

## FROM THE PRESIDENT AND CEO



**Roy W. Olivier**  
*President and CEO*

### To Our Shareholders

I enthusiastically greet you as the new president and CEO of your Company. Fiscal year 2008 proved to be a winning year, as we reported record revenues of \$16.9 million, up about 9.6% from one year ago, and significantly increased operating profitability. Net income totaled \$1.4 million, up from \$101,000 one year ago. On a per-share basis, net income was \$0.21, up 950% from \$0.02 one year ago. Based on these financial results, we launch into fiscal year 2009 with renewed energy, and ready to build on our success.

Joining me on our march forward is a seasoned executive management team. In 2008, ARI strengthened its executive team with the appointments of Kenneth S. Folberg, as CFO and Vice President of Finance; Robert J. Hipp, as Chief Technology Officer; and Michael T. Tenpas, as Vice President of Global Sales and Marketing. Our executive team brings top-level experience and a strong sense of urgency to ARI, and will be instrumental in driving organic growth and managing operations across the markets we serve. At the same time, ARI continues to benefit from Brian E. Dearing's contributions as he serves as the Chief Corporate Development and Strategy Officer and as Chairman of the Board.

### Fiscal 2008: A Year of Change

Through the course of 2008, we continued to meet our vision of providing a portfolio of products and services to help connect the channel, from manufacturers to distributors to dealers. The fiscal year brought significant milestones in overall sales achievement. The core electronic parts catalog offerings demonstrated stability in performance and sales during the year, despite economic difficulties in the overall Power Sports Industry. During 2008, we also fully integrated the product and service offerings of our January 2007 acquisition of OC-Net. This acquisition brought ARI substantial Internet technology development expertise and enabled us to launch WebsiteSmart



Meet  
**KENNETH S. FOLBERG**  
Vice President of Finance and  
Chief Financial Officer

Ken brings over 16 years of executive experience in financial and operations management to ARI. Most recently, he served as Global Finance Program Director for Manpower, Inc. (NYSE: MAN), a world leader in the employment services industry. Prior to joining Manpower, he was a contract finance executive with Resources Global, where he served as interim CFO or in other executive finance positions for several large and mid-sized clients. He also served as Controller and Vice President of Logistics and Labor Relations with Fresh Brands, Inc., a mid-sized public supermarket distributor, from 1990 to 1999. Prior to joining Fresh Brands, Folberg was a senior auditor and consultant with Deloitte & Touche at its Los Angeles and Milwaukee offices and served in the U. S. Air Force. Folberg earned a Bachelor of Science degree in Accounting from the University of Southern California.

"ARI is an accelerating, international growth company with an outstanding suite of products and services that are well-respected in the industries they serve and a dynamic management team," said Folberg. "I am excited about working with my new colleagues in the U.S. and other parts of the world. I look forward to helping ARI streamline operations and developing a long-term strategic plan that will support ARI's fast-growing U.S. and international businesses and growth plans."

Pro™. With WebsiteSmart Pro, we enable our dealers to market to their customers with branded websites and online storefronts. This product is a market success, and earned the *Power Equipment Trade Magazine* Dealers Choice Award in October 2007. With these new offerings, in fiscal 2008, we were able to dramatically grow our marketing services revenue by over 79% compared to fiscal 2007.

Another result of our business development activity was the July 1, 2008 acquisition of key assets of Info Access, a division of Eye Communications, Inc. which saw us move into the appliance vertical. This acquisition focused on leveraging synergies in the area of eCommerce and parts catalog technology. Customers in the appliance market will now benefit from ARI's expertise in delivering technology and services to help manufacturers, dealers and distributors market, sell and service online.

Also key to performance in fiscal 2009 and beyond was the consolidation of our Colorado and Virginia offices into the California and Wisconsin locations, significantly streamlining our operations. This resulted in a one-time restructuring charge of \$529,000 in the fourth quarter of 2008. This change will foster enhanced communication, decision making and internal processes, enabling us to more effectively respond to customer needs for new product features and catalog content. Along with a modest decrease in operating costs, we expect to see an increase in efficiency and productivity.

## Fiscal 2009: Primed for Growth

Now, let's look forward to fiscal 2009. As I write this letter, the country, and the global economy are facing great uncertainty and unprecedented economic turmoil. This downturn is having a negative effect on the sales of most of the equipment manufacturers, distributors and dealers we serve. With this reality, it is hard to know what the economic impact will have on customer demand for technology. However, I can honestly write that I am excited about the prospects for ARI.

First and foremost, my excitement about the future is driven by our customers themselves. Our customers are loyal. Our core customer base rewards us with subscription renewal rates that continue to reach nearly 90%. ARI pledges to continue offering exceptional value and innovation to enable our more than 24,000 customers to succeed. Secondly, I am excited about our team, and our potential to grow revenue and increase profitability – our top priorities for fiscal year 2009. To meet this goal, we will focus on four key areas.

First, we will focus on identifying products and services to drive long-term revenue growth, with a continued focus on products that have a recurring customer value model. In conjunction with this, we will work to identify those vertical markets that present significant growth opportunities.

Second, we will continue to simplify and streamline operations. Increasing productivity and operating efficiencies is central to our strategy.

## Meet MICHAEL T. TENPAS Vice President of Global Sales and Marketing



"I am confident that Mike's track record of increasing sales and customer satisfaction as well as managing successful marketing efforts will help us develop and implement our sales and marketing initiatives and meet our aggressive, long-term strategic growth goals," said Roy W. Olivier, ARI president and CEO.

For the last 12 years, Tenpas worked for Norlight Telecommunications, Inc., Brookfield, WI, starting as a senior account executive in 1996, then serving in a number of other sales roles, culminating in his promotion to Executive Vice President and General Manager of Norlight Data Centers, Inc.

"Mike's experience working in dealerships gives him a real world perspective and understanding of the special needs of our customers that will prove invaluable as we continue to market our products and services in these industries and expand our reach into other markets," said Olivier.

"I've seen first-hand the challenges that outdoor power and power sports dealerships face," said Tenpas. "That experience has given me a deep appreciation for ARI's customers and the important role that ARI's products and services play in helping dealers increase efficiencies and sales in today's economic climate," added Tenpas. "I am very excited about working with the sales and marketing team and look forward to helping ARI reach its full potential in the markets we serve today as well as new markets."



Meet  
**ROBERT J. HIPPI**  
Chief Technology Officer

"We have an ambitious financial goal for Fiscal Year 2009. To help us meet those goals, the position of Chief Technology Officer was created. This position will be responsible for the development and implementation of our long-range strategic objectives," said Roy W. Olivier, president and chief executive officer of ARI. "We are very fortunate to have a person of Robert's ability and experience as a new member of the Company's executive leadership team. I am confident that Robert's experience, vision and understanding of the markets we serve will help us reach our goals," added Olivier.

According to Olivier, in his role as Director of Product Strategy, Hipp was responsible for the ongoing product development and maintenance of ARI's flagship product WebsiteSmart Pro™. "In addition, under his strong leadership, the software development and professional services teams in our Cypress, CA office have helped ARI expand our market share in the outdoor power and power sports industries as well as into new markets," concluded Olivier.

"ARI's products and services have a solid, proven track record in the markets we serve today. I'm excited about the opportunity and the challenge to help ARI develop and deploy a technology strategy that can build on our current products as well as provide expanded products and services both in the markets we serve today and in those we enter in the future," said Robert Hipp. "I look forward to contributing to ARI's successful future."

Third, we will focus on identifying and completing strategic acquisitions that help achieve our vision of connecting the channel.

And fourth, we will focus on enhancing our strongest asset, our people. We will achieve this through strategic hires and talent development programs designed to improve the capabilities of our current employees.

In closing, our greatest asset is, and will continue to be, the strength of our management and employee team. This, coupled with our company's more than 25 years experience serving the equipment industry, sets us on a path of continuing success.

I would like to take the opportunity to thank our shareholders, customers and committed employees for your continued support and trust. I look forward to working with you all this coming year.

Regards,  
Roy W. Olivier  
President & CEO

## FROM THE CHAIRMAN OF THE BOARD



**Brian E. Dearing**  
*Chairman of the Board*

### To Our Shareholders

It is with a combination of reflection and eager anticipation that I write to you this year.

As I reflect on my tenure as your CEO from 1995 to 2008, and contemplate our future in my continued role as Chairman and Chief Corporate Development and Strategy Officer, I am struck both by how far we've come and by the magnitude of the opportunity before us.

#### Looking Back: An Impressive Turnaround

I arrived at ARI at the beginning of the second quarter of fiscal year 1996, when the largest part of ARI's business was supplying electronic data interchange services to the agricultural chemicals industry. Revenues in fiscal year 1995 were \$5.3 million, and our net loss was \$4.3 million. We had never made an annual profit, having accumulated losses of more than \$66 million.

Today, we are primarily in the business of providing electronic parts catalogs and marketing services to the equipment industry – a very different business – with fiscal 2008 revenues of \$16.9 million and net income of \$1.4 million. That's an average compound annual revenue growth rate of 9.3% over that 13-year period. Additionally, we've been

profitable for 6 of the last 7 years – a complete turnaround in the profit picture.

We have successfully completed 7 business acquisitions and 1 product acquisition since 1995. In each case, we not only successfully integrated, but grew the acquired business significantly. For any company, that's a pretty good track record; when you consider how limited our capital and human resources were, it's downright amazing.

Today we are the market share leader in electronic parts catalogs outside the auto industry, and one of the top three providers of website solutions for equipment dealers. We have a solid balance sheet, good cash flow, and a track record of continually improving financial performance.

Those of you who have read my letters to you over the years know that I say these things not because I think that I accomplished them – far from it. Rather, I was privileged to have served as CEO while *your Company's employees* accomplished them. Whether long-service or recently hired, my personal, heartfelt and deep gratitude goes out to each and every one of our employees whose hard work, talent,

and dedication have gotten your Company to this point.

I would be remiss if I did not also acknowledge the absolutely vital contributions of your Board of Directors, who have individually and collectively worked so hard on your behalf. I am extremely grateful to each of them – both current Directors and Directors Emeritus – for their guidance, support, and tireless commitment to the

Company. They never let me do anything really foolish as your CEO, and they prodded me to do most of the good things that ultimately created the Company you own today.

Deserving of particular mention is our founder, Richard W. Weening, who retired from the Board this fall after 28 years of dedicated and visionary leadership. It was Richard's ability to envision the future – long before the general public "caught the Internet wave" – that set us on the path to using information technology to streamline distribution and service channels. Although the specific markets and products have changed, that basic notion has not. It was right in 1981 when the Company was founded, and it's right today as we look toward the future.

I know the shareholders and employees of your Company – most especially me – are grateful to Richard for his many, many contributions to our success in his several roles as Founder, CEO, Chairman, and Director. I would add that I have personally learned much about business and about life from him as well. We thank you for all you've done, Richard, and we wish you every continued success.

## **Today: A Critical Transition Period**

Now to the present.

I am delighted to have an individual of Roy Olivier's caliber taking over the day-to-day reins of the Company. I have known Roy for many years, dating back to 2000 when we were discussing the possibility of acquiring his firm, Media Solutions. For a variety of reasons, he elected to sell to a rival, and when his non-compete agreement expired, we re-connected. After completing a 60-day consulting assignment to evaluate our sales and marketing operations, he joined us in 2006 as Vice President of Global Sales and Marketing, and since May 2008 has been your CEO.

The decision to change your Company's executive leadership structure was driven by two important considerations. First, by splitting the corporate development responsibilities from the day-to-day running of the business, we are confident that we will get greater and more intensive focus on each arm of our overall growth strategy. Roy and I continue to work very closely on strategy issues, and there is obviously some overlap, but we take as our primary focus the operational and corporate development aspects of the business, respectively. I am confident that we will look back on this time as an upward inflection point for both your Company's internal operations and its corporate development program.

The second reason for the change was to accelerate the pace of improvement within the Company's operations. Candidly, I can tell you that it is extraordinarily difficult to remain fresh in one's approach to the business and to avoid falling into comfortable, "tried-and-true" patterns as CEO. There are certainly examples of CEO's who have done it, such as Steve Jobs at Apple or Walt Disney. I am not in their league, however. A far better thing for the Company – and I am a significant shareholder of the

Company – is to recognize that it is time for a change and to actively participate in making it happen.

We can count on Roy to accelerate the pace of improvement and to take our Company to the next level, and you can count on me to focus my energies on corporate development, while cooperating with Roy to develop and refine our strategy.

### **Looking Forward: A Platform for Accelerated Growth**

As I write this, the global economic slowdown and credit crunch are the top stories of the day. It seems that every day brings a new bit of bad news, and some of our markets – like RV, marine, and power sports – seem especially hard hit.

Yet in many ways, in the midst of the doom and gloom, there is the bright sparkle of opportunity. Our strong balance sheet puts us in a position to hang tough if we have to, slug it out with the competition, and make smart acquisitions. Our loyal customer base considers our products to be essential to their

businesses, which not only gives us staying power, but a source of new product ideas and a ready market for innovative new services as we expand our offerings. Our new management team brings fresh perspective and a strong sense of urgency to capitalize on the opportunities for growth.

I am more optimistic today about the future for your Company than I have ever been, and I look forward to continuing to contribute to our success.

As always, I thank you for your continued interest and support.



Brian E. Dearing  
Chairman of the Board of Directors and  
Chief Corporate Development and Strategy Officer  
October 29, 2008

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Statements in these letters include "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act. The forward-looking statements can generally be identified by words such as "believes," "anticipates," "expects" or words of similar meaning. Forward-looking statements also include statements relating to the Company's future performance, such as future prospects, revenues, profits and cash flows. The forward-looking statements are subject to risks and uncertainties, which may cause actual results to be materially different from any future performance suggested in the forward-looking statements. Such risks and uncertainties include those factors described under "Forward Looking Statements Disclosure" in Exhibit 99.1 of the Company's annual report on Form 10-K for fiscal year ended July 31, 2008 filed with the Securities and Exchange Commission. Readers are cautioned not to place undue reliance on these forward-looking statements. The forward-looking statements are made only as of the date hereof, and the Company undertakes no obligation to publicly release the result of any revisions to these forward-looking statements. For more information, please refer to the Company's filings with the Securities and Exchange Commission.



## FINANCIAL HIGHLIGHTS

(Dollars in thousands except per share items)

Fiscal year ended July 31,

Earning Information	2008	2007	2006	2005	2004
Revenues	\$ 16,917	\$ 15,435	\$ 14,002	\$ 13,661	\$ 13,439
Operating Income	\$ 821	\$ 165	\$ 2,069	\$ 2,146	\$ 1,286
Net income	\$ 1,383	\$ 101	\$ 3,210	\$ 2,815	\$ 1,055
Fully diluted net income per share	\$ 0.20	\$ 0.02	\$ 0.49	\$ 0.42	\$ 0.17

