

# **Company Shops Market, Inc.**

**Post Office Box 848  
Burlington, North Carolina 27216**

## **Series A Preferred Shares**

### **Prospectus**

**May 1, 2010**

For more information on Company Shops Market, Inc.  
Series A Preferred Shares  
contact:

Sharon Dent 336.584.3388

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To invest or service existing Series A Preferred Shares, contact:

Sharon Dent 336.584.3388  
Company Shops Market, Inc.  
P.O. Box 848  
Burlington, North Carolina 27216

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## CAVEATS

INVESTORS SHOULD READ THIS PROSPECTUS IN CONJUNCTION WITH THE DISCLOSURE ACCOMPANYING THE PREFERRED SHARES SUBSCRIPTION AGREEMENT.

THIS PROSPECTUS TO THE PREFERRED SHARES CONTAINS ALL OF THE REPRESENTATIONS BY COMPANY SHOPS MARKET, INC. (“COMPANY SHOPS MARKET” OR “CSM”) CONCERNING THIS SECURITY OFFERING.

INVESTORS ARE CAUTIONED NOT TO RELY ON ANY INFORMATION NOT EXPRESSLY SET FORTH IN THIS PROSPECTUS. PERSONS ARE ADVISED TO READ THIS PROSPECTUS CAREFULLY PRIOR TO MAKING ANY DECISION TO PURCHASE THESE SECURITIES.

THIS PROSPECTUS DOES NOT CONSTITUTE THE OFFER OR THE SOLICITATION OF AN OFFER TO SELL TO ANY PERSON OR ENTITY IN ANY STATE OR OTHER POLITICAL JURISDICTION IN WHICH SUCH SECURITY OFFER OR SOLICITATION MAY NOT BE LAWFULLY MADE.

IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE ISSUER AND THE TERMS OF THE SECURITY OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DISCLOSURE DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

THESE SECURITIES ARE OFFERED UNDER AN EXEMPTION FROM FEDERAL REGISTRATION PURSUANT TO SECTION 3(a)(11) OF THE SECURITIES ACT OF 1933 AND RULE 147 OF THE SECURITIES ACT OF 1933; HOWEVER, THE SECURITIES AND EXCHANGE COMMISSION HAS NOT MADE AN INDEPENDENT DETERMINATION THAT THESE SECURITIES ARE EXEMPT FROM REGISTRATION. UNDER THIS EXEMPTION, AND THE TERMS OF THE PREFERRED SHARES PROGRAM, PURCHASES AND RE-SALES ARE RESTRICTED TO NORTH CAROLINA RESIDENTS. THUS, PURCHASERS OF THESE SECURITIES ARE PROHIBITED FROM RESELLING THEIR SECURITIES TO ANYONE OUTSIDE THE STATE OF NORTH CAROLINA. ADDITIONALLY, PURCHASERS ARE RESTRICTED FROM RESELLING THESE SECURITIES TO NORTH CAROLINA RESIDENTS FOR A PERIOD OF ONE YEAR FROM THE DATE OF ISSUANCE OF THESE SECURITIES BY COMPANY SHOPS MARKET, INC.

THESE SECURITIES ARE OFFERED UNDER AN EXEMPTION FROM STATE REGISTRATION PURSUANT TO SECTION 78A-16(14) OF THE NORTH CAROLINA SECURITIES ACT; HOWEVER, THE STATE OF NORTH CAROLINA HAS NOT MADE AN INDEPENDENT DETERMINATION THAT THESE SECURITIES ARE EXEMPT FROM REGISTRATION.

THESE SECURITIES ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE AND MAY NOT BE TRANSFERRED OR RESOLD EXCEPT AS PERMITTED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND THE NORTH CAROLINA SECURITIES ACT. INVESTORS SHOULD BE AWARE THAT THEY MAY BE REQUIRED TO BEAR THE FINANCIAL RISKS OF THIS INVESTMENT FOR AN INDEFINITE PERIOD OF TIME.

FEDERAL AND STATE SECURITIES LAWS MAY AFFECT COMPANY SHOPS MARKET'S ABILITY TO CONTINUE TO SELL PREFERRED SHARES.

THESE SECURITIES ARE BEING OFFERED BY THE ISSUER AS FURTHER DISCUSSED BELOW UNDER "DISTRIBUTION".

# Company Shops Market Preferred Shares

## PROSPECTUS

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Attachment: Articles of Amendment authorizing Preferred Shares

## **OFFERING SUMMARY**

### ***Overview***

Preferred Shares are an investment opportunity created by Company Shops Market to efficiently channel local investment into an economically, socially, and environmentally responsible business. Preferred Shares pay a possibly below-market rate of dividend, determined at the time the investment is made.

Go to <http://www.secretary.state.nc.us/corporations/CSearch.aspx> to view a copy of the charter of Company Shops Market, including all amendments, describing the Common Stock and the Preferred Shares. A copy of the Articles of Amendment authorizing the class of Preferred Shares is also attached hereto

### ***Uses of Proceeds***

The proceeds from the sale of Preferred Shares will be used to fund the renovation, upfit, opening, and operation of Company Shops Market at the building owned by Company Shops Market at 268 East Front Street, Burlington, North Carolina.

### ***Investments***

Investments can be made by completing a Subscription Agreement and mailing it, along with payment (or in the event of a conversion of a Community Investment Note to Preferred Shares, the original Community Investment Note), to Sharon Dent, Board President of Company Shops Market, Post Office Box 848, Burlington, North Carolina 27216.

Please read all materials carefully before you invest or send money.

### ***Description of Company Shops Market***

Company Shops Market is cooperative corporation formed in August 2007 with the goal of establishing an employee and consumer owned cooperative retail, full service grocery store and cafe to sell primarily local, natural and organic foods and products and to create a model for cooperative, locally based development.

Company Shops Market has obtained a market feasibility report, has purchased the building at 268 East Front Street in downtown Burlington, North Carolina for the establishment of a retail store, and has received an offer of bank financing and a United States Department of Agriculture guaranty of that bank financing. As of this date, December 2010 is the target date for opening the store.

Company Shops Market currently has over 1,600 owners of Common Stock (owner shares) and over \$500,000 in internal financing through Community Investment Notes and other community loans. Community Investment Notes are an investment vehicle offered by Company Shops Market through another securities offering. They constitute debt of Company Shops Market, junior to bank debt, but senior to Preferred Shares.

Company Shops Market's mailing address is Post Office Box 848, Burlington, North Carolina 27216, or as shall be changed by the Board of Directors. Company Shops Market's physical location will be 268 East Front Street, Burlington, North Carolina 27215. The phone number is 336.314.1972. Sharon Dent is the Board President and currently is responsible for providing information about Preferred Shares. Company Shops Market will hire a General Manager prior to the opening of the retail store.

Until a General Manager is hired, no plan of operation, marketing strategies, and other similar plans have been created. A Business Plan has been prepared, however, and a copy will be furnished upon request.

***What is a cooperative corporation?***

Cooperatives are corporations organized differently from other for-profit corporations. For example, rather than having multiple shares, each person can buy only one share of Common Stock in Company Shops Market, and each shareholder has one vote.

**Go to**

**<http://www.secretary.state.nc.us/corporations/CSearch.aspx> to view a copy of the charter, including the amendments, which describe the Common Stock and the Preferred Shares.**

***About Preferred Shares***

Preferred Shares are a financial vehicle for North Carolina residents that are owners of Company Shops Market to make investments directly in Company Shops Market.

Preferred Shares are unsecured ownership of equity in Company Shops Market and are not deposits or obligations of, or guaranteed or endorsed by, any bank, and are not insured by any federal or state agency.

Preferred Shares are junior to company debt, including Community Investment Notes and bank financing. This means that whenever there is a decision as to whether a Company Shops Market debt gets paid or a Preferred Share owner gets paid, the debt holder must be preferred over the Preferred Share owner. Additionally, no reserve fund has or will be established by Company Shops Market to provide for the redemption of the Preferred Shares or the dividends. Redemption by Company Shops Market, if applicable, and dividend payments will ultimately be dependent solely upon the financial condition and strength of Company Shops Market. Therefore, the relative risk level may be higher for these Preferred Shares than for other similar securities.

- Preferred Shares are not FDIC insured.
- Preferred Shares are not tax-deductible.
- You are required to pay income tax on dividends earned.
- Preferred Shares are only available to North Carolina residents who are owners of Company Shops Market.

**(See section titled “Description of the Preferred Shares”, heading “Overview” and the heading “Risk Factors”, below for a discussion of investment risk levels).**

## ***RISK FACTORS***

**THE FOLLOWING PARAGRAPHS DESCRIBE VARIOUS RISK FACTORS ASSOCIATED WITH YOUR INVESTMENT. HOWEVER, NOTHING CONTAINED HEREIN, OR IN THE SUBSCRIPTION AGREEMENT, OR THE PREFERRED SHARES CERTIFICATE, SHOULD BE CONSTRUED AS PROHIBITING YOU, THE INVESTOR, FROM PURSUING AND EXERCISING ANY AND ALL RIGHTS AND REMEDIES AS MAY BE AVAILABLE AT LAW OR IN EQUITY.**

### ***Lack of Current Operations***

Company Shops Market is currently in the stage of raising enough capital in order to meet loan and guaranty requirements to obtain financing for the renovation and upfit of its building 268 East Front Street, Burlington, North Carolina. This financing and capital must be received in order to open begin operations.

The goal of Company Shops Market is to open the retail grocery store and cafe by end of year 2010 at 268 East Front Street, Burlington, North Carolina. However, a number of factors, including the ability to raise the appropriate amount of additional capital, community support, and other general economic factors will directly impact the success and viability of this venture.

It is possible that the Company Shops Market retail store will not open. In the event that the store does not open, investors should be aware that there is a risk that the investor could lose all or part of their investment. If Company Shops Market determines that it cannot open a retail store, investors will be reimbursed, if at all, on a pro-rata basis and in accordance with their Liquidation Preference set forth below.

Because Company Shops Market plans to use the proceeds of Preferred Shares to fund the renovation, upfit, opening, and operation of its building and to purchase fixed assets, its assets will be illiquid.

### ***Financials***

To date, operating funds have not been received from operations (the sale of groceries), but have been received through the sale of stock, contributions, and interest income, which is typical for a start-up operation. Current and past balance sheets may be obtained upon request.

### ***Payment of Dividends and Redemption Obligations***

There are, as with any investment, risks associated with an investment in Preferred Shares. While Company Shops Market will make every good faith effort to meet its dividend and redemption obligations, there can be no guarantee that it will be able to do so. Preferred Shares therefore are suitable only for persons or entities of adequate means who can bear the economic risk of losing their investment.

Investors can only expect to be paid from Company Shops Market, and not from any other entity or person.

***Forward Looking Statements***

This Prospectus contains forward-looking statements that involve risks and uncertainties. Company Shops Market's actual results could differ materially from those anticipated in such forward-looking statements as a result of certain factors, including those set forth in these risk factors and elsewhere in this Prospectus.

***Public and Secondary Markets***

The nature of this program does not afford the opportunity of a public or secondary market. Consequently the purchase of Preferred Shares should be viewed as an investment to be held indefinitely. (See "Transfer of Preferred Shares" in section "Description of the Preferred Shares" and "Limitations on Resale" in Section "Distribution", below).

***Subordination***

**Preferred Shares are unsecured equity and are subordinate to all Company Shops Market bank, or other debt, and are junior to Community Investment Notes. Preferred Shares are only senior to the Common Stock.**

***State Regulations***

Changes in state laws, rules or regulations regarding the sale of securities may make it more costly and difficult for Company Shops Market to offer and sell Preferred Shares in the future. Such an occurrence could result in the decrease in the amount of Preferred Shares sold by Company Shops Market. To the extent that Company Shops Market is dependent upon the proceeds from future sales of Preferred Shares to make principal and interest payments on its outstanding indebtedness, a substantial decrease in such sales could affect its ability to meet its obligations. However, at this time Company Shops Market does not contemplate or foresee curtailing or eliminating the sale of Preferred Shares.

***Dividend Rates***

Investors should be aware that the dividend rates offered by Company Shops Market for Preferred Shares may vary from time to time, and currently investors choose maximum dividend rates ranging from 0-5%. Company Shops Market is not legally obligated to redeem the investment or exact a partial withdrawal of Preferred Shares prior to the date of any Investor's Put option described below. Furthermore, the dividend rates of these Preferred Shares may not be as high as those of other companies offering similar securities. Finally, dividend payments are solely within the discretion of the Board of Directors.

<b><i>Change in Operations</i></b>	Company Shops Market is not obligated to continue offering Preferred Shares or to continue its operations or its existence as a cooperative corporation. Any such change in its operations or status could have a negative impact on its ability to pay dividends or honor its redemption obligations. Company Shops Market has no plans to significantly modify its present plan of action.
<b><i>Tax Consequences</i></b>	Preferred Shares are not tax-deductible. Federal and State income taxes are due on the dividends earned. Persons considering the purchase of Preferred Shares should consult their own tax advisors concerning the United States federal income tax and North Carolina state income tax consequences to them in light of their particular situations, as well as any consequences to them under the laws of any other taxing jurisdiction. <b>(See section titled “Description of the Preferred Shares” under the heading “Dividend and Tax Reporting.”)</b>
<b><i>Social Mission</i></b>	Company Shops Market’s mission is a social mission. Its business focus is to provide a benefit for the community, not solely to make a profit for its owners. Business decisions may be at odds with maximizing profitability.
<b><i>Bank Loan Restrictions</i></b>	Company Shops Market’s establishment requires bank loans which will have certain covenants and restrictions, including restrictions on additional borrowing that could make it difficult to borrow additional money in the future should the need arise, and restrictions preventing the redemption of Preferred Shares and payment of dividends if bank loan payments are not met.
<b><i>Business Interruption</i></b>	Company Shops Market is subject to delays in establishing operations as well as interruption of its business due to power outages, severe weather, and other potential disruptions. Once the store opens, such disruptions can result in store closures and stock loss. Suppliers of additional inventory may also be affected by interruption of the transportation system, which may have a materially adverse effect on normal sales levels and profitability. These disruptions could have an adverse effect on Company Shops Market’s future sales and profitability.
<b><i>Reliance on Key Management</i></b>	Company Shops Market has a dedicated, experienced, diversely-skilled volunteer, part-time Board. The Board is unpaid. The loss of the services of key Board or management figures in the future could have a material adverse effect on Company Shops Market’s business and financial condition. Company Shops Market will hire a General Manager prior to the opening of the retail store. However, as of this date, Company Shops Market has not hired a General Manager.

***Board of Directors and Corporate Governance*** A Board of Directors sets overall policy, hires the General Manager, and monitors the operations of Company Shops Market. The initial directors serve 2 or 4 year terms with all subsequent terms being for 3 years. There will be 2 consumer owner representatives seated on the board. Directors may not serve more than six consecutive years. Due to the elective structure of the Board, there is no guarantee that there will be long-term continuity of leadership, or that competent directors will be elected to replace retiring directors.

Currently, the operations of Company Shops Market are managed by the Board of Directors, with professional advice from a CPA firm and a law firm. The Bylaws, to be adjusted to provide for Preferred Shares, will soon be available on Company Shops Market's website, and a copy is available upon request.

Please review Company Shops Market's website at [www.companysshopsmarket.coop](http://www.companysshopsmarket.coop) for a current listing of directors and their biographies.

***Litigation*** Although there is currently no litigation with respect to Company Shops Market, it could potentially be the subject of various lawsuits arising in the ordinary course of business. In addition, Company Shops Market faces the inherent risk of exposure to product liability claims in the event that the use of the product it sells results in injury. Company Shops Market's business and financial condition could be materially and adversely affected by legal and settlement expenses in the event of such lawsuits.

***Competition*** Although, at this time, there is no other retail grocery store in Alamance County with the same model adopted by Company Shops Market, there can be no assurance that such a grocery store will not be opened in the future and be competitive with Company Shops Market. Further, any store selling products similar to our products and services are competition with Company Shops Market and can affect the profitability of Company Shops Market.

## ***DESCRIPTION OF THE PREFERRED SHARES***

### ***Overview***

- Preferred Shares are offered for \$200.00 per share with the following maximum base dividend rates and minimum purchase as follows:
  - 0% \$200.00 minimum purchase (1 shares)
  - 1% \$2,000.00 minimum purchase (10 shares)
  - 2% \$2,000.00 minimum purchase (10 shares)
  - 4% \$2,000.00 minimum purchase (10 shares)
  - 5% \$20,000.00 minimum purchase (100 shares)
- A discretionary dividend of up to 2% may also be received, ratably, by all holders of Preferred Shares if declared by the Board of Directors.
- Company Shops Market has the option to Call (purchase a shareholder's shares at the original purchase price) Preferred Shares at any time.
- Holders of Preferred Shares have the option to Put (request that Company Shops Market purchase their shares at the original purchase price) Preferred Shares after ten years from the date of issuance.

### ***How to Invest***

To invest, complete a Preferred Share Subscription Agreement.

Confirmation of your investment will be sent to you upon receipt by Company Shops Market of a signed Subscription Agreement and payment (or, in the case of the conversion of a Community Investment Note to Preferred Shares, the original Community Investment Note).

Please mail to:

Company Shops Market  
Post Office Box 848  
Burlington, NC 27216

### ***Base Dividends***

The holders of shares of Preferred Shares may be entitled to receive, ratably, if and when declared payable by the Board of Directors, annual dividends out of funds legally available for the payment of dividends. The amount that may be paid each fiscal year may be up to, but not exceeding, the product of the dividend rate for such series times the Redemption Price (as defined below) (the "Base Dividend"). The Base Dividend may not exceed such rate. However, Preferred Shares are also entitled to any Discretionary Dividend (as defined below) that may be authorized by the Board of Directors.

The dividends shall be payable on such dates as shall be fixed by the Board. Dividends shall not be cumulative and no rights shall accrue to the holders of the Preferred Stock by reason of the fact

that dividends on Preferred Shares are not declared or paid in any period even though Company Shops Market has funds legally available for the payment of such dividends. For purposes of this section, the term “dividends” shall include any pro rata distribution by Company Shops Market of cash, property, securities (including, but not limited to, rights, warrants, or options), or other property or assets, whether or not paid out of capital, surplus or earnings.

Preferred Shares are senior to Common Stock. Therefore, the Base Dividend must be paid to Preferred Share holders first, before any dividends are paid to Common Stock holders.

***Discretionary Dividend***

The holders of Preferred Shares may also receive, ratably, if and when declared payable by the Board of Directors, a variable dividend out of funds legally available for the payment of dividends in an annual amount up to two percent (2%) of the Redemption Price for such Preferred Shares (the “Discretionary Dividend”); provided, however, that Company Shops Market may, in its sole discretion, choose not to pay such Discretionary Dividend. Such dividends shall be payable on such dates as shall be fixed for such series. All Series, including the 0% A-0 Series, are eligible for a Discretionary Dividend at the discretion of the Board. Unlike the Base Dividend, the Board could authorize dividends for Common Stock owners even if no Discretionary Dividend had been paid to the Preferred Share owners.

***Redemption Rights***

Company Shops Market may, at any time, repurchase Preferred Shares at the original purchase price (“Call”).

Holders of Series A-1, A-2, A-4, and A-5, but specifically excluding Series A-0, may, after ten (10) years from the date of issuance, request that Company Shops Market redeem their Preferred Shares for the original purchase price (“Put”).

The price for the Put or the Call is equal to the purchase price paid to Company Shops Market for the Preferred Shares for the original issuance of those shares (the “Redemption Price”). The Redemption Price will be paid in cash or certified funds on the date established by Company Shops Market for redemption.

The Redemption Price is to be paid within sixty (60) days of a Put request. However, in the event Company Shops Market determines that payment in full within that sixty (60) day period will impair the finances of Company Shops Market, it shall have the option of making payment in installments at such times and in such amounts as determined by Company Shops Market.

If Company Shops Market (a) tenders the Redemption Price in cash or certified funds or (b) tenders a promissory note to the holder for the Redemption Price (having a term not to exceed two (2) years and bearing an interest rate equal to or greater than the Base

Dividend rate for the shares), then all rights with respect to those shares shall terminate on the date fixed for redemption, except the right of the holders to receive the Redemption Price.

### ***Liquidation Preference***

If Company Shops Market has to close and liquidate, Preferred Shares are junior to Company Shops Market's expenses and debt, but senior to Common Stock. Upon any liquidation, dissolution, or winding up of Company Shops Market, no distribution shall be made to the holders of shares of Common Stock or any other class of stock junior to Preferred Shares unless, prior thereto, the holders of the Preferred Shares shall have received an amount per share equal to the Redemption Price. Following the payment of the full amount of such liquidation preference, no additional distributions shall be made to the holders of Preferred Shares.

If, upon any liquidation, dissolution, or winding up of Company Shops Market, the assets are not enough to pay in full the Redemption Price, then those assets shall be distributable ratably among the Preferred Share owners.

In general, the order of payment in the case of liquidation is:

- Costs of liquidation (attorney, filing, recording, advertising, etc. fees)
- Secured creditors (bank, etc.)
- Unsecured creditors (business debt, Community Investment Note holders)
- Preferred Shareholders
- Common Shareholders (owner shares)

Please note, if liquidation or dissolution is the result of Company Shops Market's bankruptcy or there are not enough assets remaining for shareholders, the Preferred Share owners may receive nothing.

### ***Voting Rights***

Since all Preferred Share holders must own Common Stock (owner shares), they will have, except as otherwise required by law, no voting rights (either individually or as a class).

### ***Transfer Restrictions***

Prior to transferring any Preferred Shares, the holder must first offer Company Shops Market the right of purchasing such shares under the same terms as offered to any bona fide third party purchaser not related to the holder, but in no event for a price per share greater than the original purchase price paid to Company Shops Market per share.

### ***Administration***

All funds from the sale of Preferred Shares will be utilized by the Board of Directors immediately for business and operational purposes if determined that it is in the best interest of Company

Shops Market. Preferred Shares are issued upon the deposit of funds made available to Company Shops Market by the investor (or the original Community Investment Note if converting from a Community Investment Note to Preferred Shares).

**An investor's option to Put (request repayment of the investment at the original purchase price) his or her Preferred Shares after the ten year period should be made in writing by certified mail to:**

**Post Office Box 848  
Burlington, NC 27216**

***Minimum Purchase***

The minimum purchase for Series A-0 Preferred Shares is one (1) share for \$200.00.

The minimum purchase for Series A-1, A-2, and A-4 is ten (10) shares for \$2,000.00.

The minimum purchase for Series A-5 is one hundred (100) shares for \$20,000.00.

Since Preferred Shares may only be purchased by owners of Company Shops Market, investors must have already purchased an ownership (Common Stock) in Company Shops Market.

***Dividend Payment and Tax Reporting***

Dividends will be paid, ratably, when declared by the Board of Directors. Company Shops Market will mail you a Form 1099 in January of each year indicating the dividend paid on your investment in the prior year. These investments are not tax deductible. Federal and state tax is due on the interest earned on the Community Investment Note. Consult your tax advisor regarding the effect on your taxes, if any, of accepting a possibly below-market rate of return on your investment.

***Self-Directed IRAs***

A self-directed IRA may not invest in Preferred Shares.

## **DISTRIBUTION**

Company Shops Market, as the issuer of the Preferred Shares, is serving as the sole distributor of these Preferred Shares.

### ***Limitations on Resale***

Purchasers of Preferred Shares are prohibited from offering or reselling their Preferred Shares for a period of one year from the date of issuance by Company Shops Market, Inc., except in the event that the purchaser moves his/her residence outside the State of North Carolina (**See “Moving out of State” below**).

In any event, transfer to any person residing outside the State of North Carolina is prohibited.

### ***Moving out of State***

In the event an investor moves his or her or its primary residence outside the State of North Carolina, Company Shops Market has the option to repurchase the Preferred Shares, and if Company Shops Market exercises its option, the original investor must transfer his or her Preferred Shares back to Company Shops Market. In that event, the transfer of the Preferred Shares shall be immediately effective, but repayment may be made over time. See **See ‘Transfer Restrictions’ and ‘Redemption Rights’ for further details**. The investor must notify Company Shops Market once he or she is no longer a North Carolina resident.

### ***Death of an Investor***

In the event of the death of the original investor, the investor may designate a beneficiary of this investment provided that the designated beneficiary must be a resident of North Carolina and will receive dividend payments (if any) and repayment of the original purchase price according to the original terms agreed upon. If the individual designated as the beneficiary is not a resident of North Carolina at the time of the investor’s death, or if the original investor chooses not to designate a beneficiary, the estate of the original investor must sell or transfer the Preferred Shares back to Company Shops Market. Company Shops Market will re-purchase the Preferred Shares from the estate within six months of a demand from the estate administrator for an amount equivalent to the original purchase price of the Preferred Shares.

### ***Attachment***

Articles of Amendment authorizing Preferred Shares



# NORTH CAROLINA

## Department of The Secretary of State

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To all whom these presents shall come, Greetings:

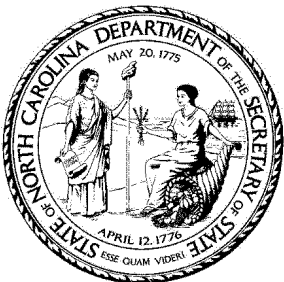
I, Elaine F. Marshall, Secretary of State of the State of North Carolina, do hereby certify the following and hereto attached to be a true copy of

### ARTICLES OF AMENDMENT

OF

### COMPANY SHOPS MARKET, INC.

the original of which was filed in this office on the 22nd day of April, 2010.



IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal at the City of Raleigh, this 22nd day of April, 2010.

*Elaine F. Marshall*

Secretary of State

**ARTICLES OF AMENDMENT  
OF  
COMPANY SHOPS MARKET, INC.**

The undersigned corporation hereby submits these Articles of Amendment for the purpose of amending its Articles of Incorporation:

1. The name of the corporation is Company Shops Market, Inc.
2. The following amendment to the Articles of Incorporation of the Corporation was duly adopted by the Shareholders and the Board of Directors of the Corporation on the 20<sup>th</sup> day of April, 2010 pursuant to the General Statutes of North Carolina:

**Article IV: Capital Stock**

The authorized capital stock of this cooperative corporation shall be divided into classes and series of capital stock as follows:

A. Common Stock. A class of common capital stock, no par value per share, consisting initially of 100,000 shares.

B. Preferred Stock. A class of preferred capital stock of the Corporation, no par value per share, as follows:

1. Series A Preferred Stock ("Series A").

- (a) Series A-0 Designation. A class of preferred capital stock of the Corporation, no par value per share, is hereby designated as "Series A-0 Preferred Stock" (hereinafter called the "Series A-0") consisting initially of 1,000,000 shares. The dividend rate for Series A-0 shall be zero percent (0%).

- (b) Series A-1 Designation. A class of preferred capital stock of the Corporation, no par value per share, is hereby designated as "Series A-1 Preferred Stock" (hereinafter called the "Series A-1") consisting initially of 1,000,000 shares. The dividend rate for Series A-1 shall be one percent (1%).

- (c) Series A-2 Designation. A class of preferred capital stock of the Corporation, no par value per share, is hereby designated as "Series A-2 Preferred Stock" (hereinafter called the "Series A-2") consisting initially of 1,000,000 shares. The dividend rate for Series A-2 shall be two percent (2%).

- (d) Series A-4 Designation. A class of preferred capital stock of the Corporation, no par value per share, is hereby designated as "Series A-4 Preferred Stock" (hereinafter called the "Series A-4") consisting initially of 1,000,000 shares. The dividend rate for Series A-4 shall be four percent (4%).

(e) Series A-5 Designation. A class of preferred capital stock of the Corporation, no par value per share, is hereby designated as "Series A-5 Preferred Stock" (hereinafter called the "Series A-5") consisting initially of 1,000,000 shares. The dividend rate for Series A-5 shall be five percent (5%).

(f) Series A Dividends. The holders of shares of Series A may be entitled to receive, ratably, if and when declared payable by the Board of Directors, annual dividends out of funds legally available for the payment of dividends, in an amount each fiscal year of the Corporation up to but not exceeding the product of the dividend rate for such series times the Redemption Price (as defined below) (the "Base Dividend"), and not exceeding such rate except to the extent of any participation right for a Discretionary Dividend (as defined in paragraph 3 below). Such dividends shall be payable on such dates as shall be fixed for such series. Dividends shall not be cumulative and no rights shall accrue to the holders of the Preferred Stock by reason of the fact that dividends on said Stock are not declared or paid in any period even though the Corporation has funds legally available for the payment of such dividends. For purposes of this section, the term "dividends" shall include any pro rata distribution by the Corporation of cash, property, securities (including, but not limited to, rights, warrants, or options), or other property or assets, whether or not paid out of capital, surplus or earnings. No dividend shall be declared or paid upon or set apart for the Common Stock or for stock of any other class ranking junior to the Preferred Stock in respect of dividends or assets unless and until the maximum percentage dividend set forth for each Series for the Base Dividend shall have been paid or declared and set apart for payment with respect to the current dividend period as such period is determined by the Board of Directors of the Corporation.

2. Class Redemption Rights. Shares of Preferred Stock or any Series thereof shall be redeemable in whole or in part, pro rata, at the option of the Corporation by resolution of the Board of Directors at any time, or from time to time, at an amount per share equal to the purchase price paid to the Corporation for such Stock for the original issuance of such Stock (the "Redemption Price") to be paid in cash or certified funds on the date established by the Corporation for redemption. In addition, upon the written request of any holder of Series A after ten (10) years from the date of issuance, the Corporation shall redeem part or all of the shares of Series A-1, A-2, A-4, and A-5, but specifically excluding Series A-0, held by such holder no later than sixty (60) days after such request at an amount per share equal to the Redemption Price; provided, however, that in the event the Corporation determines that payment in full within such sixty (60) day period will impair the finances of the Corporation, it shall have the option of making such payments in installments at such times and in such amounts as determined by the Corporation. If the redemption notice is duly given and if the Corporation tenders the Redemption Price in cash or certified funds or tenders a promissory note to the holder for the Redemption Price having a term not to exceed two (2) years and bearing an interest rate equal to or greater than the dividend rate for such shares,

then, whether or not the certificates evidencing the shares to be redeemed are surrendered, all rights with respect to such shares shall terminate on the date fixed for redemption, except the right of the holders to receive the Redemption Price.

Shares of any series of Preferred Stock that have been redeemed or otherwise reacquired by the Corporation shall have the status of authorized and unissued shares of Preferred Stock and may be redesignated and reissued as a part of such series or of any other series of Preferred Stock.

3. Class Dividends. The holders of Preferred Stock may also receive, ratably, if and when declared payable by the Board of Directors, a variable dividend out of funds legally available for the payment of dividends in an annual amount up to two percent (2%) of the Redemption Price for such Stock (the "Discretionary Dividend"); provided, however, that the Corporation may, in its sole discretion, choose not to pay such Discretionary Dividend. Such dividends shall be payable on such dates as shall be fixed for such series. For purposes of this section, the term "dividends" shall include any pro rata distribution by the Corporation of cash, property, securities (including, but not limited to, rights, warrants, or options), or other property or assets, whether or not paid out of capital, surplus or earnings.

4. Class Liquidation Preference. Upon any liquidation, dissolution, or winding up of the Corporation, no distribution shall be made to the holders of shares of Common Stock or any other class of stock junior to Preferred Stock unless, prior thereto, the holders of shares of Preferred Stock shall have received an amount per share equal to the Redemption Price. Following the payment of the full amount of such liquidation preference, no additional distributions shall be made to the holders of shares of Preferred Stock. If, upon any liquidation, dissolution, or winding up of the Corporation, the assets of the Corporation, or proceeds thereof, distributable among the holders of shares of Preferred Stock or any capital stock ranking on a par with Preferred Stock upon liquidation, dissolution or winding up of the Corporation, shall be insufficient to pay in full the preferential amounts to which such stock would be entitled, then such assets, or the proceeds thereof, shall be distributable upon such holders ratably in accordance with the respective amounts which would be payable on such shares if all amounts payable thereon were payable in full.


5. Class Voting Rights. Except as otherwise required by law, the holders of Preferred Stock shall have no voting rights.

6. Class Transfer Restrictions. Prior to transferring any shares of Preferred Stock, the owner thereof must first offer the Corporation the right of purchasing such shares under the same terms as offered to any bona fide third party purchaser not related to the owner, but in no event for a price per share greater than the original purchase price paid to the Corporation for such Stock per share.

3. These Articles of Amendment shall be effective upon filing.

This the 21<sup>st</sup> day of April, 2010.

COMPANY SHOPS MARKET, INC.

By:   
Sharon J. Dent, President