, and judgment upon the award rendered by the arbitrator(s) may be entered in any court having jurisdiction thereof. All administrative costs of any such arbitration proceeding, including, but not limited to, the costs for administering the case, the fees of the arbitrator, and attorney's fees actually incurred, shall be borne by NMA.

Article XII.

Records

Section 1. Records and Inspection

The NMA State office, located in San Diego County, California shall keep accurate and detailed records of the accounts and minutes of the proceedings of its members, Executive Board meetings and committees. Each District Board of Directors shall keep the minutes of their meetings, and accurate and detailed records and accounts of their transactions, and shall, not less often than on a trimester basis, deliver true and accurate copies of their minutes, records and accounts to the NMA State office in San Diego County, California. The minutes shall be kept in written form and other books and records shall be kept in either written or electronic form. All minutes, records and accounts shall be maintained for at least the minimum period of time required to maintain financial, business and tax records by the Internal Revenue Service of the United States Department of Treasury. All members in good standing of NMA, and all Executive and district officers and directors of NMA, shall have full inspection rights of the minutes, records and accounts of NMA maintained at the NMA State office, and at NMA District offices, as are afforded to them under the California Corporations Code.

Article XIII.

Amendments

(A) These Bylaws may be amended by three fourths (3/4) of the NMA Executive Board and must be ratified by three fourths (3/4) of the NMA members in good standing who do not waive their vote at the annual or special meeting. Failure to attend the special or annual meeting or failure to have a proxy to th

(B) Amendments that do not receive three fourths (3/4) of the NMA Executive Board of Directors approval will not qualify to be voted upon at the NMA Annual Meeting.

Article XIV.

Dissolution

(A) NMA may be dissolved by four fifths (4/5) approval of the Executive Board and by the approval of three fourths (3/4) of the members in good standing present at a duly convened meeting and upon ninety (90) days prior written notice to all NMA members.

(B) Upon Dissolution of NMA, all assets, including, but not limited to, cash on hand and accounts receivable shall first be used to pay all outstanding expenses and debts, and then be divided among the retailer members in good standing at the time of dissolution as follows:

(a) Fifty percent (50%) of the assets shall first be distributed equally among all NMA retailer members who have been members of NMA in good standing for over ten (10) years, starting from the calendar year 2007;

(b) The remaining fifty percent (50%) of the assets shall be divided equally among all NMA retailer members in good standing at the time of dissolution.

(c) In the event of a dissolution prior to 2017, one hundred percent (100%) of the assets shall be divided equally among all NMA retailer members in good standing at the time of dissolution.

(C) Any dispute arising out of the disbursement from dissolution shall resort to arbitration in Article X Sec. 6 of these Bylaws. Any member to whom any assets of NMA are distributed shall be solely responsible for the income, gift or other tax consequences of receiving such asset(s) and such member(s) shall indemnify and defend NMA, its officers, directors and other members from any and all liability for the payment of such taxes and for all expenses incurred in connection with the assertion and defense of such liability, including, but not limited to, court costs and attorney's fees actually incurred.

(D) The following rules are incorporated by reference and shall govern in the event of any dispute or disagreement among the NMA Executive Board or members of NMA:

With regards to Involuntary Dissolution, See Corporation Code Sections 8510 et seq.
With regards to Voluntary Dissolution, See Corporation Code Sections 8610 et seq.