

VISION • INNOVATION • CREATIVITY



REIGNITING

THE MICHIGAN RETAIL **ENTREPRENEURIAL SPIRIT**

2010 Annual Report and Entrepreneur's Guide to Starting a Retail Business

The New Entrepreneurial Spirit

Michigan has been a cauldron of entrepreneurial spirit. The daily life of our state has been infused with that spirit of innovation and enterprise, in retailing, in manufacturing, in education, in science. Or at least it was before the fruits of one of the world's and Michigan's greatest entrepreneurial success stories—the automobile industry—made it too easy for too many for too long to go to work for someone else.

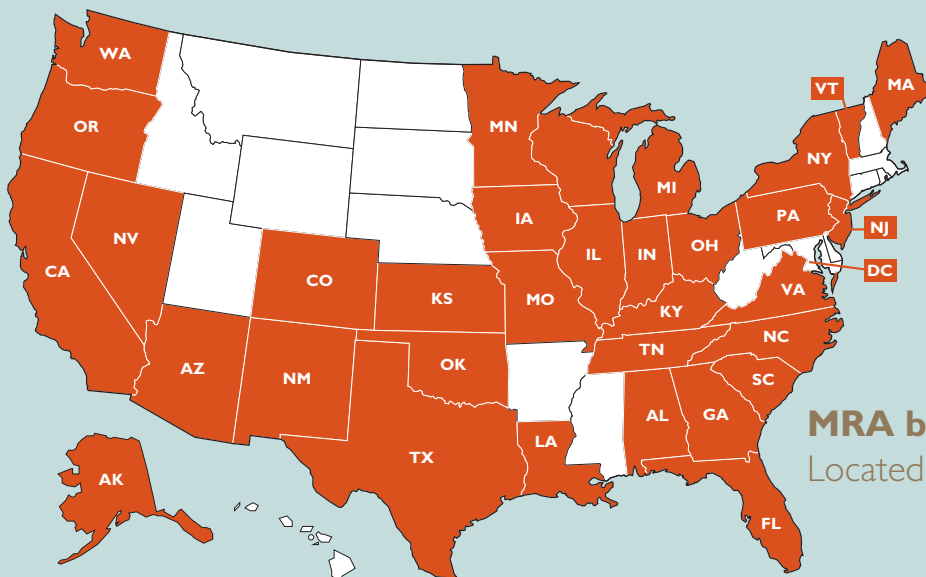
The wealth and security provided by becoming the auto capital of the world dampened the risk-taking, business-creating enthusiasm so prevalent in this state a century ago. And when that single industry nearly collapsed domestically this decade, Michigan's economy and its residents suffered severely. The "Great Recession" may be officially over, but its effects still linger and affect each of us.

A key to Michigan regaining healthy job growth and long-term prosperity is to rekindle the entrepreneurial spirit. Our state needs more people willing to open their own businesses, to take the long odds, to innovate, to pursue dreams of being their own boss.

Michigan Retailers Association heartily endorses that prescription, because entrepreneurship has been part of our organization's DNA since it was founded in 1940. That's 70 years of serving as a catalyst for entrepreneurs by helping their businesses succeed. We leverage the political strength of our thousands of members to help create a favorable retail climate in Michigan, and we leverage the market strength of our members to bring them critical business services at below-market cost. We expect the next 70 years of nourishing that spirit to be busier than ever.

We're so committed to the entrepreneurial spirit that we're using this 2010 Annual Report to highlight that energy throughout our membership, our organization and the leaders of Michigan Retailers. Included in this report is a copy of a new booklet we've produced: *Entrepreneur's Guide to Starting a Retail Business*. This basic, how-to information is a great place to start for anyone who currently is unemployed, underemployed or unenthusiastically employed and thinking about launching a new career as a retail business owner.

There are no guarantees, of course. Entrepreneurs are risk takers in order to achieve greater rewards for themselves, their families, even their communities. But we will promise you this: Michigan Retailers will stand behind you and do all we can to leverage the strength of nearly 5,000 other entrepreneurs to help you succeed.



MRA business customers
Located in 35 states

REIGNITING THE MICHIGAN RETAIL **ENTREPRENEURIAL SPIRIT**

2010 Annual Report and Entrepreneur's Guide to Starting a Retail Business

| | |
|-----------------|---|
| INSIDE COVER | Introduction: The New Entrepreneurial Spirit |
| 2 | Governor's Message: The Importance of Entrepreneurs in the New Michigan Economy |
| 3 | President's Message: Three Things Needed to Reignite Michigan's Entrepreneurial Spirit |
| 4 | MRA 2010 Fiscal Year in Review |
| 6 | Top Five Business Services |
| 7 | MRA Financial Information |
| 8 | Entrepreneurial Spirit in Our DNA |
| 10 | RMIC 2010 Year in Review |
| 11 | RMIC Financial Information |
| 12 | 10 Reasons to Belong to MRA |
| 14 | 10 Questions to Ask Anyone Trying to Sell You Credit Card Processing |
| 15 | Boards of Directors |
| 16 | Michigan Business Facts |
| INSIDE COVER | Entrepreneur's Guide to Starting a Retail Business |



GOVERNOR'S MESSAGE

The Importance of Entrepreneurs in the New Michigan Economy

After years of seeing our state decline economically, the task before us is to reinvent Michigan. My job as governor is to help get our state to Michigan 3.0, a new era of innovation that transforms our society into a vibrant force of job-creating entrepreneurs and innovators whose businesses can compete in the global economy.

Let's be clear that state government's job is not to create jobs. The government's job is to create an environment where businesses can grow and entrepreneurs can flourish. My administration is committed to this goal from Day One.

From my own experience as a business founder, I believe that reigniting Michigan's entrepreneurial spirit is part of the foundation for a newly energized economy. That's why I am pleased that the Michigan Retailers Association is doing its part, through its annual report and related efforts, to help our residents create new opportunities for themselves in the retail industry and other business ventures.

There is no doubt that Michigan can become a global comeback story and envy of the world if our state makes the necessary changes and embraces a new culture of entrepreneurship. We need to help our people take full advantage of their talent, energy and desire to succeed.

The Michigan Economic Development Corporation (MEDC) was once a tool that supported a business-friendly climate and assisted entrepreneurs. It must be—and will be—such an organization once again.

State government needs to get out of the business of picking winners and losers through incentives. Instead, it must create an environment where the tax burden is low, the regulatory environment is reasonable, and businesses have access to the support and resources that will help them create jobs in Michigan.

The fact Michigan has to buy businesses from out of state with massive tax incentives is a reflection of our broken tax and regulatory structure. We need to change our focus from economic hunting to economic gardening so we are helping the businesses already here in Michigan grow. We need to create a friendlier environment that allows existing small businesses and entrepreneurs to thrive. We do that by eliminating the Michigan Business Tax and making the MEDC more focused on helping businesses rather than on getting political headlines.

We have a very bright future in Michigan. We have the human and natural resources necessary to reinvent our state. The task before us is to execute our plan.

We have a very bright future in Michigan. We have the human and natural resources necessary to reinvent our state. The task before us is to execute our plan.

I am confident that by working together in a new, positive and forward-focused spirit of innovation, we will create a Michigan with economic opportunity not only for entrepreneurs, but for all of our residents.

— Governor Rick Snyder



Three Things Needed to Reignite Michigan's Entrepreneurial Spirit

There's strong agreement that we need to reignite Michigan's entrepreneurial spirit and touch off an explosion of start-up businesses that will ultimately create hundreds of thousands of good jobs. But how do we make that happen?

The following three factors are critical to our state's efforts to promote and support entrepreneurship: opportunity, business climate and support.

Opportunity

Sometimes entrepreneurs are born; most often they're made by their times. In a Michigan economy that has lost nearly one million jobs over the past decade, there is strong incentive for our residents to build their own employment futures and not rely on existing corporate giants.

All of us in Michigan should accept this change, as gut-wrenching as it is, and attempt to make it a transformational event—not only in our personal lives, but also in the history of our state's economy.

Retailing provides a great opportunity for would-be entrepreneurs. The barriers to entering the retail industry are quite low compared to other, more technical fields. While many retail operations are leading edge in the sophistication of their operating systems, the industry still makes room every day for new operators who have little more than a good idea and the spirit and fortitude to build a successful business around it.

Business Climate

Nothing can kill the entrepreneurial spirit faster than an unfriendly business climate.

Burdensome regulation that appears to exist more for the benefit of the regulators than the public can make it seem too much of a hassle, and far too expensive, to be one's own boss. High taxes, or complicated taxes that require many hours of preparation and professional fees, have a similar dampening effect.

State and local government by themselves can't create entrepreneurs, but the right policies and attitudes toward small businesses can establish the conditions that encourage business startups and growth.

Support

We don't need a myriad of new government programs and taxpayer assistance to bring about a new age of entrepreneurship. But budding entrepreneurs do need a support system. Besides encouragement, they need information and opportunities to learn from and share ideas with others. They need hassle-free services to help them run their businesses and enable them to focus on what they do best—innovate and create new approaches, systems, products and services.

Michigan Retailers Association is proud to be a vital part of the business-support system. Our expertise in merchant processing and other electronic payment

systems, in all types of business and personal insurance, in legislation and professional advocacy, and in information sharing are all valuable assets for our state and its business men and women. Our Association has been a trusted business resource for 70 years, and we will continue to carry out that mission for the next 70 years...and more.

In that vein, we are proud to have marked the Association's 70th anniversary in 2010 by committing to help thousands of Michigan residents start a retail or other small business. This Annual Report includes our new booklet *Entrepreneur's Guide to Starting a Retail Business*, which we plan to distribute far and wide to help encourage a new generation (of all ages) of entrepreneurs.

Michigan Retailers also is proud of its distinguished boards of directors, whose experience, expertise and sound judgment have guided the organization throughout its history. This Annual Report also includes valuable tips and lessons from board members who have learned much along their own paths to success.

Please make use of our expertise and let others know Michigan Retailers Association is available to help them and provide support for their dreams. I encourage you to find out even more about us and the work we do on behalf of businesses, on the pages of this Annual Report and at www.Retailers.com.

—James P. Hallan

President and Chief Executive Officer



2010 FISCAL YEAR IN REVIEW

Rebounding quickly from a tough year (FY 2009) in which the economy was in freefall, Michigan Retailers Association demonstrated overall strong performance in the 2010 Fiscal Year. Revenues were increased and expenses reduced from the previous year, lifting net income and member value. The results were all the more impressive because they were achieved against the backdrop of an economy still struggling to emerge from the worst recession in decades.

Gross sales of membership services rose by 18.7 percent. Performance was led by a 19.5 percent increase in merchant processing volume, to \$751.9 million. Nine of the 12 months ranked among the highest volume months in the Association's history.

Merchant processing volume growth was fueled not by a significant increase in consumer and business spending, but by MRA's aggressive efforts to widen and deepen its referral partner relationship program. New, large-volume members were enrolled through these partnership efforts. In addition to working more closely with existing partners and referral sources, management executed new referral contracts with the Insurance Institute of Michigan, the Kentucky Retail Federation and the Louisiana Retailers Association. While the newest relationships are still early in the development stage and didn't contribute significantly to 2010 results, they will help lay the groundwork for future growth while maintaining our roots within the retail community.

Also on the merchant processing front, management was successful in extending the current contract with TransFirst, a very positive development for members. This critical achievement positions our organization and its referral partners for growth as Michigan and the rest of the country rebound.

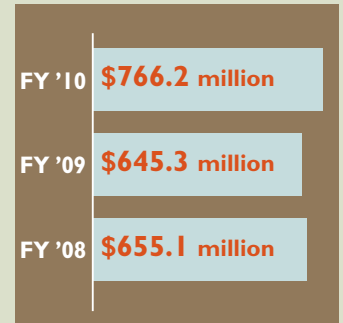
In addition, MRA enhanced the value of its merchant processing brand and afforded new safeguards to members by providing them with automatic data breach protection. The new protection against the potentially bankrupting costs of a data breach provides another important point of differentiation between MRA's expert merchant processing and all of the competition. Another key difference is our development in 2010 of a unique program to help furniture stores, travel agencies and others reduce their required reserves and free up money for other uses.

Although lack of business growth and a dearth of business startups throughout the Michigan economy continued to put severe downward pressure on new membership sales, a bright spot has been the number of new members resulting from their becoming new policyholders of Retailers Mutual Insurance Company. More than 120 new members were added through Retailers Mutual's Independent Agent sales channel the past year, and 348 new members since Retailers Mutual was established by MRA in 2006.

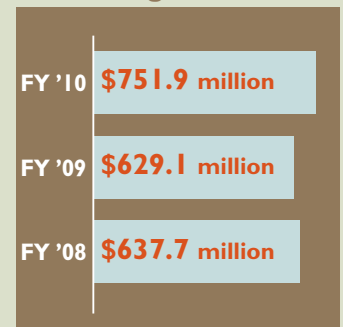
In recognition of MRA's 70th anniversary during 2010, an appropriate logo was developed and placed prominently on the *Michigan Retailer*, www.Retailers.com and marketing materials. Extensive research also was conducted in preparation for erecting a permanent display inside MRA headquarters of photographic portraits of all of the Association's chairs of the Board of Directors, from 1940 to the present, and continuing into the future.

MRA's online presence was upgraded this past year. Our chief website, www.Retailers.com, was redesigned to provide more news and information to members and prospects in a more attractive and easier-to-navigate format. And MRA began to build a social media following by establishing a Facebook presence and posting daily "tweets" on Twitter.

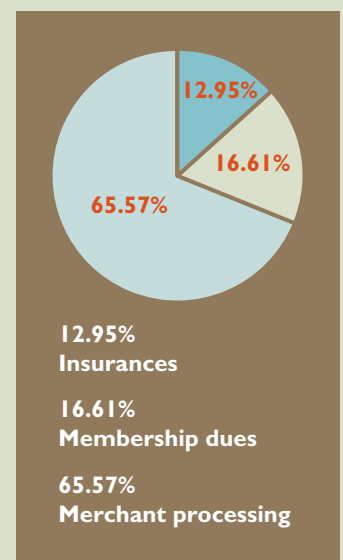
Gross Sales of Services



Merchant Processing Volume



FY 2010 Percentage of Total Revenue



Legislatively, MRA fared well the past year in its efforts to improve Michigan's retail climate. Some of the more prominent actions on issues in which we were involved include: preventing Governor Jennifer Granholm from reducing retailers' sales tax collection allowance and bad debt deduction by 20 percent, which would have amounted to a new \$18 million annual tax on retailers; changing the tone and direction of the discussions to ban the use of plastic bags; and preventing a small segment of the retail industry from cornering the market—to the detriment of the greater retail industry—on sales of consumer-grade fireworks.

And while this is a summary of the 2010 Fiscal Year, it's important to report that as this document went to press in 2011, Governor Rick Snyder had just signed into law MRA-backed reforms of Michigan's 1976 item pricing law. Modernizing the law has been an MRA goal for more than 30 years!

Less visible but just as important to the integrity of the organization was management's completion of a total update of the Association's disaster recovery plan, making it possible for MRA to continue to provide critical services to members in the event of a natural disaster or other event affecting headquarters and operations.

Despite all of the economic hurdles in the way, Michigan Retailers posted one of its strongest years of the last half of the decade and was able to increase the value of membership. All of us at Michigan Retailers look forward to continuing that progress in the new year.

Top 5 Focuses FY 2010

1. Rebound quickly from the meltdown in the U.S. economy in order to help backstop struggling members
2. Widen and deepen membership-referral partnership relationships to boost MRA's financial and marketplace strength
3. Maintain bold leadership of the merchant processing industry by providing members with automatic protection against devastating data breaches
4. Defeat the outgoing governor's attempts to impose a new "tax" on retailers by reducing their sales tax collection allowance and bad-debt deduction
5. Take large leap in automation to enable Independent Agents to do business with Retailers Mutual faster and more easily

Top 5 Focuses FY 2011

1. Develop new ways to encourage and support retail entrepreneurs—both new startups and existing retailers
2. Move Annual Meetings to MRA Headquarters to encourage member participation
3. Determine effect of national health care reform on MRA and members
4. Build Retailers Mutual financial strength and market share
5. Work closely with Governor Snyder and legislature to make Michigan more competitive and business friendly, including modernizing the antiquated item-pricing law

(Note: Item-pricing law reform was signed into law on March 29, 2011.)

TIPS FROM RETAIL ENTREPRENEURS #1

Giving back

My business is located in the downtown area of a small community, and the most important lesson I learned after opening my business was to get involved in the town, with its residents and with the other businesses in town. You have to give back to the town you expect to support your business.

I joined the Chamber of Commerce, the downtown merchants association and encouraged the city manager to establish a Downtown Development Authority. I quickly learned that so much more could be accomplished by a group than by me alone. This philosophy has rewarded me many times over.



Barb Stein
Great Northern Trading Co.
Chair, MRA Board of Directors

**TIPS FROM RETAIL
ENTREPRENEURS # 2**

**Banish the phrase
“No Problem”**

To succeed, one must strive to serve with gratitude. A classic example of how my organization does that can be found in how we deal with the recent proliferation of the reply “No Problem” to a customer or co-worker who has said “Thank You” for some service or action.

When a customer or fellow staff member gets the reply “No Problem,” what is the customer really being told? Banish the phrase and replace it with anything from “No, Thank You!” to “It Is My Pleasure!” or simply “You’re Welcome!”

With every interaction strive to express your appreciation and you will be on your way to being perceived as both grateful and committed to being of service by your customers, employees and vendors.



Dan Marshall
Marshall Music Company
Chair, Retailers Mutual
Insurance Company

Top Five Business Services

available from Michigan Retailers Association

1. Electronic Payment Services

- Expert Credit Card Processing
- Automatic Data Breach Protection
- Customized Gift Cards
- Transaction Central
- Remote Deposit
- E-commerce

2. Insurance Programs

- Workers’ Compensation Insurance from Retailers Mutual Insurance Company
- Health Insurance from Blue Cross Blue Shield of Michigan
- Dental Insurance from Delta Dental of Michigan
- Vision Insurance from Delta Vision
- Business, Auto and Home from Fremont Insurance
- Life and Disability

3. Help with State Government

- Legislative Advocacy
- Political Action
- Cutting through Red Tape

4. Discount Programs

- Natural Gas
- Shipping
- Free Prescription Drug Card

5. News and Knowledge

- www.Retailers.com
- Michigan Retailer Magazine
- Retailing 101 Booklets
- Governmental Affairs News
- Payment Processing News
- Michigan Retail Index
- Retail Employees Salary, Wage & Benefits Survey

**Learn more about all of MRA’s valuable services
at www.Retailers.com.**

The Numbers

Michigan Retailers Association, Subsidiary and Related Entities Consolidated and Combined Statements of Financial Position

June 30...

| | 2010 | 2009 |
|---|---------------------|---------------------|
| Assets | | |
| Current assets | \$11,843,771 | \$9,487,977 |
| Property and equipment, less depreciation | \$2,704,296 | \$2,833,004 |
| Other assets | \$10,678,766 | \$11,383,250 |
| Total assets | \$25,226,833 | \$23,704,231 |
| Liabilities and net assets | | |
| Total liabilities | \$9,324,540 | \$8,208,659 |
| RMIC surplus | \$8,492,314 | \$8,573,535 |
| Net assets – unrestricted | \$7,409,979 | \$6,922,037 |
| Total liabilities and net assets | \$25,226,833 | \$23,704,231 |

These financial highlights are derived from the audited financial statements. The audit was performed by Andrews, Hooper and Pavlik P.L.C. To obtain a copy of the audited financial statements, please contact Jean Sarasin, Michigan Retailers Association, 603 South Washington Avenue, Lansing, MI 48933.

TIPS FROM RETAIL ENTREPRENEURS # 3

Pay it forward

I began working for Sears after I was discharged from the Air Force and while still attending college. In the early stages of my work life I was a men's store manager in an urban Sears store. The regional human resource manager, Gene Harman, visited the store and, in a private conversation, convinced me that I should consider Sears for a lifetime career. He then guided me through the first 15 years of my career and taught me the value of mentoring.

The invaluable lesson I learned from Gene's teaching was that your business knowledge (technical skills) will keep you employed—and in some instances get you promoted—but your relationships (people skills) will bring you success in both business and life.

I committed to him and myself that I would always provide the lessons that he had provided me to those whose life I could perhaps influence in some small way.



Joe McCurry
Dovetail Alliance

70 Years of Strength by Association

Being an entrepreneur doesn't mean going it alone. Michigan Retailers Association was formed in 1940 by some of the biggest names in retailing at the time, in recognition that banding together made the most sense when it came to tackling larger issues affecting business.

On June 10, 1940, MRA was incorporated under the laws of the State of Michigan as a nonprofit corporation located on Woodward Avenue in Detroit. There were few assets—no real estate, \$1,793.18 in furniture and fixtures and \$5,752.36 in the bank—but the aims were lofty. The new Association was an attempt to give general merchandise retailers a single, effective organization “to do any and all things generally for the promotion and improvement of retail business.”

The first board of directors was composed of 21 leading retailers from across Michigan. The businesses ranged from the largest department stores to small shops selling shoes, hardware and cameras. The three listed incorporators were Carl B. Tuttle, of S.S. Kresge Co., Eugene C. White, of Gardner White Co., and Oscar Webber, of The J. L. Hudson Co.

Being an entrepreneur doesn't mean going it alone. Michigan Retailers Association was formed in 1940 by some of the biggest names in retailing at the time.

All three original businesses, or their modern form, remain members today: Kresge as Kmart/Sears; Gardner White; and Hudson's, now Macy's.

Creating Members' Own Insurance Company

Entrepreneurs see a need and come up with a business plan to meet it. That's what happened in the early years of this new century when MRA looked at the workers' compensation insurance industry and came up with a plan to better serve members' needs.

The result of that strategic analysis was the formation of Retailers Mutual Insurance Company, a mutual company owned by all the policyholders—all of them MRA members—to ensure quality coverage at affordable rates.

The Association had established a successful workers' compensation insurance

program—Retailers Fund—dating back to the early 1980s to help members save on swiftly rising work comp premiums. But it was a group self-insurance fund, operating under heavy restrictions from state regulators regarding the types of businesses that could be covered. In order to serve MRA's growing and evolving membership, the Association went through the long and difficult process of converting Retailers Fund to Retailers Mutual on January 1, 2006.

The result? Record growth and a stronger program that has become another good source of new members.

Twice as hard

After many years working as an owner's son, I came to the quick realization that everyone you worked with and associated with in the business world expected more from you than from anyone else. The challenge of working in a family business can be paraphrased as "you have two jobs." The first is everyday business tasks that will allow your business to grow, and the second is your father (in my case).

I would recommend that you work and train away from the family business for a minimum of two years, allowing you to bring new knowledge and ideas to the current business. Sit and have a long, detailed conversation with your family member on the goals and expectations you both have for you and the business. Times will be tense along the way, but the payoff is second to none.

It is great being the boss, but no one truly understands what you go through each and every day until that person is his or her own boss.



Tom Ungrodt
Ideation

Innovative Service Becomes Source of Growth

Historically, trade associations were created to provide legislative representation for the members' industry. MRA has been more successful than most organizations—we're the nation's largest state trade association of general merchandise retailers—because we broke that mold early on by being entrepreneurial and providing members with value-added business services in addition to political advocacy.

Michigan Retailers now processes nearly \$800 million annually in credit card transactions for members and processing partners.

Today, the list of membership services is stronger than ever, led by expert credit card processing. Michigan Retailers is the recognized expert on processing because of its decades of experience in the field. Recognizing an opportunity, Michigan Retailers joined forces with Michigan National Bank in the late 1960s to handle processing functions for the new Michigan Bankcard. The program was small but showed potential to reduce members' processing costs and help the Association grow in size and market strength.

Grow it did! Michigan Retailers now processes nearly \$800 million annually in credit card transactions for members and processing partners. Business customers are located in 35 states, and the total transaction volume benefits the Association's core membership through lower rates and increased marketplace clout when negotiating rates and services.



2010 YEAR IN REVIEW

2010 was a breakout year for Retailers Mutual.

Sales of workers' compensation insurance coverage topped \$1 million for the first time in company history, as the \$1,170,486 in new premium sold grew nearly threefold over the previous year's total. Similarly, the number of policies sold rose by more than three times the 2009 mark, reaching 331 new policies. That boosted the company's total number of policyholders to 1,057, an increase of 26 percent.

Several factors were responsible for the strong performance.

Retailers Mutual made an extremely important investment in its future in 2009 by taking a giant leap in automation. The introduction of Agent QB—online quoting and binding tools for Independent Agents—at mid-year enabled our network of agents to do business with Retailers Mutual more quickly and effortlessly. 2010 was the first full year that Agent QB was in operation, and the increases in quoting and sales activity that followed its introduction continued throughout calendar 2010.

A second major reason for increased sales was a new relationship established with the Michigan Licensed Beverage Association (MLBA), a 2,000-member trade association composed of small restaurants and bars. MLBA, which had capitalized its own small mutual insurance company, made a decision to exit the workers' compensation market and endorsed Retailers Mutual as the association's preferred workers' compensation carrier.

The endorsement arrangement has worked out well for all involved. Sales of Retailers Mutual policies to MLBA members totaled 199 policies and \$237,936 in new premium sold during 2010.

A third reason for the strong performance was the unwavering attention to relationship building with Independent Agents, combined with targeted marketing that played to Retailers Mutual's strength as a young, Michigan-based company. Inexpensive but fun contests offered qualifying agents the chance to enjoy an afternoon Detroit Tigers baseball game from a luxury suite at Comerica Park or to win a weekend at Grand Hotel on Mackinac Island or Great Wolf Lodge in Traverse City. And the previous year's weekly, football-themed tailgate lunches were continued in the fall of 2010 to enable agencies to win lunch for their offices and talk one-on-one with a Retailers Mutual representative.

In addition, Retailers Mutual earned, for the fourth year in a row, a Financial Stability Rating (FSR) of A, or Exceptional, from Demotech, Inc., a Columbus, Ohio-based financial analysis and actuarial services firm.

An A rating is assigned to insurers who possess "an exceptional ability to maintain liquidity of invested assets, quality reinsurance, acceptable financial leverage and realistic pricing while simultaneously establishing loss and loss adjustment expense reserves at reasonable levels," according to Demotech.

Demotech provides an important independent evaluation of Retailers Mutual's finances and operations. As with an annual physical, we are reassured, though not surprised, to have this independent confirmation of Retailers Mutual's excellent health.

Policyholders

| | |
|-----------------|--------------|
| 12/31/10 | 1,057 |
| 12/31/09 | 838 |
| 12/31/08 | 864 |

New Policies Sold

| | |
|---------------------------|------------|
| 1/01/10 – 12/31/10 | 331 |
| 1/01/09 – 12/31/09 | 100 |
| 1/01/08 – 12/31/08 | 76 |

New Premium Sold

| | |
|---------------------------|--------------------|
| 1/01/10 – 12/31/10 | \$1,170,486 |
| 1/01/09 – 12/31/09 | \$402,520 |
| 1/01/08 – 12/31/08 | \$271,549 |

RETAILERS MUTUAL INSURANCE COMPANY

2010 YEAR IN REVIEW

Retailers Mutual Insurance Company Statutory Statement of Admitted Assets, Liabilities, and Policyholders' Surplus

December 31...

| | 2010 | 2009 |
|--|---------------------|---------------------|
| Admitted Assets | | |
| Cash and investments | | |
| Bonds, at amortized cost | \$6,566,989 | \$5,300,730 |
| Common Stocks, at fair value | \$1,085,283 | \$1,114,131 |
| Cash and short term investments | \$6,176,051 | \$6,530,685 |
| Receivable for securities | \$0 | \$0 |
| Total cash and investment | \$13,828,323 | \$12,945,546 |
| Uncollected premiums | \$176,440 | \$56,411 |
| Deferred premiums | \$511,350 | \$307,218 |
| Accrued investment income | \$81,855 | \$81,774 |
| Federal income taxes recoverable | \$1,438 | \$224,374 |
| Net deferred tax asset | \$141,200 | \$104,500 |
| Other assets | \$971 | \$0 |
| Total admitted assets | \$14,741,577 | \$13,719,823 |
| Liabilities | | |
| Losses and loss adjustment expenses | \$4,975,526 | \$4,461,982 |
| Commissions payable | \$91,628 | \$39,943 |
| Unearned premiums | \$910,831 | \$499,479 |
| Federal income taxes payable | \$0 | \$0 |
| Premiums paid in advance | \$29,535 | \$88,939 |
| Ceded reinsurance premiums payable (receivable) | (\$14,595) | (\$59,310) |
| Taxes, licenses and fees, excluding federal income taxes | \$67,558 | \$42,219 |
| Payable to affiliates | \$5,373 | \$101,554 |
| Other liabilities | \$135,804 | \$52,703 |
| Total liabilities | \$6,201,660 | \$5,227,509 |
| Policyholders' surplus | | |
| Surplus note | \$750,000 | \$750,000 |
| Unassigned surplus | \$7,789,917 | \$7,742,314 |
| Total policyholders' surplus | \$8,539,917 | \$8,492,314 |
| Total liabilities & policyholders' surplus | \$14,741,577 | \$13,719,823 |

These financial highlights are derived from the audited financial statements. The audit was performed by Andrews, Hooper and Pavlik P.L.C. To obtain a copy of the audited financial statements, please contact Jean Sarasin, Michigan Retailers Association, 603 South Washington Avenue, Lansing, MI 48933.

TIPS FROM RETAIL ENTREPRENEURS # 5

Always opportunities

In my first full-time job, I kept hearing people refer to "opportunities" that really seemed like problems to me. When I mentioned it to someone more experienced (who, at that time, I had considered kind of old-fashioned and not very tuned in to the business), I heard that our company had no problems, only opportunities to solve situations on behalf of our customers.

Our CEO said many times that if we served the customer well, profits would follow. He would always add that you can't start with the profits first!



Jim Walsh
Meijer, Inc.

Getting the cheese

Over 20 years ago, an out-of-town, nationally affiliated competitor was bringing trucks into our area and selling work boots to our major accounts. I learned we needed to adapt quickly and provide a higher level of service.

I found we had a better solution because we offered multiple quality brands for better selection. The shoemobile direct-to-industry approach we added helped us form stronger relationships with our industrial accounts.

Today, our direct-to-industry mobile division totals 25 percent of our total business.

You can take a good idea and make it better. The early bird gets the worm, but the second mouse always gets the cheese!



Jeff Joyce
Mieras Family Shoes

10 Reasons to Belong to Michigan Retailers Association

1 You'll do better with an expert along.

Whether it's kayaking a river, climbing a mountain or running a business, having an expert at your side is priceless. MRA is the recognized expert for credit card processing and other valuable business services.

2 A proven track record you can trust.

MRA has served as a trusted business resource for thousands of businesses over the past 71 years, growing to become the nation's largest state trade association of general merchandise retailers. We have been involved in credit card processing since before Visa and MasterCard were established.

3 Strength in numbers.

By aggregating the purchasing power of nearly 5,000 members and their more than 12,000 stores, MRA is able to negotiate better prices and rates on a wide range of business services. It's also why vendors seek out MRA and pay attention to our members' needs and requirements.

4 Legislative advocacy.

MRA is the voice of retailing in Michigan. Our full-time presence in the Capitol enables us to advocate for government actions that improve the business climate and oppose measures that would be harmful to your business. When you belong to MRA, you have the political clout of thousands of other businesses working on your behalf.

5 MRA member services lower your costs.

Member services that boost your bottom line include low-cost credit card processing, cost-competitive insurance programs and coverages, discounts on natural gas for home and business (your employees' homes, too) and discounts on outbound and inbound shipping. In addition, there are college scholarships for your employees and family (your employees' families, too) and many other ways to save.

6 MRA protects both you and your business.

A full range of insurance services, from group and individual health to dental and life, and from home and auto to workers' compensation insurance (through Retailers Mutual Insurance Company) are available to members. And when you process credit card transactions through MRA you are automatically provided protection against a costly data breach that might otherwise put you out of business.

Keep the money in the business

7 MRA offers the best credit card processing solutions, period.

MRA has the most cost-effective transaction solutions for your business, whether it's plug and play or a customized application. No matter how sophisticated or simple the system—POS, terminal, Internet, wireless, virtual terminal, ACH processing, recurring billing—MRA is the expert source. We're one of the oldest and largest non-bank processors in the nation.

8 Outstanding, personal customer service.

Our Customer Service Representatives are full-time employees of MRA, not contract workers in an outsourced call center halfway around the world. Their knowledge and experience (an average of 13 years in their positions) helping MRA-member business owners and managers is the reason they know the answers to members' questions and score high on follow-up customer satisfaction surveys.

9 Low membership fee.

Membership in MRA (as low as \$130 per year) provides access to a wealth of business services at a cost far less than membership in most other business organizations. Your business savings from the wide range of member services far surpass your dues.

10 Information you can use.

MRA's website, publications, e-newsletters, surveys, webinars, seminars and other information provide knowledge and advice you can put to good use in your business. Learn practical business tips from the experts and your peers.

Bonus Reason.

You don't need to be a retailer to join MRA and enjoy MRA's member services. MRA delivers outstanding services, along with personal customer attention and assistance, to businesses of all sizes and all types.

1. Don't just talk to your friends about starting a business—talk to acquaintances about this individual you know who is thinking about starting a new business. Get the conversation rolling by mentioning a negative about the new business. This will lead to a more honest, unbiased discussion.
2. Know the difference between cash flow and profits.
3. Take no money out of the business for a minimum of two years—so be financed well enough to be able to live without it for that period of time, regardless of what the projections say is available for distribution. That is not to say you shouldn't pay yourself, but rather you should do so at a level that is commensurate with that position's salary, i.e. a manager's salary for having managed the newly opened unit.
4. Reinvest in inventory, following its movement from the point it enters the store until it is finally sold. Determine the time it has taken to sell it, then buy according to that schedule of sales movement.
5. Join MRA and save money on your credit card processing, shipping, utilities, and workers' comp insurance!



Peter Sobelton
Sundries Plus

10 Questions to Ask Anyone Trying to Sell You Credit Card Processing

Credit card processing has become extremely complex and difficult to understand. Some salespeople want to make it that way so you can't compare apples to apples and know the true cost of their service.

Michigan Retailers Association, a trusted business resource for 70 years and the recognized expert in credit card processing, wants to help you take the confusion out of evaluating different sales offers. These 10 questions are designed to let you compare apples to apples. We strongly suggest you get the salesperson's answers in writing.

1. What are your qualifications for selling credit card processing, and are you a W2 employee of the company you represent?
2. When I call Customer Service, where will I be calling and who will provide service at my business?
3. Who is in charge of Customer Service and what is the average length of service among your Customer Service reps?
4. How will your service protect my business in the event of a data breach, and what will your service do to help me prevent a breach in the first place?
5. How will your fees for my business change when Visa and MasterCard change their Interchange fees?
6. How does your monthly statement make it easy to understand all of your charges and fees?
7. Will my account be available online, and how much information can I access?
8. How will I be charged for credit card processing equipment and what is the replacement policy if it malfunctions?
9. Is there a fee to leave if I'm not happy with your service?

10. What are your rates and fees for the following:

| | Rate (%) | or Per Item (\$) |
|--|----------|------------------|
| What is the swipe rate and which credit cards(corporate, rewards, etc.) qualify for that rate? | _____ | _____ |
| Swiped check/debit card with signature | _____ | _____ |
| Key-entered Visa/MasterCard credit card | _____ | _____ |
| Downgraded or non-qualified transactions | _____ | _____ |
| Monthly service fees (combine all) | _____ | _____ |
| PCI (data security) compliance fee | _____ | _____ |
| Supply charges | _____ | _____ |
| Chargeback fee | _____ | _____ |

Vision and hard work

The best tip I can offer a would-be entrepreneur is to have a vision, make a plan, and then execute it with everything you've got. No matter how much you might want something, you can't achieve it without hard work.

Remember to take one day at a time, and every day start with a clean slate and a positive attitude. No matter what happened yesterday, today is a new day.

And smile...it makes you feel better, and when you're selling or trying to get something, it's hard for anyone to say no to someone who's smiling.

Keep a clear perspective on your vision. Good enough is never good enough...each and every time it needs to be your best.



Becky Beauchine
Becky Beauchine Kulka
Diamonds and Fine Jewelry

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Put every customer on a pedestal

My parents were my strongest mentors, and they had a very simple philosophy: put every customer on a pedestal and treat everyone the way you would like to be treated if you were spending your money with someone.

My dad had a sixth-grade education, but with all the classes I've taken and seminars I've attended, I realize it still boils down to what he taught me. Give your customers the best quality and value you can for the money they are spending, make people feel good about themselves and what they purchased, and make sure they leave with a smile on their face.

The most important thing a new businessperson must have is passion. If you do not love what you're doing, it will be difficult to make any money or be happy.



Orin Mazzoni, Jr.
Orin Jewelers

Michigan Business Facts

There are
235,000
private
businesses
in Michigan.

Source: 2007 data, U.S. Census Bureau

Michigan Retail Sales

Michigan retail businesses sell \$109.1 billion in goods and services annually.

\$109.1 billion

Source: 2007 data, U.S. Census Bureau

\$381 billion
Michigan's Gross State Product of \$381 billion is greater than the Gross National Product of Argentina, Venezuela, Israel or Greece.

Michigan Gross State product

Source: 2008 data, U.S. Bureau of Economic Analysis

Michigan has more land area

than Ohio, Maryland and Connecticut combined.

Source: 2009 data, U.S. Bureau of Economic Analysis

190,000 jobs

More than 190,000 jobs in Michigan are directly supported by business travelers and tourists

Source: Michigan Economic Development Corporation

Michigan's population

Michigan's population of 9.9 million residents is greater than Georgia, New Jersey and Virginia combined.

9.9 million

Source: 2009 data, U.S. Census Bureau



GOT A BUSINESS DREAM? LET US HELP.

You think about it, you dream about it, and you know you'd be good at it. Michigan Retailers Association is encouraging Michigan's would-be entrepreneurs to become real entrepreneurs. New business attitudes and a new creative entrepreneurial spirit are spreading across our state. Hundreds of people just like you are opening new shops, starting new services, and establishing small businesses this year. And when you're ready, Michigan Retailers Association will be there, with easy and trustworthy credit card processing services, work comp and health insurance coverage that you'll actually qualify for, and tons of new business expertise you can lean on us for. So log-on or give us a call and find out all the ways we can help you achieve your small business dream—in Michigan, and in the foreseeable future. Help us let you turn your dream into a new Michigan business.

TO ORDER AN ADDITIONAL FREE
GUIDE TO STARTING A BUSINESS:
Retailers.com/mra/guide.html



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