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UNIDENTIFIED FEMALE SPEAKER: Ladies and gentlemen, Chair of the board, Rob Dexter.

ROB DEXTER (Chair of the Board, Empire Company Ltd.): Good morning, ladies and gentlemen. Welcome to the 28th annual general meeting of Empire Company Ltd. My name is Rob Dexter and I'm Chair of the board, and I will be chair of the meeting.

I'd like to note that once again this year we have a number of Nova Scotia Community College business students in attendance, along with their instructor, Rosemary Davis. So we're pleased to have you with us.

In addition, we welcome a number of employees from the Sobeys Shared Services Department, who are working towards their certified general accounting or certified management accounting designation. They are accompanied by Lillie Cruikshank, Vice President of Shared Services for Sobeys. And again, thanks to each of you for attending.

Also with me to my right, first, Paul Sobey, President and Chief Executive Officer; Bill McEwan, President and Chief Executive Officer of Sobeys; Paul Beesley, Executive Vice President and Chief Financial Officer of Empire; and Karen McCaskill, Secretary of the company and Senior Vice President and General Counsel of Sobeys.

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Karen will act as secretary of the meeting. I have asked Ms. Ginette Eisner(ph) and Cindy Eric(ph) of CIBC Mellon Trust Company to act as scrutineers.

Our agenda today includes first, the formal part of the meeting, a few remarks of my own, a look at fiscal 2010 and the year ahead with Paul Sobey. And then we will be happy to answer any questions you may have.

I now call the meeting to order. Karen McCaskill, as secretary of the company, has advised me that we have 34,260,763 class B voting common shares represented at this meeting either in person or my proxy, which are 100 per cent of the total outstanding class B voting common shares.

In connection with the advisory resolution on executive compensation where we have solicited votes from the non-voting class A shareholders, as well I'm advised we have 21,239,085 class A shares represented at this meeting either in person or by proxy, representing 62 per cent of the total outstanding non-voting class A shares. I declare this annual general meeting to be duly constituted.

The minutes of the annual general meeting held September 11th, 2009 were distributed when you registered this morning, and additional

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copies are available. So unless there are any objections, I will dispense with the reading of the minutes. Are there any errors or omissions?

Hearing no objections, the minutes are approved as presented.

I would now like to introduce the nominees who, in addition to myself, are standing for election to the board of directors for the ensuing year. I'm going to ask each to stand as I call their names. Marcel Côté; Christine Cross; David Ferguson; Edward Harsant; David Leslie; Bill McEwan; Malen Ng; Mel Rhineland; Steve Savidant; David Sobey; Donald Sobey; Frank Sobey; Don Robert Sobey; Karl Sobey; Paul Sobey; Rob Sobey. And Sobey I've missed? I should not really ask that question.

I would also like to extend our sincerest thanks to John Bragg who will be retiring from Empire's board of directors today. We are deeply indebted to John for his wise counsel to the board of both Empire and Sobeyes over the past 16 years, as well as to management and the Sobey family. We had a wonderful dinner last night with John, and a great tribute. And I understand – I left around 9:30 or 10:00, but my good friend, Marcel Côté continued to entertain John Bragg, we really don't know how long. So anyway, a great dinner, John, and – bittersweet. It was wonderful to have you with us and sad to let you go. So thank you.

(APPLAUSE)

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Okay, turning to the formal motions, as noted in the notice of annual general meeting and management information circular, at this meeting we are approve the following items: the election of each of the directors I have just mentioned, and fix the maximum number of directors at 18. The directors remuneration is set out in the circular; the appointment of Grant Thornton LLP as auditors for the ensuing year, and authorization of the directors to fix the remuneration of Grant Thornton.

Are there any questions on any of these matters? As proxies for 100 per cent of the voting shares have been deposited in favour of these matters, we have enough votes already deposited for their approval.

For the record, is there any voting shareholder at the meeting who would like to register a vote contrary to any of these matters? Hearing none, I declare each of these items passed as outlined in the notice of meeting and management information circular.

I now turn to the advisory resolution on executive compensation in respect of which both class A and class B shareholders will vote.

In our information circular we have detailed Empire's executive compensation philosophy, policy and program. Our philosophy is based on the fundamental principle of pay-for-performance to align the interests of our executives with those of our shareholders.

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This compensation approach allows us to attract, motivate and retain highly qualified executives who are encouraged to make decisions and take actions that will create long-term sustainable growth and result in long-term shareholder value. I remind all shareholders that because your vote is advisory, it will not be binding upon the board of directors of Empire. However, the board and, in particular, the human resources committee is interested in the feedback from all shareholders with respect to executive compensation, and consequently the board decided to extend the advisory vote to class A shareholders.

The board and the human resource committee will take the results of the advisory vote into consideration when reviewing executive philosophy, policies and programs in the future.

Of the proxies received, 100 per cent of the class B shares and 98 per cent of the class A shares were in favour of the advisory resolution on executive compensation. So we have enough votes obviously already to pass this resolution.

For the record, is there any shareholder at the meeting who would like to register a vote contrary to this advisory resolution? Hearing none, I'll declare the resolution passed.

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The annual report and consolidated financial statements were mailed to each registered shareholders, and as well copies have been made available at this meeting. While there is no requirement that these documents be approved by the shareholders, at this stage we are open to any discussion or questions anyone may have. Are there any questions?

Hearing no questions, before turning it over to Paul Sobey, I'd like to say a few words of my own. The business environment over the past 12 months ending May 1st, 2010 was one of the most difficult in memory for many companies. Today we are still experiencing continuing volatility in the capital market.

Empire's success in the midst of such an environment is a validation of the decision we made several years ago to concentrate the company's resources on food retailing and related real estate. It is also a testament to the quality of our people and their ability to work together at being the best at their chosen businesses.

Their efforts are clearly reflected in Empire's solid financial performance for fiscal 2010, one that established new records for consolidated revenues and operating earnings. Once again this year the performance in our food retailing business was the key to Empire's progress.

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Sobeys' management team continued to skilfully execute a strategy that is bringing the benefits of a modern retail grocery network to more Canadians, and encouraging those shoppers to buy more each time they visit one of our stores.

During the past year Sobeys continued to make measurable progress in its goal to be widely recognized as the best food retailer and workplace environment in Canada. There are many reasons for this, and Paul will talk about some of the specific initiatives that helped to advance Sobeys' mission in a few minutes.

Fiscal 2010 was also a year in which we continued to build upon the synergies that exist between Sobeys and our other core businesses. Empire's real estate development company, ECL Developments, continued to work closely with Sobeys and Crombie REIT to support the growth of our food retailing operations. In fact this strategic partnership has been made even more effective with the internalization of ECL's site selection and development work within Sobeys subsequent to yearend. We believe that this strategic partnership represents a sustainable competitive advantage in the growth of our food retailing network. It also is one that allows us to generate value from our real estate assets throughout the economic cycle.

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As a result of the continued improvements in our core operating businesses, Empire achieved record earnings before capital gains of \$284.5 million or \$4.15 per share in fiscal 2010. Our balance sheet also ended the year in a very solid position. Our debt-to-capital ratio declined substantially in fiscal 2010, primarily due to an increase in free cash flow from our food retailing operations, which allowed Sobeys to significantly reduce its bank indebtedness.

These accomplishments reflect the management capability that resides within our corporate office, subsidiaries, franchisees, and affiliates today with their ability to inspire approximately 90,000 people that we collectively employ.

At Empire the quality of the board of directors and its commitment to good governance is another important reason for our success. We believe that good governance is essential to any company's ability to succeed. It is our fiduciary responsibility to oversee the development of a cohesive strategy that will build long-term shareholder value, as well as its execution.

To accomplish this task Empire's board has strong representation from our larger shareholders, and the valued presence of independent directors with a wide range of experience and skill. There is a healthy

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dynamic in our deliberations that allows us to provide valuable advice to management, as well as excellent stewardship for our shareholders.

Finally, I'd like to touch on our commitments in the communities in which we live and work. This commitment extends well beyond the philanthropy that drives our support from hundreds of charities across Canada to also developing the sustainability initiatives that will allow both our company and our communities to thrive for many years to come.

In closing and on behalf of the entire board, I would like to extend our sincere appreciation to the management and employees of Empire and its operating affiliates. Their efforts have made it possible to earn the continuing loyalty and confidence of our customers and deliver another solid financial year of performance for our shareholders.

And now Paul, perhaps I can turn it over to you to say a few more words.

PAUL SOBEY (President and Chief Executive Officer, Empire Company Ltd.): Okay. Thanks, Rob.

Thanks everyone and good morning, ladies and gentlemen. And behalf of everyone at Empire, welcome here this morning. And we were talking – this is a big crowd – and we were saying my gosh, I hope they're

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coming for the AGM and not trying to see a rerun of Avatar of something, but... it is a big crowd, and welcome.

Now I hope you had an opportunity to enjoy the impressive food display in the lobby. This display was created by our very own professional chef and product developer for Sobeys Atlantic, Shahzad Doctor. And I'd like to thank Shahzad, and if it's still out there I hope you can see it again if you had not had an opportunity, and indeed everyone else who has been involved the preparation of this annual general meeting.

We are pleased to report that Empire posted another year of strong financial performance. Our decision several years ago to focus our resources squarely behind our food retailing and real estate business has once again helped us deliver stronger cash flow and earnings. And we continue to feel that these businesses represent our best prospects for steady, long-term growth.

Of course our history of long-term value creation is more than about being in the right businesses. It also depends on having the right strategy for growth, and the financial, infrastructure and human resources to carry it out. More importantly, making progress day in and day out on the details associated with effective strategy execution. We are very fortunate to have very talented people in our business. They are focused on being the best,

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and by working together they have enabled Empire to deliver another year of strong operating performance.

We are pleased to report that revenues for 2010 was a record \$15.52 billion, a 3.3-per-cent increase from the \$15 billion reported last year. We also achieved record operating earnings, which increased 8.7 per cent to \$284.5 million or \$4.15 per share. And over the past 10 years Empire's operating earnings have grown at an average annual compounded growth rate of 12.9 per cent. And during the fiscal year Empire recorded capital gains and other items of \$17 million, most of which was related to a tax recovery from the sale of our Hannaford Bros. shares back in 2001. This resulted in net earnings of \$301.9 million or \$4.40 per share.

At the same time, as Rob mentioned, our balance sheet continues to strengthen. And at the end of the year Empire's ratio of net debt to total capital improved to 21.8 per cent from 28.6 per cent a year ago. This was chiefly the result of Sobeys' improved operational performance, which was also recognized during the year with rating upgrades from both S&P, Standard & Poors, and DBRS.

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Empire's liquidity remains strong with cash and cash equivalents of \$401 million at yearend. And our consolidated bank credit facilities exceeded our borrowings by \$840 million.

And in recognition of our improved operational performance and financial condition, your board of directors approved an increase in our annual dividend rate to \$0.80 per share from \$0.74 per share at the end of June, the 15th consecutive year that we have increased our dividends. And our dividends have grown at an average annual compounded growth rate of 18.1 per cent over the last 10 years.

And indeed, Empire's shares also weathered the continuing volatility in the broader capital markets to climb from \$49 at the start of the fiscal year to \$52.98 at the end of the year. And Empire has delivered an annual total return to us shareholders of 14 per cent over the last 10 years compared to 5 per cent for the S&P/TSX.

And our book value per share increased 8 per cent to reach \$43.07 per share at the end of the year. As well, over the last 10 years our book value has increased at an average compounded growth rate of 17.3 per cent.

I'd like now to turn to the performance of each of our operating divisions, and first, Sobeys, which is the foundation and core of our

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success. Many of you here today know that our passion for food began 103 years ago. And today that passion continues to drive our performance under the very capable leadership of Mr. McEwan, Bill McEwan, and his team.

Sobeys: Sobeys is determined to out-fresh, out-service, out-market and out-perform those who compete with us for a greater share of the Canadian consumer food requirements. It is a food-focused strategy that continues to build momentum as reflected in industry-leading same-store-sales growth and sales-per-square-foot increases. And then during the year, Sobeys' sales increased 2.7 per cent to \$15.2 billion. For the fifth consecutive year Sobeys has achieved industry-leading same-store sales growth. And in fiscal 2010 same-store sales increased 1.9 per cent.

The rate of growth has been impacted by food price deflation, which affected the industry for much of the past year, and has continued into 2011. Sobeys' ability to sustain its rate of growth in this deflationary environment has come from servicing the needs of more shoppers, more often, in the individual markets that they serve. Sobeys continues to grow its earnings at a faster pace than sales. Operating income reached \$430.8 million in fiscal 2010, a 6.6 per cent increase over the prior year. And our

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operating margins increased to 2.83 per cent of sales, up from 2.74 per cent. And our net earnings increased 15.3 per cent for \$262.8 million.

These results reflect Sobeys' continued progress in building a healthy, sustainable retail food business and supporting infrastructure for the long-term. Over the past five years Sobeys has invested \$2 billion in its store network and supporting infrastructure. These investments have been made in our stores and our distribution centres, in our business systems and processes, and in the continued commitment to engage and train our employees who are the key and the frontline to our growth and success.

In fiscal 2010 Sobeys continued to invest and spent \$341 million to expand and improve the quality of its retail square footage and infrastructure. Today Sobeys' store network square footage has grown to 28.1 million square feet with the significant majority of the network at standard considered current compared to approximately 25 per cent seven years ago.

The modest increase in our store count compares to the significant increase in our store square footage, reflecting our commitment to enhance the quality of our assets, as well as increasing our sales per square foot. The modernization and expansion of our food retailing network is ongoing. It includes the rollout of the new FreshCo brand and

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banner in Ontario, what we believe is the newest and most exciting concept in the fastest growing discount retail market. FreshCo is truly fresher and a cheaper experience than the Ontario shoppers have come to expect from ordinary discount shopping. We are very encouraged by the reception that we have received so far.

To date 18 former Price Chopper stores have been replaced by the FreshCo banner, and Sobeys will be rolling out dozens of additional FreshCo stores in the months ahead.

Another example of the continued investment in our business can be found in the Lawtons drugstore division. Lawtons has clearly improved its offering. I am sure you've noticed the latest generation design of the full-size Lawtons' banner located just down the road from this theatre. This location co-locates doctors' offices, long-term care servicing facilities, automated dispensing technologies, and a home healthcare offering into one location, an approach, I might add, that is proving to be very successful.

Along with modernizing the store network, Sobeys also continued to upgrade the capacity and efficiencies of its distribution facilities. This includes the automated distribution centre in Vaughan, Ontario, which became fully operational in the second quarter of fiscal 2010. The

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Vaughan distribution centre incorporates automated warehouse and picking technologies, which has improved the timeliness, accuracy and flexibility of our distribution network while also improving stock conditions and reducing the time spent receiving and restocking product in our stores.

The advanced technology at work in our Vaughn distribution centre could not have been possible without the equally important investment that we have made in business process improvements, including the ambitious implementation of SAP across the majority of our network as our single enterprise-wide information platform. And it is worth also noting that we are now in the process of implementing SAP in our Quebec region.

SAP serves as a critical foundation for a growing range of product tools, customer information initiatives, and sales applications, which include workforce management, fresh item management, computer automated ordering, and price retail optimization, which helps Sobeys reduce product waste, improve labour scheduling, and manage our inventories better.

Our common point-of-sales information system has also enabled the development of the Sobeys industry-leading Customer Insight Solutions or CIS. Drawing upon millions of transactions captured through Club Sobeys, Club Thrifty Foods, and Air Miles Reward Program, CIS provides valuable

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insight into the unique shopping requirements of our customers. The learning is being used to refine our decision-making process in marketing, merchandising and throughout the business to create a more tailored and relevant offering and shopping experience.

And just yesterday we announced an exciting extension of our new insight's capabilities with the launch of a new partnership with BMO – Bank of Montreal – to develop and deliver innovative credit card products to our customers, products that include new BMO Club Sobeys MasterCard in Ontario and Western Canada, as well as the BMO Sobeys Air Miles MasterCard for our Sobeys and Foodland customers here in Atlantic Canada.

A modern retailing network and smarter use of technology and customer insight capabilities positions Sobeys, and indeed the Empire group of companies, for continued success. By taking advantage of these various capabilities we'll always be dependent on our people.

Our greatest competitive advantage is the learning culture we have at Sobeys today where employees are trained and motivated to get the job done well, and in aligning with the company's strategic objectives. They have the authority, responsibility and accountability to get the job done, and they are doing it very, very well.

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A Winning spirit: A winning spirit has taken root at Sobeys, and is aligned squarely behind its mission to be widely recognized as the best food retailer in Canada. And that goal will be achieved by a steadfast commitment to three key imperatives: continuing to strive to meet the ever-changing expectations of our customers through ongoing innovation in the product and services offered every day; the continuous improvement in operational execution through the engagement and the development of our employees; and reducing our cost base and improving productivity throughout the organization.

Our day-to-day execution is better than ever, and we are confident with the leadership and the talent we have in place, Sobeys is well positioned for ongoing growth.

I'd like now to turn to our real estate division. In fiscal 2010 the real estate division maintained its focus on developing food-anchored shopping plazas in close corporation with Sobeys and Crombie REIT. We believe the strategic partnership represents a significant and sustainable competitive advantage. Sobeys and Empire bring together valued site selection and development expertise, and Crombie has the operational and property management expertise. All necessary ingredients to build long-term sustainable values.

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We continued to expand our product-development pipeline during the past year, primarily in support of our food retailing operations. Eight shopping plazas were completed during the year, representing over 300,000 square feet, and another 20 projects were in development at the end of the year. Of these, 80 per cent are anchored by Sobeys-related business. And as Rob mentioned, we integrated ECL Developments into Sobeys' real estate operations just at the end of the fiscal year to further capitalize on the synergies between our site selection and development management teams.

A natural buyer of our high-quality real estate development is Crombie, in which Empire holds a 47-per-cent interest. With 118 properties in seven provinces comprising of more than 11.5 million square feet, Crombie carried a market value of \$349 million at the end of our first quarter. And amid a challenging economic environment, they recorded higher total property revenues and occupancy levels remain strong. And under the capable leadership of Donnie Clow and his team, we were also pleased to see the value of our Crombie REIT units increase from \$7 to \$11.80 during the year.

Now with respect to our investment in residential real estate, during the past year we increased our interest in Genstar by 5 per cent to 40.7

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per cent. Genstar's operating income contribution to Empire was \$31 million in fiscal 2010, a solid performance, and better than our own internal expectations given the weakness in the Western Canadian housing market for most of the year. Genstar's results are a reflection of its strong entrepreneurial management team.

And finally, I'd like to say a few words about Empire Theatres and our investment in Wajax Income Fund. Empire Theatres generated revenues of \$196 million in fiscal 2010, an increase of 17.4 per cent. The stronger performance was the result of higher attendance driven by a steady stream of high-quality movies, releases, and the continuing rollout for digital cinema 3D technologies. Wholly-owned Empire Theatres remains the second largest exhibitor in Canada with 51 locations and 380 screens in eight provinces across the country. We look forward to the continued growth from this business under Stuart Fraser and his team, all very capable and independent operators.

Equity accounted earnings generated by our 27.6-per-cent interest in Wajax was \$9.2 million for the year, down from last year due to the reduced economic activity. And as we progressed into fiscal 2011, we are seeing clear signs that Wajax is strengthening as the oil and gas and construction sectors and activity in their core markets continues to

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strengthen. On August 6th Wajax reported stronger revenues and earnings advances, and we have seen the unit price advance 10 per cent since the end of our fiscal year.

Now I'd like now to turn to our first quarter results that were released this morning. And I'm very pleased to once again say that we are off to a good start. Consolidated revenues for the first quarter ended July 31st totalled \$4.04 billion, up \$73 million or 1.8 per cent over last year. Operating earnings equalled to \$81.6 million or \$1.19 per share as compared to \$1.05 per share last year, a 13-per-cent increase and a record quarter level for the company. And our balance sheet continued to strengthen with the ratio of net-debt-to-capital ratio improving to 20.8 per cent from 21.8 per cent at the start of the year.

Sobeys: Sobeys continues to be the main driver of our success. In the first quarter Sobeys reported revenue growth of 1.8 per cent, and an operating income contribution to Empire of \$126.2 million, up \$4.6 million. Our residential property income contribution in the first quarter was \$8.1 million compared to \$5.1 million recorded in the first quarter of last year.

Crombie REIT contributed \$4.1 million in operating income in the first quarter versus \$4.9 million contribution in the first quarter of last year, primarily due to higher interest costs associated with the refinancing.

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And finally, equity-accounted earnings generated from the company's equity interest in Wajax, amounted to \$3.4 million as compared to \$2.7 million in the first quarter of last year.

Now going forward, our key priorities have not changed. We intend to remain focused on our core strengths in food retailing and real estate.

In closing I also want to assure you that we will continue to work hard to build long-term sustainable value for our shareholders through continued operational excellence, innovation and disciplined growth. Bill and I would like to thank the contributions of our 90,000 plus dedicated and outstanding employees, franchisees and affiliates of the Empire group of companies who have stayed focused on our plans, and have once again delivered solid results. Our corporate success and sustainability has been made possible by their skills and continued dedication.

Now as Rob mentioned earlier, we all take our responsibilities to support the communities in which we live and work very seriously, and so do our people. This commitment is driven by their efforts, by the efforts of our employees and franchisees who consistently give of their time and energy on a volunteer basis, and are truly making a significant difference in enhancing the communities in which they live and work.

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One area in which our employees and franchisees across the country have been very passionate about: fighting the battle of cancer. In fact over the last three years they have personally supported and collectively raised over \$2 million. And as a means to recognize our employees' engagement in this area, we are pleased to announce, on behalf of the Sobey Foundation, a \$1 million donation to the capital campaign for the Daffodil Place in Halifax.

(APPLAUSE)

Thank you. The Daffodil Place, currently known as the Lives that Gives, is in the midst of an ambitious capital campaign designed to expand its ability to provide a warm and welcoming and positive environment for individuals undergoing cancer treatment. We proudly make this \$1 million donation as thanks for and in the support of the numerous and heartfelt efforts of our people across the country who have done so much to contribute to the fight against this insidious impact of cancer through their time, energy, community spirit and sense of responsibility. And rest assured that we will all collectively continue to be very passionate about serving the communities in which we live and work. And on behalf of the board and our shareholders, we offer our sincere thank you for your ongoing efforts and dedication.

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I would like now to take this opportunity to mention two members of our executive, our senior leadership management teams who have received industry-leading recognitions. First, Pierre Sévigny, Senior Vice President, Retail Operation and Development, Sobeys Quebec has been named the 2010 recipient of the Golden Pencil Award, which is the Canadian grocery industry's highest honour, recognizing a career of outstanding contributions to the food industry.

And Stuart Fraser, President and CEO of Empire Theatres Ltd., who will, in November, be receiving the Pioneer Movie Industry Award by the Motion Picture Theatre Association of Canada. Over the past 27 years Stuart has built the Empire Theatre network from just a few locations in Atlantic Canada to over 50 locations and 383 screens across the country.

We congratulate both of these leaders on their significant industry recognition.

(APPLAUSE)

And on behalf of our shareholders and management, I would also like to acknowledge Empire's outstanding board of directors. Their insight and guidance has been critical to our success, and they have fulfilled their fiduciary role as stewards of shareholders' interest with diligence and integrity. And in particular I would like to acknowledge the important value

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contribution of John Bragg who has served the Empire board and the Sobeys board with distinction over the last 16 years. John, on behalf of the senior management and indeed the Sobey family, a sincere thank you for all of your contributions and efforts.

(APPLAUSE)

And finally I'd like to express appreciation to our shareholders. Your confidence and trust at a time when the capital markets have been very volatile is truly gratifying. With the continued guidance of our board, the support of our customers, as well as our affiliates, franchisees, managers and employees, we are confident that Empire will continue to prosper in the years ahead. Thank you very much.

(APPLAUSE)

ROB DEXTER: Okay. Thanks very much, Paul. Is there any other business from the floor? Now my favourite part: are there any questions from the floor? I'm not going to wait for long. The lights are bright; I can't see any. Do you guys see any questions? Okay.

May I have a motion to terminate the meeting?

Thank you, Carol.

May I have a seconder? Thank you, Stuart.

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I now declare the motion carried and the meeting terminated. Thank you, ladies and gentlemen for your attendance, and you're all welcomed to join us for lunch down at the Crombie Place. Thank you again.

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