

**BYLAWS
OF
THE COMMUNITY MARKET, INCORPORATED**

ARTICLE I: NAME

The name of this corporation is The Community Market, Incorporated (the “Cooperative”).

ARTICLE II: PURPOSES

The Cooperative shall be owned by its members and shall operate for the primary and mutual benefit of its members and its community, including the following purposes:

- 1) To engage in the business of selling high quality food and other products with a special emphasis on organic and fair trade merchandise and locally grown and produced items, all for the purpose of promoting good will and integration within the community;
- 2) To develop an attractive and successful model for community and employee ownership in food retailing and local economic development;
- 3) To create jobs for all employees of the Cooperative that are adequately compensated and meaningful; and
- 4) To engage in any other lawful act or activity that corporations may perform under Chapter 54 of the General Statutes of North Carolina, Subchapter IV.

ARTICLE III: OWNERSHIP AND DIVIDENDS

Section 1. Classes of Stock. There are two classes of common stock: Employee Stock and Consumer Stock. The eligibility requirements for employee and consumer owners are described in this Article III. Any person eligible for employee-ownership shall be ineligible for consumer-ownership. As used in these Bylaws, “owner” refers to an owner of common stock of the Cooperative.

Section 2. Employee Ownership Eligibility. The Cooperative will operate on a cooperative basis with its employees being eligible for ownership. To be eligible for employee ownership in this Cooperative, a person must:

- 1) Be an employee for six months;
- 2) Purchase one (and only one) employee share that will function for all intents and purposes as an ownership certificate; and
- 3) Be a resident of the State of North Carolina when the ownership share is purchased.

Section 3. Employee Ownership Stock and Rights. The price of an employee share shall be set by the Board. Employees who have begun paying for an ownership share as part of a payroll deduction plan are entitled to all the rights and privileges of ownership, including voting in accordance with Article V of these bylaws and dividend rights. Until the share has been fully paid for, all non-cash dividends shall be reflected in an internal account, as described in Section 11 of this Article III, for each employee and allocated toward purchase of the ownership share. Each employee owner shall be entitled to a certificate of ownership stock.

The employee ownership stock of this Cooperative may be purchased, owned, and/or held only by employees of the Cooperative. No employee owner may sell, assign any interest in, or otherwise transfer his or her ownership share except as described in Section 4 below. All certificates representing ownership shares shall, in accordance with the law, have a notation thereon referring to the restrictions governing their transfer.

Section 4. Ownership Termination. When an employee owner voluntarily or involuntarily ends his or her employment in the Cooperative, his or her ownership automatically ends and the ownership share shall be deemed transferred back to the Cooperative.

Within fourteen days of termination of employment, the Cooperative will pay for the owner's share at its original price in cash, after offsetting against the share price any negative balance, if one exists, in the internal account for that owner, any debts that owner owes to the Cooperative. If the owner's internal account still has a negative balance, this negative balance will be debited against a reserve fund, thereby insuring that any operating losses do not accumulate so as to leave an employee owner owing money to the Cooperative when that owner retires or otherwise terminates his or her ownership.

Any positive balance in the owner's internal account for the retiring or terminating owner shall be paid by the Cooperative in cash or, at the election of the Cooperative, by means of the cooperative's promissory note payable on such terms as the Board (hereinafter, "Board") shall determine, provided that the note be payable in full within six months of the termination date, unless it would impair the Cooperative's finances.

Section 5. Consumer Ownership Eligibility. Ownership in the Cooperative shall be open to any consumer who supports the purposes of the Cooperative as expressed in the Articles of Incorporation, these bylaws, and the policies of the Cooperative and who lives in North Carolina. Such consumers may purchase one, and only one, share of common stock in the Cooperative. An application shall be accepted unless the Board determines in its discretion that the interests of the Cooperative would be better served by returning the subscription.

Section 6. Consumer Ownership Stock and Rights. The price of a consumer ownership will be set by the board. The Board may establish an installment plan for the purchase of consumer shares. Consumers who have begun paying for an ownership share on an installment plan are entitled to all the rights and privileges of ownership, including voting rights, and any discounts and/or patronage dividends.

Section 7. When a consumer owner voluntarily or involuntarily ends his or her ownership in this cooperative, the Ownership Share shall be deemed transferred back to the corporation.

The cooperative will pay for a share of consumer owner common stock at the price at which it was originally purchased by the consumer owner, after offsetting any debts or obligations that the consumer owner owes the Cooperative. If the consumer owner has debts or obligations to the Cooperative greater than the price of his or her share of common stock, the Cooperative shall receive the share of common stock from the consumer owner, or shall be deemed to receive such share, without further repayment of the purchase price of the share and without the payment of any other consideration by the consumer owner for the return of the share.

Any positive balance due the terminating consumer owner shall be paid by the Cooperative, or, at the election of Board, by means of a promissory note payable on such terms as the Board shall determine, provided that the note be payable in full within twelve months of the termination date, unless it would impair the Cooperative's finances.

Section 8. Shares of capital stock in the Cooperative shall have no par value.

Section 9. Dividends. The Cooperative shall allocate and distribute to members the net profit from business done with them in such a manner as to qualify them as patronage dividends consistent with cooperative principles, applicable state and federal laws (including section 1381 of the Internal Revenue Code of 1986) and generally accepted accounting principles. The Board shall determine when and how such allocations and distributions will be made. Any such dividends to employee owners as such shall be distributed among the employee owners in accordance with the total number of hours each has worked during the preceding fiscal year. Any such dividends to consumer owners as such shall be distributed among the consumer owners on the basis of the amount of their purchases from the Cooperative during the preceding fiscal year. The portion of dividends to be paid in cash and the portion to be paid as a non-cash allocation to internal accounts shall be as periodically set by the Board.

Any non-cash portion of patronage dividends, as determined by the Board, shall be in the form of "qualified written notices of allocation" as defined in section 1388 of the Internal Revenue Code of 1986, as amended.

In accordance with Section 1382 of the Internal Revenue Code, any dividends declared by the Cooperative are deductible from the taxable income of the Cooperative and must be included in the taxable personal income of the owner.

Each owner, by becoming an owner, shall be deemed to have consented to include in his or her taxable personal income any qualified written notice of allocation received by him or her at its stated dollar amount, in the manner provided by Section 1385 of the Internal Revenue Code of 1986, as amended, and to pay the personal income tax thereon in the taxable year in which such written notices of allocation are received by him or her.

A copy of this bylaw Article III, Section 9, shall be given to each employee and consumer owner.

All written notices of allocation plus associated interest credited to an owner shall be redeemed in cash within three (3) years of their date of issuance unless the Board determines that a postponement of the redemption is appropriate.

Section 10. Discounts on Purchases. The Board may provide for discounts on purchases made at the Cooperative by its employees and/or by consumer owners. The discounts made available to different classes of owners need not be set at the same level, and the discount levels may change from time to time at the recommendation of the General Manager and approval of the Board.

Section 11. Internal Accounts. Each employee and consumer owner shall have an internal capital account in his or her name. The surplus earnings of the company after paying taxes and allocations to the reserve fund shall be allocated to employee and consumer owners as cash and non-cash dividends. Unless otherwise decided by the Board, the non-cash portion of the dividends shall be credited to the owners' internal accounts. The internal accounts shall accrue interest at a rate set by the Board.

Section 12. Reserve Fund. A portion of the Cooperative's net worth may be maintained as a reserve fund. The Board will from time to time determine the portion of the Cooperative's surplus or deficit that will be allocated to the reserve fund with the remainder of the surplus or deficit to be allocated to owners' internal accounts.

ARTICLE IV: LOANS FROM INDIVIDUALS

Section 1. Issue. The Board is granted authority to obtain loans from individuals and to determine the amount of such loans, the terms and conditions on which the principal will be repaid; and the rate of interest and the terms and conditions on which it will be paid.

Section 2. Early Repayment. The Cooperative by action of its Board may repay the whole or any part of the loans from individuals, at any time on 30 days notice by repaying the principal and any accrued and unpaid interest.

Section 3. Transfer. Any loan/note from an individual lender may not be assigned but may be transferred only back to the Cooperative. However in the event of the death of the lender, the loan/note may be assigned to the designated beneficiary of the lender if the designated beneficiary is a resident of North Carolina.

Section 4. Eligibility. Loan offers will be made only to persons who the Cooperative has reasonable grounds to believe, and does believe, either have such knowledge and experience in financial and business matters to be capable of evaluating the merits and risks of the loan, or are able to bear the economic risks of the loan.

Section 5. Lack of Registration. Loans from individuals are not registered under the Securities Act of 1933, as amended, or the North Carolina Securities Act. Any Loan Agreement with an individual shall bear a legend to that effect.

Section 6. Disclosure. All loan offers shall be accompanied by a statement that describes the Cooperative and the risks associated with the loan.

Section 7. Dissolution. Upon dissolution or distribution of the assets of the Cooperative, all loans shall be repaid before any distribution is made on the shares of capital stock.

ARTICLE V: OWNER MEETINGS

Section 1. Powers. All powers of the Cooperative originate from the owners of the Cooperative. The owners exercise their powers through representatives elected by them known as directors. The directors may be recalled and replaced at any time by the will of the owners in accordance with Article VI.

Section 2. Annual meeting. The annual meeting of the owners of the Cooperative shall be held at such time as the Board shall determine, within six (6) months after the close of the fiscal year.

The date of the annual meeting shall be publicly posted at least sixty (60) days prior to the meeting through the Cooperative's newsletter, posting in a public place within the store and other reasonable means.

Section 3. Special meetings. Special meetings of the owners of the Cooperative may be called at any time by order of the Board, and shall be called at any time upon written request of at least one-third of the owners. Any such request shall state the time, place, and purposes of the meeting. No business shall be transacted at special meetings other than that announced in advance.

Section 4. Agenda of meetings. The agenda shall be established in writing prior to all owner meetings and shall be included in notification (below). All items, including candidates for the Board and advisory questions, must be submitted to the Secretary in writing no less than forty-five (45) days prior to the date of the meeting.

Section 5. Notice of meetings. Written or printed notice of all meetings of owners shall be given to all owners personally, by telephone message or by regular mail or e-mail at their last known address at least ten (10) days, and not more than thirty (30) days, prior to the date of the meeting.

Section 6. Voting. Owners are entitled to one vote and only one vote at owner meetings. At any regular or special meeting legally called, a written and signed absentee ballot and/or vote on nonbinding advisory questions by any absent owner may be submitted if such owner has been previously notified in writing of the exact motion or resolution upon which the vote is to be taken. In case of sickness or other unavoidable absence of an owner, an owner shall be allowed to vote by proxy in writing; but no owner shall vote more than one such proxy.

Section 7. Quorum. A quorum at an owner meeting shall consist of 10% of the owners that have transacted business with the Cooperative during the prior twelve months ("active" owners), present or voting by absentee ballot. The Secretary will determine in advance of the meeting the number of owners required for a quorum. A quorum shall be deemed to be reached by consensus of those owners present. In the event no such consensus is reached, the Secretary

shall certify when the quorum is reached. Once the quorum is reached it shall be deemed to be maintained until the meeting is adjourned.

Section 8. Meeting procedure. Owner meetings shall be presided over by the President of the Cooperative. He or she may utilize Robert's Rules of Order for conducting such meetings or such other procedures as are deemed by the President or the Board to be fair and reasonable.

Owner meetings shall be conducted on a consensus basis. For any issue, however, any owner may require a formal vote. A formal vote shall require a motion, a second and discussion, and shall be determined by a simple majority of those present and authorized to vote.

ARTICLE VI: BOARD OF DIRECTORS

Section 1. General Powers: The board of directors (referred to herein as the "Board") shall have full power to govern the Cooperative, including, but not limited to, hiring management and evaluating its performance, and assuring that the mission of the Cooperative is carried out.

Section 2. Responsibilities of members of the Board ("Directors"). Individual members of the Board shall:

(a) make every reasonable effort to attend all regularly scheduled board meetings; give prior notice of absence from board meetings;

(b) support and affirm the Cooperative's mission statement and strategic and annual plans;

(c) participate in committee assignments;

(d) assist staff, as requested, in creating and implementing the Cooperative's plans and policies and in securing resources

(e) serve as ambassadors for the Cooperative to the community

Section 3. Conflicts of Interest. Directors and staff shall abide by a Conflict of Interest policy established by the Board.

Section 4. Number and Composition. The general powers to manage the affairs of the Cooperative are delegated by the ownership to the Board.

(a) Employee Owner-elected Directors. There shall be up to two Directors elected by the employee owners. If the Cooperative has more than ten employees other than the General Manager, employee owners may elect up to two Directors. If the Cooperative has less than ten employees other than the General Manager, employee owners may elect one Director.

(b) Consumer Owner-elected Directors. There shall be at least seven and no more than nine Directors elected by the consumer owners at the annual meeting.

(c) Appointed Directors. Up to five Directors may be appointed at the discretion of the Board.

Section 5. Eligibility. All Directors must be owners of the Cooperative.

Section 6. Selection of Board Directors. All Directors shall be selected either through election or by appointment by the previous board. Elections shall occur through an open and fair manner to be determined by policy of the Board and said policy shall be provided to all owners no less than thirty days prior to the first deadline established in that policy.

(a) Employee Owner-elected Directors. Employee Owner-elected Directors shall be elected at the annual owners meeting by a simple plurality vote of Employee Owners present or represented by signed absentee ballot. Any owner of the Cooperative may serve as an Employee Owner-elected Director.

(b) Consumer Owner-elected Directors. Consumer Owner-elected Directors shall be elected at the annual owners' meeting by a simple plurality of Consumer Owners present or represented by signed absentee ballot. Any owner of the Cooperative may serve as a Consumer Owner-elected Director.

(c) Appointed Directors. Appointed Directors will be appointed by a simple majority vote of the board.

Section 7. Term of Office. Elected Consumer Board Directors and Employee Board Directors shall serve three year terms, beginning January 1 following the annual meeting at which they are elected and ending when their successors assume office. Appointed Board Directors shall serve three year terms, beginning July 1 following their appointment and ending when their successors assume office.

Section 8. Removal of Board Directors. A majority of the owners shall have the power at any regular or special meeting, legally called, to remove any Director or Officer for cause, and fill the vacancy, and thereupon the director or officer so removed shall cease to be a director or officer of the association. A Director or Officer may be removed by the vote of 2/3 of the Board for any reason without cause (without limiting the Board's discretion, it is understood that the primary reasons the Board may remove a Director or Officer are for poor attendance, conduct contrary to the Cooperative, or failure to follow Board policies).

Section 9. Vacancies. In the event of any vacancy of elected Directors through death, resignation, or other cause, the remaining Directors may, by a majority vote, select a successor to fill the seat until the next Owner Meeting, at which time a Director shall be elected to complete the term of the director whose place was vacated. Such elected Director will assume office immediately following the close of the annual meeting. In the event of any vacancy of appointed Directors through death, resignation, or other cause, the remaining Directors may, by a majority vote, select a successor to complete the term of the director whose place was vacated.

Section 10. Duties of the Board. The duties and powers of the Board shall include all those given a corporation under the laws of North Carolina, consistent with the laws of the United States and with the Cooperative's articles of incorporation and bylaws.

Section 11. Compensation of the Board. Directors will, during their term of service, receive the same discount benefit as employees in the store.

ARTICLE VII: MEETINGS OF THE BOARD OF DIRECTORS

Section 1. Place of Meetings. The meetings of the Board may be held at the offices of the Cooperative or at any place that a majority of the Board may from time to time select.

Section 2. Regular Meetings. The Board shall hold regular meetings at such time and place as it shall determine, and all Directors shall be notified of said meeting at least ten (10) days in advance. The time and place of all meetings shall be posted. Meetings shall be open to all members unless the Board decides to go into executive session regarding confidential matters such as: labor relations or personnel issues; negotiation of a contract; discussion of strategic goals or business plans, the disclosure of which would adversely impact the Cooperative's position in the marketplace; and/or discussion of a matter that may, by law, be considered confidential.

Section 3. Notice. All required notices of meetings shall include the date, time, place and items to be transacted at a meeting. Only business contained in the notice shall be transacted except by unanimous consent of the directors present at the meeting. Such notice shall be delivered to each member of the board (by regular mail or e-mail, telephone, fax, hand delivery or any other appropriate and effective means) not less than 10 days in advance of meetings.

Section 4. Quorum. A majority of Directors then in good standing shall constitute a quorum for the transaction of business at any meeting of the Board.

Section 5. Official acts of the Board. Board meetings shall be conducted on a consensus basis; however, for any issue any Director may require a formal vote. A formal vote shall require a motion, a second and discussion, and shall be determined by a simple majority of those present and authorized to vote.

When a vote is taken, a majority of the Directors shall decide the question and the vote shall be recorded with the yeas and nays of each Director or the unanimous approval thereof in the minutes of the Cooperative.

Section 6. Executive Session. The Board may choose to meet in executive session as needed.

Section 7. Delegation of Duties. Whenever an officer is absent or whenever for any reason the Board may deem it desirable, the Board may delegate the powers and duties of an officer to any other officer or officers or to any Director or members.

Section 8. Waiver of Notice. A Director may waive in writing or by electronic mail notice of a regular or special meeting of the Board either before or after the meeting, and his or her waiver shall be deemed the equivalent of giving notice. Attendance of a Director at a meeting shall constitute waiver of notice of that meeting unless he or she attends for the express

purpose of objecting to the transaction of business because the meeting has not been lawfully called or convened.

Section 9. Action without a Meeting. Any action required or permitted to be taken at a meeting of the Board of Directors may be taken by written action affirmed by all of the Directors. The action is effective when affirmed by all of the Directors, unless a different effective time is provided in the action.

ARTICLE VIII: GENERAL MANAGER

Section 1. Selection. The Cooperative shall have a General Manager who shall be selected by the Board. The General Manager may be removed with or without cause by the Board at any meeting, the notice for which shall include such purpose.

Section 2. Compensation. The Board shall annually review and set the compensation and other benefits for the General Manager.

ARTICLE IX: OFFICERS

Section 1. Officers. The officers of the Cooperative shall consist of a President, Vice-President (optional appointment), a Secretary and a Treasurer.

Section 2. Election. Officers shall be elected by the Board as the last item of business at the final regularly scheduled meeting for the calendar year. Officers shall serve a one-year term beginning with their election and ending when their successors assume office.

Section 3. Qualifications. Each officer shall be a Director.

Section 4. Compensation. Officers of the Cooperative shall serve without compensation other than that provided for in Article VI, Section 11 for their duties as officers. It is recognized that an officer may also be an employee of the Cooperative and may be compensated in that capacity.

Section 5. Removal. Any officer may be removed from office with or without cause by the Board at any meeting, the notice for which shall include such purpose.

Section 6. President. The President shall maintain the integrity of the Board's process and compliance with its own rules and as such will preside at meetings of owners and at Board meetings. The President shall appoint the heads of all standing and ad hoc board committees in accordance with Article X; shall, with input from other Directors, develop an agenda for monthly meetings; shall create an annual Board calendar; and shall be an ex-officio member of all standing committees.

Section 7. Vice-President. If appointed, the Vice-President shall remain attentive to and knowledgeable about the business and other affairs of the Cooperative so that he or she would be able competently at any time to assume the duties of the office of President. If the President should be absent either from a Board meeting or a meeting of the owners, the Vice-President shall preside at such meeting. If a vacancy in the office of the President should occur or if the

President should become unable to perform his or her duties, the Vice-President shall assume the duties of the office of President until such time as a President is elected by the Board.

Section 8. Treasurer. The Treasurer shall ensure the Board develops, approves and abides by a budget specifically for Board authorized expenses incurred in the course of completing the Board's work.

In case of the absence or disability of the Treasurer, the Board may appoint a Treasurer Pro Tem.

Section 9. Secretary. The Secretary shall attend all meetings of the Board and the annual meeting, ensure that minutes of same are recorded and that copies are filed in the Cooperative's office, and distribute them in a timely fashion to Directors and interested members of the community.

The Secretary will be responsible for the integrity of the documents of the Cooperative keeping on file all the most current versions of policies and bylaws. The Secretary shall perform such other duties as may be required of him or her by the Board, including the duties of treasurer if that position is not filled.

Section 10. Limitation. Neither the General Manager nor any officer of the Cooperative shall obligate the Cooperative beyond the limit of items in the Board-adopted budget without specific authority in writing from the Board.

ARTICLE X: COMMITTEES

Section 1. Appointments of Committee Heads. From the current Directors, the President shall appoint the heads of all standing committees with the approval of the Board. The President shall appoint the heads of ad hoc board committees from the membership of the Board or other owners of the Cooperative with the approval of the Board.

Section 2. Membership. In consultation with the President, heads of committees shall select the other members of their respective committees. There shall be at least two (2) Directors on each Board committee. Members of committees shall be owners of the Cooperative. Unless otherwise designated in these bylaws, the term of committee membership for the chairperson and committee members shall be one year.

Section 3. Ad Hoc Committees. Ad hoc committees may be established when deemed advisable by the President with the consent of the Board. Ad hoc committees may be disbanded by the Board for any reason at any time.

Section 4. Approval. All recommendations made by committees must be approved by the Board prior to implementation.

Section 5. Removal of Committee Members: Committee members may be removed from any committee by the Board for any reason at any time.

Section 6. Standing committees: The standing committees shall include:

(a) Finance Committee which shall review and present cooperative the budget to the Board.

(b) Audit Committee, which shall determine the need for an independent audit, and should such audit be necessary, oversee the selection of the auditing firm and the completion of the audit.

ARTICLE XI: DISCRIMINATION PROHIBITED

The Cooperative will not discriminate, nor will it permit discrimination on its behalf, in violation of any applicable law or regulation in the process of hiring, appointing, creating supplier contracts, or in administering any other personnel or administrative policies.

ARTICLE XII: MISCELLANEOUS PROVISIONS

Section 1. Form of seal. The seal of the Cooperative shall contain the name of the Cooperative in a circle.

Section 2. The fiscal year of the Cooperative shall be the twelve calendar months commencing on January 1.

Section 3. Indemnification of Board Members. To the fullest extent permitted by law, the Cooperative shall indemnify each person who has, does or will serve as a Director or officer of the Cooperative and their heirs and personal representatives against any and all costs and expenses, including but not limited to, counsel fees, judgments paid, and amounts paid in settlement, that are actually and reasonably incurred in connection with the defense of any claim, action, suit, or proceeding, whether civil, criminal, administrative or otherwise in nature, in which he or she may be involved by reason of being or having been a Director or officer of the Cooperative.

No indemnification shall be made as to matters which such Director or officer shall be adjudged in any action, suit or proceeding to be liable for his or her own fraud or conscious misconduct in the performance of a duty to the Cooperative or a duty under federal or state laws. A conviction or judgment, whether based on a plea of guilty or nolo contendere or its equivalent, or after trial, in a criminal action, suit or proceeding shall not be deemed an adjudication of liability for fraud or conscious misconduct in the performance of duty to the Cooperative, if such officer or Director acted in good faith in what he or she considered to be the best interests of the Cooperative.

Section 4. Amendments to Bylaws. These bylaws may be amended, altered or repealed by the board at any regular or special meeting, provided a copy of the proposed amendment, alteration or proposal for repeal shall have been sent to all Directors along with the notice of the meeting. These bylaws may also be amended, altered or repealed at a special meeting called by the owners for the sole purpose of altering the bylaws. A quorum at said special meeting shall be 15% of the active owners. A majority vote of a quorum is required to effect changes to the bylaws.

Section 5. Books and Records. The Cooperative shall keep at the registered or principal office of the Cooperative:

- Correct and complete books and records of account
- Minutes of the proceedings of its Board and committees having any authority of the Board
- A record giving the names and addresses of all registered members entitled to vote.

All books and records of the Cooperative may be inspected by any Director for any proper purpose at any reasonable time upon reasonable notice and request therefore.