

President's Message 2014 AGM

Introduction

Good evening Members and welcome to our Annual General Membership Meeting. On behalf of myself, my fellow directors, the management team and staff, I would like to thank you all for coming tonight. Your attendance and participation at the AGM are of great importance as we review the past year, the Budget for 2013/2014 and your co-op's strategies for the upcoming year.

Fredericton Direct Charge Co-op continues to be an important part of our community, serving approximately 9000 member families, representing 25,000 people in the greater Fredericton area, an indication of the store's continuing success and the value of co-operation.

Fredericton Co-op continues to remain a major player in the local market place and is the largest locally owned retailer in the city.

Operations

At last years' AGM we reported that FDCC was facing a significant deficit of \$480,000 for 2012 due to the competitive nature of the marketplace. We also reported, we were confident that, with a focused plan in place and the continued support and loyalty of our membership, our bottom line results would rebound in 2013. I am very pleased to report that we have a strong balance sheet to report with a \$50,000 bottom line for year-end 2013. This

significant financial turnaround in a short 12 month period demonstrates the leadership of our General Manager, Murray Hatchard, the strength of our Management team and Board as well as the commitment of our staff and loyalty of our members.

We continue to advocate for your help in speaking out against rumors that your Co-op is experiencing financial difficulties and about to close its doors. These rumors are unfounded and untrue; we ended the year with a surplus, membership continues to increase – with between 40 – 60 new members joining per month; our balance sheet financial ratios continue to be significantly better than what is required by our financial business partners; we are venturing into new opportunities like the new daycare which has received 100% support for the loans required with the Business Development Bank of Canada; we have diversified and secured additional revenue opportunities this past year including Co-op Fuels retail space rental, Co-op Atlantic office space rental, a delivery service and an opportunity to partner with Sussex Co-op to supply furniture and appliances; and we are able to provide staff salary range increases this fiscal year as well.

We are asking for your help by talking to members who may not regularly read the monthly President's letter or attend the AGM. Tell them what you know about the stability and viability of your Co-op. The Board is committed to ensuring that your shares are safe and won't be lost – if you have questions or concerns come talk to us, we would welcome the opportunity to address your concerns rather than trying to address rumors or misinformation.

Based on our sales volume, Atlantic Progress magazine once again listed Fredericton Direct Charge Co-op in their annual report of 101 top companies in Atlantic Canada. We are pleased that we have been acknowledged with this designation for thirteen consecutive years running.

Our financial goals as a Direct Charge Co-operative are to continue to make sufficient income on sales to offset operational costs and we continue to work with our business partners to buy product that allows us to provide a savings to our membership, while maintaining a near break-even budget.

Sales volume at the North Side gas bar location remains strong, providing a great service to our members who live on the Northside of the river, while at the same time having minimal impact on our volume at the Doak Road location.

New in 2013

FDCC has entered into an agreement with the owner of Sunny Day's Children's Center to open a daycare facility on our Co-op property. For a number of years the Board has been pursuing opportunities to attract young families and this is a huge achievement towards that goal. We expect this facility to be fully operational no later than September 2014 with a capacity of 80 children. Our Property Development Chair, Nick Levandier will fill the role of general-contractor for this important project. In good cooperative spirit, the Board has agreed to provide bidding opportunities to member contractors first. A general meeting will be held before the end of

February for interested contractors and drawing sets will be made available for quantity take-offs and bid preparations. If you are a Contractor and a Co-op Member who has an interest in bidding on portions of this project or have an interest in attending the general meeting, please ensure you leave your name and contact coordinates with a staff member at the front desk by February 14th. Anticipated sub-contracts include connecting to municipal services, tree clearing, excavation, foundation and slab, framing, roofing, siding, plumbing, electrical, drywall, painting, flooring and fencing.

Co-op Fuels has relocated their retail space to the Home and Leisure department at the store. This provides a real convenience to members who currently use this service for their heating and cooling needs and has generated rental income for FDCC.

FDCC has introduced a delivery service option for members who don't have transportation, find it difficult to get to the store or for members who just want to take advantage of the convenience of having home delivery. We've purchased a second hand refrigerated delivery truck and are excited about the possibilities this service may provide for us in new revenue and for new and existing members in the coming months.

In an effort to enhance our community giving and support of charitable organizations our Member Relations Committee introduced an in-store 50/50 ticket/draw in mid-August. 50% of the total sales go to the member and 50% of the total sales are donated to charitable organizations. This opportunity has increased our ability to give back to our community significantly – since August \$20,691 has been donated to the School's

Breakfast Programs, the Community Kitchen and the Food Bank and \$20,691 has been returned to our membership in the form of winnings. We project the ability to donate approximately \$50,000 towards community giving within a 12 month period based on the in-store 50/50 ticket draw.

Last summer FDCC won a Community Greening Event sponsored by Majesta and Co-op Atlantic. There was a ceremonial tree planting at the store and a “greening event” at McGloin Street where 200 trees were planted on our behalf.

The Board, Management and Medicine Shoppe Pharmacy continue to pursue the concept of adding a walk-in clinic to our facility. We believe this would be an opportunity to provide yet another service to our membership as well as being a way to attract new members. As an exciting update to this initiative we have just recently met with a 2014 graduating medical student who has an interest in our concept.

Your Co-op hosted two open houses in 2013 during of our Anniversary and Co-op Week’s celebrations. Staff, Management and Board partnered together to make these events a huge success. You the membership supported these efforts as well – bringing your friends, neighbors and relatives for a visit while shopping and participating in the special activities during the day. As a result we saw approximately 60 new members join the Co-op.

There have been a number of in-store changes this past year. A new toy section across from the Deli features a new look and new display cases

that pull our selection of children's toys to one location for member's convenience. The bottleneck around the entrance of the store has disappeared as a result of the former Member Relations office being removed. As a result there has been a significant space gain, the lottery booth is more conveniently located and with this open concept members can see the Service Desk area from where they line up to move through the cash lanes. Our appliances have been relocated to the former four season's room which enhances the look based on the availability of outside light in this area and all bedding and bath products have been moved to accessorize our bedroom furniture area. In addition a number of walls have been removed in order to provide for a more open layout. Just recently our Deli has added two new services to their offerings for members. We are now making fresh Gelato onsite and are offering a selection of tempting flavors that are proving to be a hit with members. We have also purchased a Broghies machine and freshly-made broghies are available by the bakery. We continue to watch the marketplace for new and exciting offerings for our members. Exterior to our building we've cleared brush away from the front of the second parking lot – visually improving the area.

Your co-op is always mindful of member requests and member comments are reviewed on a consistent basis by the management team. New products are added on a regular basis and operations geared towards best meeting the evolving needs of the membership

Fredericton Co-op continues to work with local suppliers towards our commitment of promoting local products whenever possible. The

Environment Committee has also been active in developing a 'buy local' theme at the store with our own symbol promoting local, NB grown products.

Member Appreciation Week

Our biggest event of the year is our annual Member Appreciation Week Sale held in late November. Fredericton Direct Charge Co-op is able to offer the Annual Member Appreciation week sale because of the volume of sales generated throughout the year due to member's loyalty. From this volume, staff is able to negotiate special pricing from suppliers to be able to offer additional savings to our members.

This year's event was again very successful, with sales of 2.25 million dollars for the week. Members appreciate that ample inventory is kept on hand throughout the week and that most non-food sale items, if required, could be reordered at the sale price if they were sold out. Staff and management have also taken great care to merchandise the store and arrange cash line-ups to make the week as organized as possible. The result of all this is that the Members Week event has a comfortable atmosphere and members are able to shop with ease and maneuver through the aisles without experiencing congestion.

Community Involvement

Fredericton Direct Charge Co-op continues to play a significant role in your community through our involvement with numerous community events,

which helps provide funds for a number of charitable, non-profit organizations.

Throughout the year premiums that are received through volume buying have been provided to members submitting requests for various schools, sport and community related efforts, along with funds allocated to member relations to assist with charity causes and non-profit groups.

The Staff fundraising committee, which was initiated and motivated by the staff and supported by our suppliers, has become a focal point of the co-operatives community giving. Again this past year the committee has been busy with applications for assistance. At Christmas time alone, the committee provided for a number of needy families, many of which required aid of \$300 or more. To date over \$130,000 has been given to staff and members in crisis, people in the community, local charities, and community events over the past number of years.

Fredericton Co-op once again partnered with the non-profit organization Fredkids with a commitment as one of their Community sponsors. We continue to look at opportunities to grow our membership and bring in young families.

Your co-op also continues to offer its post-secondary awards program for students within the membership. Each year academic awards are presented to students in the membership based on financial need, academic achievement and involvement in the community. The scholarship

winners for 2013 were: Megan Gallant, Zach Paget, Megan Hickey and Kathleen Gorley-McSorley.

The Board offers their congratulations to these young people and wishes them continued academic success. The Board would also like to recognize and thank the scholarship committee members who spent many volunteer hours to determine the recipients of our scholarship awards in 2013.

Board Activities

Your Board has attended a number of co-operative meetings, such as Co-op Atlantic's Zone Conference and Co-op Atlantic's Annual General Membership Meeting. One of the Board's responsibilities is to provide input and leadership to Co-op Atlantic which we exercise through these meetings and additional correspondence with Co-op Atlantic on issues that affect not only the future of Fredericton Co-op, but also the co-op system throughout Atlantic Canada.

We continue to work with a local marketing company, "Enacity" (previously the Belton Group) to explore and provide more social media opportunities for Fredericton Direct Charge as a way to communicate and attract families who are more in tune with this type of social interaction. We use this way of communication and advertising to bring more awareness to the monthly President's letter, special sales events and future open house activities.

The Environment Committee continues to follow through with their “Green Plan” and has been active promoting healthy food choices and supporting the “buy local” program.

The Member Relations Committee continues to work on behalf of the Membership. This Committee participates in organizing our involvement in the Fredkid Fair, has promoted the concept of a delivery service as well as implemented the weekly 50/50 draw at the store in support of community non-profit organizations.

The Property Development Committee has been gathering information for on-site business opportunities in regards to our unused land, and continues to work with Sr. Management and our partners in the Medicine Shoppe in an attempt to bring the walk-in-clinic concept to reality. This committee has led the effort in securing our new daycare opportunity and will continue to take an active role as general contractor for the construction of our new facility.

For many years now, we have had a committee of Board and Staff in place at Fredericton Co-op to develop strategies and action plans to ensure the continued success of your co-op.

Board Goals for this year include:

- Communication, engagement and education of members
- Promote Environmental Practices
- Investigate existing property development
- Promote and enhance communication between board & staff

- Marketing within the Community

In Closing

We strongly believe that one of the benefits of being independently owned (by the members) is that Fredericton Co-op's member-elected Board of Directors and our management team are able to respond quickly to make changes that will improve our store in the best interest of our member/owners. The members' pride and loyalty to their store is a result of the fact that they have a say in how it is operated. Our member/owners are the heart of the Co-op in this community and we are appreciative of your loyalty, support and commitment to ensuring Fredericton Direct Charge remains strong.

The Board would like to thank and acknowledge our General Manager, Murray Hatchard, our Management and staff for their commitment to the Board and the membership. Our positive results this year could not have been achieved without their persistence, ability to react to the challenges of the marketplace and their commitment in serving each and every one of us. They are to be congratulated for their efforts and results.

I would also like to acknowledge the directors who have been so supportive over the past year and who have volunteered their time to ensure your co-op remains strong. They have spent many hours on your behalf to ensure our Co-op is successful while working closely with Management and staff in support of this organization.

On behalf of the Board of Directors, I want to sincerely thank you, our loyal membership...the families who own Fredericton Co-op. We recognize that without you we would not be entering our 40th successful year of operation. Our commitment to you, as member/owners, is that we have many more successful years ahead serving you. Fredericton Co-op remains a vital part of our community because of your continued support.

Motion

I MOVE THAT THE REPORT FROM THE BOARD OF DIRECTORS FOR THE FISCAL YEAR 2012-2013 BE ADOPTED AS PRESENTED