



Roy W. Olivier
President and
Chief Executive Officer



Brian E. Dearing
Chairman of the Board
and Chief Corporate
Development and
Strategy Officer

TO OUR SHAREHOLDERS

FY 2009 was a year of successful transition.

We assumed our respective roles of Chief Executive Officer and Chief Corporate Development and Strategy Officer in May 2008, with two explicit objectives:

1. To dramatically improve our execution by overhauling the management team and the organization's operating culture; and
2. To increase the focus on our acquisition program – which, along with our recurring revenue business model and a relentless focus on innovation, efficiency, and execution – is one of the three pillars of our strategy.

We are very pleased to report that both of these objectives have been met.

Operational Excellence: Taking ARI to New Heights

Under Roy's aggressive, focused, and process-oriented leadership style, ARI has forged a new, more decentralized and responsive culture:

- With new leadership in the sales area, including Vice President Mike Tenpas, a newly formed marketing and product management department, and new leadership for both the inside and the outside sales groups, the sales team achieved an 18% uptick in annualized new sales (excluding renewals) over last year.
- The promotion of Robert Hipp to Chief Technology Officer, along with office consolidations and new middle management, has led to big improvements in product innovation, as well as to more streamlined delivery. Collaborating with the new product management group, Robert and his team have created a technology vision and product architecture that will enable rapid deployment of new products and features, while leveraging our current products and reducing our cost of support. In fact, new products created during the year – notably PartStream™ – actually generated revenue for us during the year.
- Begun under former Chief Financial Officer Ken Folberg and continued by newly appointed Vice President of Finance Darin Janecek, the Finance team has led the transition to a decentralized budgeting, financial management and reporting process that pushes decision-making and accountability down through the organization as the Company breaks through the \$20 million revenue threshold.

These and other important changes derive from our new strategic theme – “Winning Through Innovation” and “P.R.I.D.E.” values, which we strive to live by in our day-to-day work, and which we reward internally on a regular basis at all employee meetings:

- **People Oriented** – We promote a fun, team-oriented environment where people are invested in and respected.
- **Rapid Innovation** – We expect to be known as the innovator in every market we serve.



- **Initiative** – We expect employees to make personal decisions to strive for something beyond the status quo.
- **Delivery and Execution** – We take pride in doing what we say we are going to do.
- **Embrace the Customer** – We exist to serve our customers. We expect all employees to keep the customers' interests central in every aspect of their work.

Three New Acquisitions: Two Market Leaders and Two New Product Categories

Late in fiscal 2008, we completed the acquisition of the Info Access division of Eye Communications, which brought us market leadership in electronic parts catalogs for the appliance industry. During fiscal 2009, we successfully integrated Info Access into our operations, and have not only maintained our leadership position, but enhanced it through the development of a new product for distributors. The Distributor Suite, which gives a distributor an e-commerce front end for its website, will be deployed in the appliance industry during fiscal 2010. We believe the product has wide applicability in our other markets as well.

During the third quarter, we made two bold acquisitions. First, Channel Blade gave us market leadership in websites for the marine industry as well as a new product: Footsteps™, a full-featured lead management system which we believe can be equally useful in our other markets. Channel Blade served over 400 dealerships, generating about \$4 million in annual revenue. Second, Powersports Outsourcing Group brought us a foothold in the potentially lucrative market for F&I services, which is a new product area for ARI. In the powersports market, over 50% of the approximately 2 million new units sold each year are financed, creating a very sizable opportunity for financing and insurance products. Although on their own, both of these businesses were operating at a loss, by bringing to bear our commanding market position and customer relationships along with our financial, management and operating discipline, we are convinced that inside of ARI they will become profitable and accretive to shareholder value within 2 years. We are very excited about the potential of these acquisitions to create a “breakout” year for ARI in fiscal 2010.

Fiscal 2010: A Continued Focus on Profitable Growth

Our focus for the coming year is to continue to drive profitable growth by:

- **Integrating Our Acquisitions** – we expect to continue to reduce our operating cost structure to support the Channel Blade business by streamlining the technology base. We also expect to realize synergistic revenue by selling Footsteps™ into our pre-acquisition customer base outside the marine industry, as well as by selling our ARI MailSmart™, PartSmart®, and SearchEngineSmart™ products into the marine industry.. In addition, it will be a transition and positioning year for our F&I subsidiary.
- **Investing in Product Development** – we expect to rationalize our product architecture around a set of core web-based “building blocks” that will enable us to rapidly deliver customizations and new applications in the future. We also expect to introduce the Distributor Suite, as well as a steady stream of enhanced functionality across the product line.
- **Increasing Operational Excellence** – we expect to continue to drive down our operating costs through internal process improvement across the organization. As part of this effort, we have instituted a formal program to create a culture of continuous cost reduction over the long term, setting a 5% annual cost reduction challenge for each line manager in perpetuity.
- **Retaining and Growing Our Customer Base** – we expect to continue to enjoy high renewal rates as our large base of satisfied customers rides out the trough in the economy with us. We also expect that the economic situation will present opportunities for growth through acquisition and improved competitive position.



Outlook: A Possible Recovery, But We Aren't Counting On It

As we write this, the fallout from the global economic recession and continuing credit crunch continues to affect our customers, who all manufacture, sell, or service capital goods or consumer durables. Like the early crocuses of our Milwaukee spring, there are some tentative early signs of improvement poking their heads through the frozen economy, and so we are cautiously optimistic. Your Company will certainly benefit from a return to the broad-based economic growth of the early part of this decade, but your Company's management is not depending on that to remain a vibrant, growing, and profitable enterprise.

This past year, we took advantage of our relative strength to make strategic acquisitions at very favorable prices and to press our advantage in our chosen markets with new product releases and even stronger customer retention programs. These moves position us well – regardless of whether Adam Smith's "invisible hand" steers us up or down.

We remain excited about the future for your Company, and we look forward to continuing to serve you, our customers, and our employees in making that future a reality.

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

A stylized, handwritten signature in black ink, appearing to read 'Roy W. Olivier'.

Roy W. Olivier
President
and Chief Executive Officer

A handwritten signature in black ink, appearing to read 'Brian E. Dearing'.

Brian E. Dearing
Chairman of the Board of Directors
Chief Corporate Development and Strategy Officer
and Interim Chief Financial Officer

October 29, 2009

Statements in this letter 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, 2009 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 | 2009 | 2008 | 2007 | 2006 | 2005 |
|------------------------------------|-----------|-----------|-----------|-----------|-----------|
| Revenues | \$ 17,637 | \$ 16,917 | \$ 15,435 | \$ 14,002 | \$ 13,661 |
| Operating Income | \$ 767 | \$ 821 | \$ 165 | \$ 2,069 | \$ 2,146 |
| Net income | \$ 424 | \$ 1,383 | \$ 101 | \$ 3,210 | \$ 2,815 |
| Fully diluted net income per share | \$ 0.06 | \$ 0.20 | \$ 0.02 | \$ 0.49 | \$ 0.42 |

