

INGLES MARKETS, INCORPORATED

AUDIT COMMITTEE

RELATED PARTY TRANSACTIONS

A. - Background

The Company's Audit Committee Charter charges the Audit Committee with establishing policies and procedures for the review and approval of related party transactions as required by NASDAQ Rule 5630. Rule 5630 refers to SEC Regulation S-K, Items 404(a) and (b) which:

- Defines "related person" and "immediate family member" under the securities laws
- Sets a \$120,000 threshold for some form of additional review and disclosure of related party transactions

A written related party transaction policy does not yet exist, although the Company's proxy statement:

- Requires notification in advance of potential upcoming related party transactions
- States the Company's intent that related party transactions carry terms equal to arm's length transactions with unaffiliated third parties

The following policy will incorporate these established guidelines and provide additional procedures for the review, approval and disclosure of related party transactions.

B. - Policy Statement

The Company monitors certain relationships are related party transactions by requiring each director, executive officer and other related persons to notify the Company's Chief Financial Officer ("CFO") in advance of any upcoming transactions that may be considered a transaction with a related person. In addition, each director and executive officer completes an annual questionnaire to disclose any transactions with related persons.

The Audit Committee is responsible for evaluating and approving or disapproving potential related party transactions in accordance with NASDAQ Rule 5630 and SEC Regulation S-K, Items 404(a) and (b). See Exhibit A for the Item 404(a) definitions of "related person" and "immediate family member".

Except as provided below, all proposed transactions between the Company and a related person in excess of \$120,000, shall be subject to this policy.

The related person is responsible for notifying the Executive Committee of any proposed related party transactions. The Executive Committee, in turn, will contact the Company's securities counsel to determine if the proposed transaction is subject to this policy and to determine what information may be needed with regard to the proposed transaction. The Executive Committee will approve/disapprove related party transactions and then turn over to the Audit Committee for final approval. The Company

does not intend to enter into any transactions in the future with or involving any of its executive officers or directors or any members of their immediate family on terms that would be less favorable to the Company than those that would be available from unaffiliated third parties in arms-length transactions. The Company also does not intend to enter into any related party transactions that would impair the independence of an outside director, or would present a conflict of interest for any director or executive officer of the Company.

The related person is responsible for providing a complete description of the proposed transaction to the Executive Committee and the Audit Committee. All negotiations should take place between the related person and the Audit Committee. The Audit Committee shall have sole authority to approve or disapprove the transaction.

Approved related party transactions shall be disclosed in the Company's annual meeting proxy statement in accordance with SEC Regulation 14A and Regulation S-K, Items 404(a) and (b).

This policy shall not apply to compensation or business reimbursement transactions between the Company and its officers or directors that take place in the normal course of business.

EXHIBIT A

The term “**related person**” means:

- (a) any director or executive officer of the registrant;
 - (b) any nominee for director, when the information called for by Item 404(a) is being presented in a proxy or information statement relating to the election of that nominee for a director; or
 - (c) any immediate family member of a director or executive officer of the registrant or such nominee for director.
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The term “**immediate family member**” means any child, stepchild, parent, stepparent, spouse, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law of such director, executive officer or nominee for director, and any person (other than a tenant or employee) sharing the household of such director, executive officer or nominee for director.