

Hello and good evening. We are once again sitting together to celebrate and discuss the ARC's past year and I am glad to say that, except for the wild price changes we experienced, there were no major controversies to deal with in our 97th year. Not that it has been a year completely without challenges, simply nothing too far off the norm.

Crude oil pricing has continued to be unpredictable ranging from \$43 to \$76 over the year. This volatility has brought about the specter of unexplainable price changes and the predictable onslaught of armchair fuel industry experts giving their input on what the fuel companies are 'actually' doing to the consumer. During these times it can sometimes be challenging to remember and implement all the Co-operative Principles while adhering to our mission and vision statements.

Having said that, the last year has been a wonderful example of how those same principles have impressed the public as we experienced increased growth in member numbers as well as what feels like more & more positive responses to the ARC's co-operative business and community support models throughout the year.

The changing face of retail business has also affected our year, with the resignation of our auditors in October to the increasing pressure from competitors with 'disruptor' fuel supply models, the marketplace's increasing emphasis on loyalty programs as well as the ever-present impact of the non-traditional retail models and the non-traditional customer expectations and behaviour those models generate.

One thing that has not changed is that the ARC's success is a direct result of our people, some of whom are attending here as they too are member/owners. Please help me thank them for making the ARC the success it is by talking to them directly, whether after the meeting tonight, the next time you are at one of our sites or when they are delivering your fuel.

The Cooperative Retailing System has seen further amalgamations this past year, all of which were completed in attempts to increase our competitive position, to the point where we are now just 170 retail co-ops across western Canada compared to 180 last year at this time. It has been suggested that we will see even more amalgamations in the next few years.

The ARC's dollar sales have increased drastically (about 24%) from \$62.6M to \$77.6M, however increased pressure on margins over the year has driven our local profit down from \$1.4M to \$839k which is about a 40% decrease. However, in a fortuitous turn of events, the patronage received from FCL was extremely generous this year and our Net Income has increased to \$7.59M from last year's \$4.31M for a 76% increase. With quite respectable liter growth of 5.8% this past year, taking us to 60.6M up from 57.3M, one can see that the largest impact on our sales dollars has been the market price of fuel. Despite all the challenges we face, it is a point of pride for the ARC to say we are the number one gas bar site by liters in Armstrong and Salmon Arm and after only a few years in operation and starting from scratch, we are now the 2nd largest gas bar in Vernon, which is no mean feat in that very hotly contested market.

As many of you may know, we recently spent a weekend handing out over 3,200 patronage cheques representing a 50% increase over the previous year and the event was a resounding success. We were able to interact with many of our member/owners during the weekend giving us some insight into our customer base. And speaking of that customer base, we have sold another 2,579 memberships this last year and have now reached 19,900 active members up from just over 17,000 last year.

The ARC has also been making a number of technological improvements over the last year with our most impressive being that we are now sending over 50%, or roughly 800, of our monthly statements by email instead of by Canada Post, saving us time, resources and most importantly, the sanity of our staff. We have dropped statement processing time from 16-18 hrs per month to under 9 hours per month and at the same time saved over \$11,000 on our

annual postage costs. In addition to the significantly earlier delivery of the statements each month and the reduction in our dependence on Canada Post efficiencies, we have also been able to enroll a good number of our customers in our online & pre-authorized debit payment options now that those customers believe in our technology capabilities. While there are some nay-sayers that will never make the switch to eStatements, which is by no means a perfect system, the ARC remains confident we will see further uptake over the upcoming months.

And now to address what some may see as a concern for our business of delivering fuel to our customers. I have recently conferred with the Alberta government and have confirmed that the ARC's fuel supply will be unaffected by Alberta's Bill C-12, the so-called turn-off-the-taps bill. This is due to the fact that the ARC's fuel supply is no longer originating in Alberta and comes from our Saskatchewan refinery almost exclusively, making it exempt from C-12's ability to block the transport out of Alberta, via pipeline, of crude oil, refined petroleum products and natural gas that originates from any Alberta facility.

The ARC continues to investigate and pursue growth opportunities both inside and outside our traditional markets in efforts to ensure that we remain relevant today and well into the future.

Thanks for attending this AGM and participating in the ongoing governance of your CO-OP and also for your continuing support of the ARC.