

BYLAWS OF DEEP ROOTS MARKET, INC.

ARTICLE I

Organization

Section 1.1 - Name

The name of the corporation is Deep Roots Market, Inc. (referred to in these bylaws as "the Cooperative").

Section 1.2 - Purpose

As more fully stated in its articles of incorporation, the purpose of the Cooperative is to conduct a mercantile business providing natural and organic groceries and other consumer goods and services to its owners and other patrons, and to engage in other lawful activities. The Cooperative shall be operated exclusively on a cooperative and nonprofit basis.

Section 1.3 - Mission

In accordance with Cooperative Principles and Values, we operate to serve the surrounding community, moving toward a healthy, equitable, and sustainable future.

Section 1.4 - Cooperative Principles and Values

The Cooperative shall be operated in accordance with the Cooperative Principles adopted by the 1995 General Assembly of the International Co-operative Alliance, such principles being: (i) voluntary and open membership without arbitrary discrimination; (ii) democratic governance; (iii) economic participation by members; (iv) autonomy and independence of the cooperative; (v) providing education and training; (vi) cooperation with other cooperatives; and (vii) concern for community.

The Cooperative shall be guided by the Cooperative Values of self-help, solidarity, self-responsibility, honesty, democracy, openness, equality, social responsibility, equity, and caring for others.

Section 1.5 - Nondiscrimination

The Cooperative shall not discriminate on the basis of race, nationality, religion, age, gender, sexual preference, or other arbitrary basis.

Section 1.6 - Principal Office

The principal office of the Cooperative shall be located in the City of Greensboro, County of Guilford, State of North Carolina.

ARTICLE II

Ownership

Section 2.1 - Admission

Ownership in the Cooperative shall be voluntary and open to any household or organization whose purpose is to use the services of or purchase goods from the Cooperative for its own use and who is willing to accept the responsibilities of ownership. Applicants will be admitted to ownership upon submitting required information, and purchasing or subscribing to purchase not less than one nor more than ten shares at a price determined by the Board of Directors. On or before admission to ownership each owner shall be provided access to an electronic copy of these bylaws, or, upon an owner's request, a printed paper copy including the appended explanation of the patronage dividend consent provision. In case of doubtful eligibility, admission to ownership shall be subject to approval by the Board at any time within six months of the date of application.

Section 2.2 - Rights

Each owner shall be entitled to make purchases from the Cooperative on terms generally available to owners and to participate in the governance of the Cooperative as set forth in these bylaws. Notwithstanding any other provision of these bylaws, individuals admitted to ownership prior to the 2007 reorganization of the Cooperative shall continue to own such shares and to have and exercise such voting rights as they had prior to the reorganization. Persons who have subscribed but not fully paid for a share shall not thereby be denied any rights of owners.

Section 2.3 - Responsibilities and Restrictions

Each owner shall keep reasonably current in payment of the share purchase requirement described in Section 2.1 above, shall make purchases from the Cooperative on at least an occasional basis, and shall notify the Cooperative of any change to the owner's name or address. While on Cooperative premises, an owner shall act reasonably at all times.

For the purposes of this part, unreasonable conduct shall include, but not be limited to, actual or threatened violence, battery, assault or harassment towards any Cooperative employee, owner, customer, or other individual lawfully permitted on Cooperative premises.

Section 2.4 - Inactive Status

An owner who becomes delinquent by thirty days in meeting the share purchase obligation, or who fails to make any purchase from the Cooperative for a period of one year, or as to whom two consecutive notices or other communications have been returned to the Cooperative as undeliverable shall be placed into inactive status. An owner in inactive status may attain good standing by correcting the deficiency and, with regard to payment delinquency, paying a reinstatement fee, if any, as determined by the Board of Directors. References in these bylaws to the rights and entitlements of owners shall be understood to refer only to owners in good standing.

Section 2.5 - Non-transferability

Ownership rights and interests may not be transferred except to the Cooperative. Following termination of ownership the Cooperative will upon request of the owner transfer the carrying value of such person's share credits and/or retained patronage dividends, net of any authorized offsets, to the credit of another person designated by the requesting owner, provided that the person so designated is an owner or becomes an owner of the Cooperative and the requesting owner certifies that he or she has not and will not receive consideration for the transaction in excess of the net carrying value of the interests on the books of the Cooperative. Any attempted transfer in violation of this provision shall be wholly void, and shall confer no rights upon the intended transferee.

Section 2.6 - Access to Information

Owners shall be provided reasonably adequate and timely information as to the operational and financial affairs of the Cooperative. Owners shall be provided any other information concerning the operational and financial affairs of the Co-op that is necessitated by, and directly related to, a proper purpose, subject to such reasonable restrictions or conditions as is determined by the Board to be necessary to protect confidential or sensitive information.

Section 2.7 - Settlement of Disputes

In any dispute between the Cooperative and an owner or former owner that involves normal ownership transactions and that cannot be resolved through informal negotiation, it shall be the policy of the Cooperative to use mediation whereby an impartial mediator agreed upon by both parties may facilitate negotiations between the parties and assist them in developing a mutually acceptable settlement. No party with a grievance against the other shall have recourse to litigation until the matter is submitted to mediation and attempted to be resolved in good faith.

Section 2.8 - Termination

Ownership may be terminated voluntarily by an owner at any time upon notice to the Cooperative. Ownership may be terminated involuntarily for cause by the Board, provided that the accused owner is accorded fair notice of the charges and the opportunity to be heard in person or in writing. Upon termination of ownership, all rights and interests of such person in the Cooperative shall cease except for rights to redemption of capital funds pursuant to Sections 9.4 and 10.4 below.

ARTICLE III

Meetings of Owners

Section 3.1 - Regular Meetings

An annual meeting of owners shall be held after the close of each fiscal year and after all financial reports have been received and reviewed by the Board. The purposes of the meeting shall be to hear reports on operations and finances, to elect directors, and to conduct such other business as may properly come before the meeting.

Section 3.2 - Special Meetings

A special meeting of owners may be called by the Board and shall be called by the Secretary as soon as practicable after receipt of petitions signed by seven percent of owners, such petitions stating any proper business to be brought before the meeting. Any action taken at a special meeting that is not within the purpose or purposes described in the meeting notice shall be of an advisory nature only.

Section 3.3 - Time and Place

The time and place of all meetings of owners shall be determined by the Board or, in the event that the Board fails to so act, by the Secretary. Meetings shall be held at a place convenient to owners.

Section 3.4 - Notice

Written notice of the time and place and, in the case of a special meeting, the purpose or purposes of the meeting shall be delivered to each owner of record not less than thirty days nor more than sixty days before the date of the meeting. Notice shall also be posted prominently at all places of business of the Cooperative.

Section 3.5 - Record Dates

Unless otherwise determined by the Board, only persons who are owners at the close of business on the business day immediately preceding the date of distribution of notices shall be entitled to notice of any meeting of owners and to vote at such meeting.

Section 3.6 - Quorum

The presence in person or, when authorized, by written ballot at the opening of the meeting of twenty-five owners or three percent of all owners, whichever is lesser, shall be necessary and sufficient to constitute a quorum for the transaction of business at any meeting of owners.

Section 3.7 - Voting

At all meetings of owners, each owner shall have one and only one vote on each issue submitted to a vote of owners. Voting by proxy shall not be permitted. Unless otherwise required by law or by these by-laws, issues shall be decided by plurality of votes cast in the case of election of directors and by two-thirds of votes cast as to other issues. However, any director, to be elected, must receive a minimum of ten percent of the votes cast. Notwithstanding any other provision of these bylaws, the Board may authorize voting by mail in conjunction with or in lieu of a meeting of owners, provided that an adequate description of the matter to be voted upon is included in the notice of the meeting, and votes cast by mail are counted together with votes cast at the meeting, if any.

Section 3.8 - Issues Submitted by Owners

Notices of a meeting of owners shall include any proper issues submitted by petition of five percent of owners. Petitions must be received at the Cooperative not less than ninety days before the date of the meeting at which they are to be presented to a vote of owners.

ARTICLE IV

Board of Directors

Section 4.1 - Powers and Duties

Except as to matters reserved to owners by law or by these bylaws, the business and affairs of the Cooperative shall be directed and controlled by the Board of Directors (sometimes referred to in these bylaws as "the Board"). The powers and duties of the Board shall include, but not be limited to, overseeing the operations and finances of the Cooperative, establishing policies to govern operational decisions, engaging a general manager and monitoring and evaluating his or her performance, maintaining communications with owners, and assuring that the purpose and mission of the Cooperative are properly carried out.

Section 4.2 - Number and Qualifications

The Board shall consist of nine individuals. Directors shall be a member of a household or an authorized representative of an organization that has been an owner for at least four months prior to the commencement of the election of directors. Neither the General Manager nor staff shall be directors. No director shall have any overriding conflict of interest.

Section 4.3 - Nominations and Election

Directors may be nominated by the Board or its appointed committee, or by petition of not less than five owners received by the Cooperative at least sixty days prior to the date of the Annual Owners Meeting, Directors shall be elected by owners.

Section 4.4 - Terms

Directors shall be elected for terms of three years which shall be staggered so that, as nearly as may be practicable, one-third shall expire in each year. Periodically as may be necessary to maintain such staggered terms, directors shall be elected for one-year or two-year terms. Directors may serve no more than three consecutive full three-year terms. After an absence of one or more years, a person may again be a candidate for a director position. The term of office of all directors shall begin with the first meeting of the Board following the election of directors. Directors shall hold office until their successors are elected or until their offices are sooner terminated in accordance with these bylaws.

Section 4.5 – Orientation

All new directors shall participate in an orientation within one month of their election or appointment.

Section 4.6 - Reimbursement and Compensation

Directors shall be reimbursed for reasonable expenses incurred in connection with business of the Cooperative. Directors may receive compensation for services as directors only as authorized at a meeting of owners.

Section 4.7 - Standards of Conduct

Directors shall be responsible at all times for discharging their duties in good faith, in a manner that they reasonably believe to be in the best interests of the Cooperative and with the care that an ordinarily prudent person in a like position would exercise under similar circumstances.

Section 4.8 - Conflicts of Interest

Directors shall be under an affirmative duty to disclose their actual or potential conflicts of interest in any matter under consideration by the Board or a committee. Directors having such an interest may not participate in the decision of the matter nor, unless the Board or committee otherwise directs, in the discussion of the matter.

Section 4.9 - Indemnification

Subject to the immunities and limitations in its articles of incorporation, the Cooperative shall indemnify its directors and officers to the fullest extent required or permitted under North Carolina law. Indemnification payments shall be made on a priority basis but only in such increments and at such times as will not jeopardize the ability of the Cooperative to pay its other obligations as they become due. Any indemnification payments or advances shall be reported to owners not later than the next-scheduled meeting of owners.

Section 4.10 - Termination

The term of office of a director may be terminated prior to its expiration in any of the following ways: (i) voluntarily by a director upon notice to the President; (ii) automatically upon termination of ownership in the Cooperative; (iii) automatically upon ownership status of the director becoming inactive, subject to retroactive reinstatement by the Board upon fulfillment of conditions for attainment of good standing; (iv) for cause by the Board, provided that the accused director is accorded fair notice of the charges and the opportunity to be heard in person or in writing; or (v) automatically upon a director's unexcused absence from three consecutive Board meetings or four meetings in one year.

Section 4.11 – Vacancies

Any vacancy among directors occurring between regular elections of directors may be filled by the Board for the balance of the unexpired term.

ARTICLE V

Meetings of the Board

Section 5.1 - Meetings

The Board may determine the times and places of regular meetings of the Board. Special meetings may be called by the President and shall be called by the Secretary upon request of any two directors. Meetings of the Board shall be held no less frequently than once in each calendar quarter.

Section 5.2 - Notice

Regular meetings shall require no notice other than the resolution of the Board, it being the responsibility of absent directors to inquire as to the time of further scheduled meetings. Special meetings shall require written or oral notice to all directors. Written notice shall be delivered at least seven days before the date of the meeting and oral notices shall be given in person, by telephone or by email at least three days before the date of the meeting. Notices of meetings of the Board shall also be posted in a timely manner and in a conspicuous place at all places of business of the Cooperative and, when practicable, on the website or in the newsletter of the Cooperative or by any other usual means of communication.

Section 5.3 - Quorum

The presence in person at the opening of the meeting of two-thirds of directors shall be necessary and sufficient to constitute a quorum for the transaction of business at any meeting of the Board.

Section 5.4 - Decision Making

The Board shall strive to make decisions by consensus, attempting to reconcile differing concerns based upon the best interests of the Cooperative to the end that all directors will be in agreement with a motion or will at least be sufficiently unopposed to it to stand aside with his or her concerns being noted in the minutes of the meeting. If a decision made by consensus is required to be stated as a voting percentage, those who have stood aside shall be counted as having been present but not having voted. If, in the opinion of two-thirds of directors present, diligent efforts have failed to produce a consensus and the issue requires immediate action, then such issue shall be decided by a two-thirds vote of directors.

Section 5.5 - Telephone Conferences

Meetings of the Board may be conducted by means of a telephone conference or other communications equipment whereby all persons participating can simultaneously communicate with each other. Participation by such means shall constitute presence in person at a meeting. Telephone conferences shall not be used for the purpose of excluding owners from meetings of the Board.

Section 5.6 - Action Without a Meeting

Any action required or permitted to be taken at a meeting of the Board may be taken without a meeting if a written consent to the action, including a consent by e-mail, is signed by all directors and filed with the minutes of meetings.

Section 5.7 - Open Meetings

Meetings of the Board and all committees shall be open to owners as observers only. Sessions of a meeting may be closed only as to issues of a particularly sensitive nature. Owners may otherwise be excluded only for cause.

ARTICLE VI

Committees

Section 6.1 – Committees

The Board may appoint standing or special committees to advise the Board or to exercise such authority as the Board shall designate. To exercise any authority of the Board, a committee must be empowered by the Board to do so, either specifically or by necessary implication. An executive committee shall include the President, Secretary and Treasurer, and such other directors as determined by the Board. All other committees shall include at least one director as chairperson. No committee shall operate to relieve the Board of any of its legal responsibilities in the oversight of the Cooperative.

Section 6.2 - Committee Procedures

Members of all committees shall be appointed by the Board and may be removed or replaced by the Board whenever the best interests of the Cooperative would thereby be served. A committee exercising any authority of the Board shall take action only pursuant to the same procedural requirements applicable to the Board, except that a quorum shall consist of two-thirds of its members.

ARTICLE VII

Officers

Section 7.1 - Designation

The principal officers of the Cooperative shall consist of President, Vice President, Secretary, and Treasurer or Secretary-Treasurer. The Board may designate other officers or assistant officers. All officers shall be directors.

Section 7.2 - Selection, Terms, and Removal

Officers shall be elected by the Board at its first meeting following the election of directors. Officers shall serve for terms of one year or until election of their successors. Officers may be removed and replaced by the Board at any time whenever the best interests of the Cooperative would thereby be served.

Section 7.3 - Duties

In addition to signing or attesting to formal documents on behalf of the Cooperative as authorized by the Board, officers shall have the following duties and such additional duties as determined by the Board:

- (a) The President shall be responsible for preparing agendas for meetings, facilitating meetings, coordinating the activities of the Board, and maintaining on-going communications with the general manager, and shall deliver a report of activities of the Board to the annual meeting of owners;
- (b) The Vice President shall be responsible for performing the duties of the President in his or her absence and assisting the President in the performance of his or her duties;
- (c) The Secretary shall be responsible for the issuance of required notices, the recording and keeping of adequate minutes of all meetings, and the maintenance and authentication of records of the Cooperative; and
- (d) The Treasurer shall oversee the maintenance of financial records, reporting of financial information, filing of required reports and returns, and shall ensure that a financial report is presented to the annual meeting of owners.

ARTICLE VIII

Fiscal Matters

Section 8.1 - Fiscal Year

The fiscal year of the Cooperative shall coincide with the calendar year.

Section 8.2 - Operating Policies

The Cooperative shall be operated in accordance with sound business policies insofar as they are compatible with the purpose and mission of the Cooperative.

ARTICLE IX

Capital Shares

Section 9.1 - Issuance

To evidence capital funds provided by owners, the Cooperative shall issue shares. Shares may be issued only to persons eligible for and admitted to ownership in the Cooperative. Such shares shall be issued only upon full payment of their purchase or subscription price, as determined by the Board of Directors, which shall not be less than the par value of sixty-five dollars per share. Shares shall be subject to assessment for the reasonable capital needs of the Cooperative, as determined by the Board.

Section 9.2 - Terms

Shares shall be entitled to no dividend or other monetary return on capital and may not be pledged or hypothecated. The voting rights of shares shall consist only of the participation rights accorded owners in these by-laws on the basis of one vote per owner.

Section 9.3 - Certificates

Every holder of a fully paid share shall be entitled to receive a certificate evidencing such holding.

All certificates shall be signed personally or by facsimile by the President and the Secretary and shall be numbered and registered by the Cooperative. Each certificate shall have printed upon it such information as is required by law. The Cooperative may issue a replacement certificate for any share alleged to have been lost, stolen or destroyed without requiring the giving of a bond or other security against related losses.

Section 9.4 - Redemption

Upon written request following voluntary termination of ownership, the share of the requesting owner shall be redeemed as soon as replacement capital has been received from other owners. A share shall also be redeemed as soon as practicable upon involuntary termination of ownership, upon death of the owner, and under other compelling circumstances as determined by the Board. Shares shall be redeemable at the lesser of their carrying value on the books of the Cooperative or their net book value. In the case of voluntary termination of ownership, a reasonable processing fee may be imposed, as determined by the Board. Reapplications for ownership after redemption shall be subject to full repayment of redemption proceeds and a reasonable reprocessing fee, if any, as determined by the Board. (Current fee \$10)

Section 9.5 - Lien and Offset

The Cooperative shall have a first lien on shares to the extent of amounts due and payable to the Cooperative by owners. The Cooperative may, at any time after such amounts remain due and payable for thirty days, offset such amounts against accumulated payments for shares. Such offset may not be effected by owners or by anyone acting in the right of owners.

ARTICLE X

Patronage Dividends

Section 10.1 - Distribution of Net Savings

The realized net savings of the Cooperative, to the extent attributable to the patronage of owners, shall be allocated and distributed among owners as patronage dividends in proportion to their patronage and in such a manner and at such a time as to constitute patronage dividends within the meaning of federal income tax law. In determining and allocating adjusted net savings, the Cooperative shall use a single allocation unit except to the extent that it operates more than one retail facility or engages in a new and distinct line of business.

Section 10.2 - Adjusted Net Savings

Net savings may be reduced by such reasonable reserves for necessary business purposes as is determined by the Board. Any allocations of such a nominal amount as not to justify the expenses of distribution may, as determined by the Board, be excluded from distribution provided that they are not then or later distributed to other owners. Owners shall retain the right to waive in whole or in part, by action at a meeting of owners, any patronage dividends to which they may be entitled.

Section 10.3 - Consent of Owners

By obtaining or retaining ownership in the Cooperative, each owner shall thereby consent to take into account, in the manner and to the extent required by Section 1385 of the Internal Revenue Code, the stated dollar amount of any qualified written notice of allocation in the taxable year in which such notice is received.

Section 10.4 - Retained Amounts

Payment of a portion of patronage dividends, not to exceed eighty percent of the allocation, may be retained for the reasonable capital needs of the Cooperative, as determined by the Board. Such amounts shall be credited to revolving capital accounts in the names of recipient owners and shall accrue no dividend or other monetary return on contributed capital. They shall be redeemed when determined by the Board to be no longer needed for capital purposes. At that time they shall be redeemed in the order of the oldest outstanding amounts and on a pro rata basis among such amounts, except that redemptions shall be made payable only to owners who are then in good standing or become so within a six-month period of time. Retained amounts may also be redeemed under compelling circumstances as determined by the Board. They shall be subject at all times to being offset by amounts otherwise due and payable to the Cooperative.

Section 10.5 - Net Losses

No portion of a net operating loss realized by the Cooperative shall be allocated to owners. The patronage portion of such losses shall be carried forward to offset patronage-sourced income of subsequent years. The non-patronage portion of such losses shall be carried back and forward to offset non-patronage-sourced income of prior and subsequent years as required or permitted under federal income tax law.

ARTICLE XI

Notice

Section 11.1 - Notice

Any notice required under these bylaws shall be deemed delivered when transmitted by electronic means or deposited in the United States mail, postage prepaid, with names and addresses as they appear in the records of the Cooperative. An inadvertent failure to post notice as required in these by-laws shall not affect the validity of the meeting.

Section 11.2 - Waiver of Notice

Any notice of a meeting required under these bylaws may be waived in writing at any time before or after the meeting for which notice is required. The attendance of any person at a meeting shall constitute a waiver of notice of the meeting except where the person attends for the express purpose of objecting to the transaction of business because the meeting is not lawfully convened.

ARTICLE XII

Interpretation and Amendment of Bylaws

Section 12.1 - Interpretation

The Board of Directors shall have the power, with or without advice of legal counsel, to interpret these bylaws, apply them to particular circumstances, and adopt policies in furtherance of them, provided that all such actions are reasonable and consistent with these bylaws.

Section 12.2 - Severability

In the event that any provision of these bylaws is determined to be invalid or unenforceable under any statute or rule of law, then such provision shall be deemed inoperative to such extent and shall be deemed modified to conform with such statute or rule of law without affecting the validity or enforceability of any other provision of these bylaws.

Section 12.3 - Amendment

These bylaws may be amended or replaced at a meeting of owners, provided that the proposed amendments are stated or fully described in the notice of the meeting at which the amendments are to be adopted.

APPENDIX

Explanation of Patronage Dividend Consent Provision

The Internal Revenue Code section referred to in by-law section 10.3 generally requires each person receiving a patronage dividend to include the amount of such distribution in the owner's gross income in the taxable year in which it is received. Under bylaw section 10.3, mere acceptance or retention of ownership in the Cooperative constitutes consent to such inclusion in taxable income, including the portion of the patronage dividend that is retained by the Cooperative for its capital needs.

The general rule for inclusion in income of patronage dividends is, however, subject to an exception that is applicable to consumer cooperatives. Under that exception, a patronage dividend is not required to be included in gross income if the owner's purchases from the Cooperative related to "personal, living or family items." A patronage dividend would therefore be taxable to an owner only if the owner's purchases related to the operation of a trade or business or other income-producing activities.

ADDENDUM

Per Section 12.1, the Board of Directors on May 18, 2008 after seeking legal counsel made the following interpretations:

- 1) There is no limit to the number of Owners from a given Household that can be candidates to the Board of Directors.
- 2) No more than 1 Owner from a given Household may serve on the Board of Directors at any given time.
- 3) Pursuant to Section 4.4, the following applies for the election of Directors at the May 18, 2008 Annual Owners Meeting: the top 3 vote getters will each serve a 3- year term. The candidates with the next 3 highest vote totals will each serve a 2-year term.