

RED RIVER COOPERATIVE LTD.
MINUTES OF THE 81st ANNUAL MEETING
APRIL 11TH, 2019

1. REGISTRATION

All members in attendance registered in advance of the Annual Meeting.

2. CALL TO ORDER

The 81st Annual Meeting of Red River Cooperative Ltd. was held on April 11th, 2019 at the Canad Inns Polo Park, in Winnipeg, Manitoba. President Ward Weisensel called the meeting to order at 7:00 pm.

3. NATIONAL ANTHEM

4. WELCOME AND INTRODUCTIONS

W. Weisensel, on behalf of the Board of Directors and Management, welcomed the 298 registered members and their guests to the Annual General Meeting and confirmed that quorum was achieved. He thanked the members for their attendance, participation and their support of their Red River Co-op gas bars, food stores and pharmacies. He reviewed the contents of the 2018 Annual Report booklet. W. Weisensel welcomed and thanked other co-ops and credit unions members in attendance. He introduced fellow Directors, Marlene Boersch Vice-President; Anna Maria Magnifico Secretary, absent due to a family matter, Jim Huggard, Glenn Williams Acting-Secretary, Kristen Wittman, and Donna Zwarich, as well as Chief Executive Officer Doug Wiebe, and Executive Assistant René Baker recording secretary for the meeting.

5. ADOPTION OF AGENDA

W. Weisensel stated the meeting should conclude close to 9:00 pm and encouraged members to approach Directors or Management after the meeting if time did not allow for further questions or comments.

Motion that the agenda for the 81st Annual Meeting of Red River Cooperative Ltd. be adopted as presented.

Moved:	Sheila Snider	#197550
Seconded:	Louis Ricciuto	#421205

Carried

6. RULES OF ORDER

W. Weisensel reviewed the Rules of Order with the members and informed members that any resolutions need to be submitted in writing by 8:00 pm to the Resolution Committee, M. Boersch and D. Zwarich. If any procedural matters arise requiring ruling Kristen Wittman would act as parliamentarian.

Motion that the rules and regulations governing the annual meeting be accepted as presented.

Moved:	Gladys Wirth	#391852
Seconded:	Eva Bell	#323895

Carried

7. MOMENT OF SILENCE

A moment of silence was observed in memory of those members who passed this past year.

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8. ADOPTION OF MINUTES OF THE 80th ANNUAL MEETING

Director Marlene Boersch referred the members to the 80th Annual General Meeting draft minutes included in the 2018 Annual Report booklet provided to members at registration.

Motion that the minutes of the 80th Annual Meeting of Red River Cooperative Ltd. be adopted as received.

Moved:	William (Bill) Carlson	#60259	
Seconded:	Marvin Silver	#405020	Carried

9. BUSINESS ARISING FROM THE MINUTES

There were no matters arising from the 80th AGM minutes minutes.

10. BOARD OF DIRECTORS' REPORT

W. Weisensel referred the members to the detailed reports included in the 2018 Annual Report booklet.

- W. Weisensel highlighted points within the reports:
 - Red River Co-op paid \$35.7 million in cash to the membership in February 2019.
 - Unlike other retailers, Red River Co-op's profits remain with our members as reflected in the \$162 million of patronage paid out to members over the last 5 years.
 - Three additional food stores were acquired in 2018; Stonewall, Selkirk, and Lorette.
 - Red River continues modernization of their facilities. Grant Park food store is expected to be complete in May with many similar upgrades seen at the Southdale food store.
 - Red River Co-op is focused on local issues and concerns unlike national and trans-national competitors. Red River supports many local suppliers.
 - The Board approved donations of over \$115,000 to community organizations. A full listing of the organizations can be found (in the annual report booklet and) on the website. The last 5 years, the membership has collectively donated over \$800,000 to the communities we serve.

W. Weisensel concluded by thanking the membership for their continued support of their Red River Co-op.

11. RETAIL REPORT

Doug Wiebe, Chief Executive Officer introduced the Executive Leadership Team and presented the Retail Report.

- D. Wiebe shared Red River Co-op's 2018 accomplishments, focus, goals and continued areas of commitment;
 - Guiding statements were updated to better align and engage our staff with the future direction of Red River Co-op.
 - Upgrading of all petroleum assets scheduled for completion by the end of 2020.

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- Shared that Co-ops are governed by the seven international principles, by these principles Red River has and continues to strongly invest and support local through employment, local entrepreneurs as well as its continued support towards community donations and sponsorships while focusing on returning profits to the members.
- D. Wiebe advised the membership on FCLs contribution to Red River's annual bottom-line which contributed to the \$41 million returned to the members.

12. PRESENTATION OF AUDITED FINANCIAL STATEMENTS

Judy Yeo, Chief Financial Officer, presented the Financial Statements for the year ending October 2018. Throughout the report Members were asked to refer to the financial statements provided in the Annual Report booklet they received at registration.

- J. Yeo highlighted points of the financial statements; Management's responsibility, sales, margins, expenses, savings from operations, the balance sheet, and the cash flow statement.

13. AUDIT REPORT

Jeff Eckstein, CPA, CA and Partner with Myers Norris Penny, and Lead Engagement Partner of the Red River Co-op audit, with the assistance of the FCL internal audit team, reported that the audit was completed in an effective and efficient manner. J. Eckstein confirmed MNP received the full cooperation and support from Management, the Audit Committee and the Board of Directors throughout the process. The Independent Auditors Report is included on page 23 of the Annual Report booklet. He pointed out the note on each financial incorrectly stated that the statements are in millions of dollars. J Eckstein stated the audit report is an unqualified, or clean audit opinion dated January 7, 2019.

14. ENERGY DIVISION REPORT

Gordon Grainger, Vice-President Energy Operations reported on the highlights of the Energy Division in 2018.

- Many gas bar locations received interior and exterior upgrades as well the new Co-operative Coffee Program.
- The availability of purchasing carwash codes at non carwash sites has been expanded to all Winnipeg locations.
- The future expansion of the bulk delivery service will improve service in our trading area. Work Alone Pendants were implemented for the safety of our bulk delivery drivers.
- Red River continues to provide full service to members and non-members as well as healthy, fresh and local items within the convenience stores.
- Red River continues to monitor the energy market and the trends to better serve its members.

15. FOOD DIVISION REPORT

Paul Bustard, Vice-President Food Operations, reported on the growth, upgrades and offerings at Red River Co-op locations.

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- Red River Co-op had sales increases in the 3 urban food stores and Main Street pharmacy locations.
- The food store locations expanded to include a food store in Selkirk, Stonewall and Lorette.
- New Health and Wellness department was opened at the Southdale food store with a designated Health and Wellness advisor. A second Health and Wellness department advisor will be available at the newly renovated Grant Park food store location in May.
- Red River Co-op supports local; carries over 600 items grown, raised or produced in Manitoba.
- Red River Co-op Food Stores supported community initiatives such as Socks for Siloam, with member support, donated 27,744 pairs of socks in the winter.
- Food Operations partnered with Green Action Centre donating the profits from single-use plastic shopping bags to this organization to assist with their waste reduction efforts.

16. HUMAN RESOURCES REPORT

Murray Dehn, Vice-President Human Resources shared the needs and goals to support and engage the 614 employees at Red River Co-op.

- Red River is committed to creating goals and action plans for the employees.
- With proper identification, training and succession planning Red River's goal is to hire future managers from within our employee base.
- Throughout 2018 staff were involved in various training events as well as volunteer initiatives,
- Red River monitors workload to ensure fair compensation as well as a healthy Work-Life Balance.

M. Dehn presented this years Red River Co-op's Brand Ambassador award, who had been chosen by our employees to Leona Makowsky.

17. APPROVAL OF THE MANAGERMENTS REPORT

Motion that the 2018 Board of Directors' Report, Retail, Audit, Energy Division, Food Division and Human Resources Division Reports be approved as presented.

Moved:	Murray Dehn	#139604	
Seconded:	Denis Bourrier	#407767	Carried

DISCUSSION

Board and Management responded to questions from the floor.

- **#165945 Evan Chrisp**
Mr. Chrisp referred to page 18 in the annual report and questioned the increase of the Director remuneration.
 - W. Weisensel requested his question be deferred as it relates to the Director Compensation agenda later in the meeting.
- **#32238 Ron Kehler**

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Why is Red River utilizing a bank in Calgary to send out cheques, and not a credit union?

- J. Yeo responded: The equity cheques are written on a HSBC due to the large volume of 300,000+ cheques. FCL negotiates for the service on behalf of the retail members. Red River utilizes the services of FCL to process and clear the cheques for us.

Page 32 of report - How are customer lists an intangible asset?

- J. Yeo responded: These customer lists are the pharmacy patient lists from the purchase of the Safeway stores. Those patient lists were recorded with a value, they are not being sold or shared.

Did Co-op take advantage of the federal funds under the environmental program?

- D. Wiebe responded: Clarified Loblaws received \$12m in subsidy which has received some public controversy. Red River did not participate in the federal application however we are part of the EV charging stations across western Canada, and there is federal funding involved to subsidize that portion of the business. Red River did receive funding through Manitoba Hydro on energy efficiencies for Southdale and the Grant Park food stores.

- **#197550 Sheila Snider**

Are you still looking for a location for a store in the North End to replace the one on Main Street that was closed?

- D. Wiebe responded: Red River Co-op continues to search the city and surrounding area for opportunities for food stores with pharmacy or stand-alone pharmacy. Feasibility studies are completed and presented to the Board of Directors for any new development.

Why is there not an easier way to correct membership number error?

- D. Wiebe – Red River's intention with the current process is designed to make it easier for the member to correct the error right at the location as opposed to coming down to the head office.

- **#011523 Pat Carroll**

What is the policy on rotating the external audit firm?

- W. Weisensel responded: The current practice has been to test the market approximately every 3 years. At present MNP has completed the audit the past 2 years. PwC the 2 years prior, and FCL retail audit before that. Presently, the Board and Management are satisfied with the auditor and the work is going well.

Does Human Resources do exit interviews with employees that move on from the company?

- M. Dehn responded: There is an exit interview questionnaire and process with all staff that end their employment with Red River.

Mr. Carroll commented: He encouraged the Co-op to investigate and pursue possible amalgamation opportunities; applauded the Board for the work they do for the small remuneration they receive; and suggested to eliminate plastic bags and use paper bags.

- **#206370 Randy Znamirowski**

Commented on the small compensation the Board receives for their work; and applauded the significant improvement of the net savings.

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- Asked for an explanation of the negative working capital.
- J. Yeo responded; Referred the membership to the financial statements on page 33 note 10, and explained throughout the year Red River has access to funds from FCL, which we use like a line of credit to minimize our interest expense while covering off risks.
- How is FCL doing?
- D. Wiebe responded: FCL had a record year in 2018, the refining operations were extremely strong. Red River received a portion of earnings from the refinery complex. A large portion of our earnings come from the energy side of the business. Red River is the largest retailer of petroleum in Western Canada for the co-operative retailing system. Red River received the largest patronage refund of any retail co-op in the system. FCL had a very strong year due to some anomalies in the energy sector that have since leveled off, however we still anticipate a strong year in 2019.
- **#101593 Diane Frolick**
Asked Management to comment on the stand-alone pharmacies and the possibility of stand-alone bakeries.
 - D. Wiebe responded: Red River continues to investigate the opportunities for stand-alone pharmacies. Red River will only pursue opportunities viable to the co-op. Bakery stand-alone has not been identified as a market opportunity as it is a challenge to make money in bakery in our stores today. Red River's focus is to improve our operations before expanding outside of our stores.
 - **#60259 Bill Carlson**
Is the market share still growing?
 - G. Grainger responded: The Winnipeg market share has flattened out, at over 42% market share. Rural markets are very strong at 40-60%. The bulk division is not included in the market share reports but has strong growth.
 - **#274079 Tina Neudorf**
Why is the Red River Co-op membership not valued in other towns and cities?
 - D. Wiebe responded: There are 170 independent retails across western Canada and each one has its own membership base. Red River Co-op memberships are valid at any of the rural or city Red River gas bars, food stores and pharmacy locations.
 - D. Wiebe commented that patronage and cashback is viewed as an ownership program. The Co-operative Retailing System is pursuing a path to provide a loyalty/rewards program to entice members to support other retail co-ops outside of their trading areas.
 - **#105924 Mickey Hersak**
Commented that the greeting at the gas bars needs to be improved to include "hello". Questioned the marketing strategy of stocking the gas bar locations with toys from questionable sources.

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- G. Grainger responder: This is a decision of the owner operator as most gas bar locations are run with agency agreements. The toys in question are obtained from a reputable Canadian supplier and do sell very well.
- **#53283 Wayne Bell**
Concern that the fuel trucks block off some of the pumps during business hours; is there any possible way to change this process?
 - G. Grainger responded: Red River works with the fuel provider to ensure the least disruption of service for our members. Due to the sales volume it may be required to have the fuel delivered during the day.
- **#84141 Henry Peters**
Asked for clarification with the price spread between regular and premium wholesale per litre?
 - G. Grainger responded: We price our sites competitively in the markets where we do business. The cost differential and the volumes that we move effects the spread. The Energy division reviews the spread constantly.
- **#106193 Gordon Machej**
What are the plans for the St. Norbert Marketplace?
 - D. Wiebe responded: FCL will be rebuilding the St. Norbert location. Red River is currently negotiating with Federated. Management plans to bring a feasibility to the Board to discuss and review this opportunity. Red River's intent is to run the facility with possible options of lease and/or ownership.

W. Weisensel thanked the membership for their questions and viewpoints both oral and written and encouraged members to approach the Board and/or Management for further discussion and dialogue at the end of the meeting.

18. MOTION TO CLOSE RESOLUTIONS

There were no resolutions submitted by 8:00pm so the following motion was considered.

Motion that resolutions be closed.

Moved:	Bruce Froebe	#185476	
Seconded	Sheila Snider	#194550	Carried

19. BY-LAW CHANGES

K. Wittman reviewed the highlights which were available on the website the week of March 4, 2019 and provided in the annual report. The main change is to allow members to vote by electronic ballot; if the amendments are approved members will be able to vote by mail or email. The existing by-laws were streamlined and prepared for the membership to approve by ordinary resolution at the AGM.

Motion to approve the by-laws be accepted as presented.

Moved:	Kristen Wittman	#106089	
Seconded	Rene Zegalski	#147113	Carried

DISCUSSION

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- **#206370 Randy Znamirovski**

What process will be in place to ensure security of ballot?

- K. Wittman responded: With the work of the scrutineers, who supervise and govern the voting process, there will be security measures in place. Members would receive a unique identifier to their membership number allowing the process to remain anonymous. Credit unions have had electronic voting for several years; which gives us a secure model to follow.

- **#32238 Ron Kehler**

Does the Board have authority to determine the number of directors? Is this not indicated in the articles as to how many directors are to be in our co-op?

- K. Wittman clarified the articles for RRC define a range of the number of directors, between 3 and 11. Currently Red River has a board of 7. As the business grows and expands, the board will need to be responsive to Management's needs. This may require the need to increase the size of the board to be better able to be responsive to management and members in order to address the more significant responsibilities.

Why is the age being lowered from 18 to 16?

- K. Wittman clarified in the proposed by-laws the age for membership is 16, the same as before: the age did not change. The age is 16 as pursuant to the Co-op Act.

Why must a Member vote for the number of directors that is equivalent to the open positions on the Board?

- K Wittman explained the hope was not to draft the bylaws during the evening. She proposed to have a vote on the streamlined bylaws. Any amendments to the bylaws may be brought forward to the Governance and Compensation Committee for future consideration.
- W. Weisensel clarified the requirements of the voting for the number of directors is to avoid the possibility of any special interest group being able to dominate the election process.

- **#257894 Ken Lamoureux**

Comments: It is common practice, good governance, to have the board select the number of members with in a range of the bylaws. Online voting at the credit union has doubled the number of votes over the past 3 years.

20. DIRECTOR COMPENSATION

W. Weisensel shared the background that led to the recommendations to increase Director compensation. The membership approved the recommendation to increase director per diems from \$250 to \$350 per meeting 4 years ago. The Board has recognized many significant changes of the business over the past several years; the addition of the food stores/pharmacy; increased time spent in representation and preparation for meetings and responsibilities as a member of the Board; the length and level of intensity of the Committee and Board meetings; as well as the increased potential liability of being a director, such as additional health & safety and environmental legislated requirements. As per the 2017 Koenig and Associates Director compensation review, Red River's current level of director compensation is significantly below what is available in other organizations of similar size and complexity. From the perspective of gross revenues, Red River would be among the

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largest of co-operative sector businesses examined in the Koenig and Associates study. The average retainer of the organizations studied was \$25,000 per year and the average meeting per diem was \$500.

Motion to approve that Director compensation be changed to a monthly retainer of \$500; and a meeting per diem of \$550, providing the meeting is less than six working hours. If the meeting is greater than six working hours Directors would receive \$195 per hour or part thereof for every hour over 6 working hours.

Moved:	Ward Weisensel	#198348	
Seconded:	Bruce Froebe	#185476	Carried

- **#292902 John McLeod**

How many hours of preparations is there between meetings?

- W. Weisensel responded: Preparation for meetings varies however approximately 3-4 hours. There is additional preparation for external meetings as well.

Does the Board of Directors have liability insurance?

- W. Weisensel confirmed that Red River Co-op carries Director Indemnification Insurance.

21. MOTION TO APPOINTMENT EXTERNAL AUDITORS FOR 2019 FISCAL YEAR

Donna Zwarich, Chair of the Audit Committee, thanked the Red River finance team, the FCL internal audit team, and MNP external audit team. D. Zwarich advised that Management and the Board of Directors were pleased with the level of service provided by MNP and the ease of communication with all teams involved.

Motion to approve Meyers Norris Penny (MNP) be appointed as external auditors for 2018-2019 fiscal year.

Moved:	Donna Zwarich	#33023	
Seconded:	Ron Keller	#32238	Carried

22. DIRECTOR ELECTION RESULTS

Chair was turned over to M. Boersch, who introduced the 3 independent scrutineers, Dale Ward, Wayne Hacking and Bert Weber.

D. Ward, Chair of Independent Scrutineers reported on the election activities and results.

D. Ward explained the primary role of the scrutineers was to oversee the voting process, and ensure its accuracy and integrity. D. Ward outlined the process of the election and timelines that were adhered to and discussed the verification, safety, and security process of the ballots. He ensured that member confidentiality was protected throughout the process, and certified that the 2019 Board of Directors Election process was properly conducted in all aspects.

D. Ward introduced the 6 candidates that stood for the 2019 Director's election.

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The results were as follows:

Total eligible voters	291,055
Total ballots returned	6,618
Spoiled ballots	209
Valid ballots	6,409

Candidates	Votes Received
(Alphabetical Order)	
Magnifico, Anna Maria*	3,669
Weisensel, Ward*	4,434
Zwarich, Donna*	4,920

Anna Maria Magnifico*, Ward Weisensel*, and Donna Zwarich* were declared elected.

D. Ward invited any questions or concerns from members in regards to the 2019 Director Election results.

- **#165945 Evan Chrisp**
Concerned the numbers of votes of those elected did not add up to the total votes.
 - D. Ward explained only the elected candidate votes were shared.
- **#35891 George Aradi**
Commented his disappointment on the low voting numbers.
- **#101593 Diane Frolick**
What percentage of spoiled ballots was due to the number of candidates to be voted for? Further to the number of votes required on the ballot feels it was unfair not to be allowed to be amend by-law tonight.
 - Dale Ward did not have the exact number but shared it would have been the majority. The instructions were very clear on the ballot, there may have been instances where some ballots were purposely spoiled.
 - K Wittman responded that the Governance Committee will accept proposals for amendments to the bylaws through the course of this year and will bring forward those amendments at next year's AGM. The written proposals may be submitted to Red River Co-op head office attention René Baker.
- **#101593 Diane Frolick**
What were the results of the other 3 candidates?
- **#115233 Patrick Carroll**
Requested the results of the 6 candidates that ran for the 2019 Election results.
 - The results of the other 3 candidates:
Ken Lamouroux 2,607
Ivan Horvey 2,667
Umar Huyat 930

The total votes of the 6 candidates equaled 19,227.
(19,227/3votes per ballot = 6,409 valid ballots)

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23. MOTION TO DESTROY THE BALLOTS

Motion that the ballots of the 2019 election be destroyed.

Moved:	Dale Ward	#89165	
Seconded	John McLeod	#292902	Carried

W. Weisensel resumed the chair.

- Donna Zwarich thanked the membership for their support on being re-elected to the Board of Directors.
- Ward Weisensel thanked the membership for their support and will continue to work hard to grow our co-op for our members.

24. NEW BUSINESS

W. Weisensel asked if there was any new business to discuss. No new business was presented.

24. ADJOURNMENT

W. Weisensel thanked the membership for their attendance, participation and supporting their co-op. He thanked Management and staff for all their efforts for the past year, as well as for their preparations for the AGM. W. Weisensel thanked his fellow Directors. He requested the membership to complete and leave the member evaluation on their table. He reminded the membership to approach any of the Board members or Management if they have further questions or comments.

Motion that the meeting be adjourned at 9:09 p.m.

Moved:	[Man]	[inaudible][02:09:06]	
Second	Louis Ricciuto	#421205	Carried

25. DOOR PRIZES

Door prizes were drawn for and distributed to members present.