



20 09

ANNUAL REPORT

***"The mission of the Pennsylvania Food Merchants Association
is to improve the public image, effectiveness and profitability
of companies in the retail and wholesale food distribution industry."***

2009 ANNUAL REPORT

PRESIDENT'S REPORT.....	3
CHAIRMEN'S MESSAGE.....	4 & 5
ASSOCIATION SERVICES.....	6 & 7
LEGISLATIVE REVIEW.....	8 - 15
PENNSYLVANIA PHARMACY COUNCIL.....	16 & 17
DELAWARE FOOD INDUSTRY COUNCIL	18
TAKE ACTION ON THE BEER ISSUE.....	19
PENNSYLVANIA COUPON REDEMPTION	
SERVICES, INC.	20
SCANNING CERTIFICATION PROGRAM	21
MERCHANTS EXPRESS MONEY ORDER CO.	22-27
FINANCE.....	28
IT	29
ASSOCIATION LEADERSHIP.....	30 & 31
STAFF CONTACTS	32



PRESIDENT'S REPORT



David McCorkle

Pennsylvania Food Merchants Association
Pennsylvania Convenience Store Council
President & CEO

In addition to the accomplishments of association members and staff described in the 2009 Annual Report, we have worked with other major business associations to create a business plan for the future — “Growing Pennsylvania’s 21st Century Economy.”

Organizations representing companies that employ nearly 6 million non-farm workers have published a blueprint for action to guide elected and appointed policy makers. As members of the General Assembly and the Governor’s Office staff face multi-billion dollar funding problems in the next two years, I ask you to educate candidates for office to embrace the following principles.

Oppose increasing business tax rates, including the Personal Income Tax and the Sales & Use Tax.

Increasing business taxes or business fees to pay for General Fund spending will only further exacerbate the economic downturn and loss of job opportunities. Oppose steps that will make Pennsylvania less hospitable to business and job-creation, such as: increases of general taxes such as the Corporate Net Income (CNI) Tax paid by C-Corporations, Personal Income Tax (PIT) paid also by S-Corporations, LLCs, Partnerships, and Sole Proprietorships; or the Capital Stock and Franchise Tax (CS&FT) paid by firms of all types. Oppose attempts to tax further a slim segment of the economy through targeted changes to the base or increases in the rate of the Pennsylvania Sales and Use Tax, the financial institutions taxes, Gross Premiums Tax, Realty Transfer Tax, or Public Utility Realty Tax. Oppose attempts to create a new tax on a select set of firms such as the Petroleum Windfall Profits tax. These steps are counter-productive.

Promote Fiscal Responsibility.

As our country works through the current fiscal crisis, everyone, including state government, must reduce spending. We commend policymakers for making difficult decisions to limit, and in some cases, reduce spending. The search for savings and efficiencies, however, must go much further and must be ongoing — through good and bad economic times. Options include:

- Eliminate ineffective and outmoded programs;
- Consolidate cabinet departments;
- Consolidate executive agencies and boards; and
- Consolidate programs of related scope and intent (economic development, workforce development).

The IMPACCT (Improve Management Performance and Cost Control Taskforce) Commission and PRIME Initiative reports should be used as a roadmap for additional savings.

Limit spending growth.

Under the current circumstances, the Commonwealth should not initiate new programs or expand existing ones. Future spending increases should be tied to real world economic indicators, such as the rate of inflation plus the percentage change in population growth. Furthermore, state government must also endeavor to derive maximum value out of taxpayer dollars already being spent before taking more.

Adopt zero-based budgeting.

Another way to increase efficiency is to exchange standard cost-based budgeting for zero-based budgeting, under which all expenses must be justified for each new budget. It starts from a “zero base” and every function within an agency or department is analyzed for its needs and costs. Budgets are then built around what is needed for the upcoming period, instead of only adding onto previous spending levels.

Conduct performance audits.

Once approved in a budget, programmatic spending and budget line items become permanent costs borne by taxpayers. Use of performance audits, perhaps every five years, would assure that the taxpayers receive the intended or expected benefits of the state programs they fund. The Pennsylvania Auditor General’s office is well suited to execute such audits.

Reinstate “sunset” review and termination.

In the 1970s and 1980s, whenever a new program or agency was created, it had a finite life span (often five years), after which time the program or agency would terminate (sunset) if not specifically reauthorized by the Legislature and signed by the Governor. This process triggered “sunset audits” months before termination in which policymakers determined whether the legislation had the impact or effect intended. All programs and agencies should be subject to sunset audits.

Empower a “Grace Commission” to address costs. While spending limitations control the growth of government and taxes, even more progress can be made by reducing or eliminating wasteful, redundant, or unnecessary spending. Although the executive branch has pared back some administrative spending in recent years, further cost-cutting opportunities should be identified and prioritized by a panel of private sector leaders modeled on the Grace Commission or the IMPACCT Commission.

Limit debt.

In recent years, state and local government has assumed billions in new debt obligations. Pennsylvania taxpayers should be protected from further borrowing until our economy is healthier. Specifically, state government should delay for one year the issuance of bonds for the Energy Fund.

CHAIRMANS' MESSAGE



PFMA Chairman
Dan McNabb
Baldwin-Whitehall Food Stores
Pittsburgh, PA

Dear PFMA and PCSC members:

Last year brought familiar battles and some new challenges as we continued our work to keep government regulation to a minimum, while striving to sustain and grow our businesses. PFMA/PCSC needs your input and time more than ever as we begin 2010.

Since the association's founding in 1952, Pennsylvania food retailers have longed for the opportunity to sell beer in their stores. In 2009, Randy St. John, PFMA senior vice president of association services, and Melanie Horvath, vice president of government relations, laid the groundwork to change the Commonwealth's archaic beer sales laws.

PFMA and PCSC members started circulating a petition asking their customers to support changes to the law that would give them the opportunity to buy beer in convenient locations in the quantity they want. They collected more than 125,000 signatures in support of our efforts since the fall of 2009.

As we begin 2010, the revolution is underway. On February 16, PFMA and PCSC staff organized a rally at the state capitol where Senator John Rafferty (R-Berks, Chester and Montgomery) announced his plans to introduce a bill that will allow convenience and grocery stores to sell beer. More than 250 associates from Sheetz and representatives from PFMA and PCSC member stores showed their support by attending the rally.

Under the bill, retailers would be able to convert existing licenses to a food merchants license. It would also promote responsible sales by enacting a 100 percent carding policy and allow purchases of six packs.

The association also unveiled a new web site, www.SixPackToGo.org. We encourage you to visit the site where you can contact your lawmakers and ask for their support of Senator Rafferty's Beer Bill. In addition, please help us get the word out to your customers about the effort and encourage them to visit [SixPackToGo.org](http://www.SixPackToGo.org). We can't stress enough that your support and your customers' support is vital to moving the Rafferty Beer Bill forward. Please contact Melanie Horvath at 800-543-8207, ext. 5910 to learn how you can get the word out.

There are several other issues that we're watching closely this year, including a proposed expansion of the sales tax to candy, services and other areas; a tax on sugared beverages in Philadelphia; Organized Retail Crime bills, and the uniformity of food safety inspection standards.

In his initial budget, Governor Edward Rendell had called for broadening the state's sales tax to include currently exempt services such as auditing and accounting, public relations and advertising, truck transportation, products such as candy and gum and more. These areas are being explored again this year as the governor works to generate additional revenue to reduce the state's deficit.

CHAIRMANS' MESSAGE

PCSC Chairman
Dan Pastor
GetGo from Giant Eagle
Pittsburgh, PA



Philadelphia Mayor Michael Nutter and city council members are proposing a tax on sugared beverages. PFMA's David McCorkle recently attended a meeting to present association members' opposition to the proposal, which would increase consumers' cost of these soft drinks by 40.5 percent, result in reduced sales for city stores, and cost Philadelphia bottlers jobs.

Organized Retail Theft continues to plague PFMA and PCSC members. Association staff is working with the Pennsylvania District Attorneys Association, the Attorney General's Office, the Pennsylvania Retailers' Association (PRA) and the National Federation of Independent Business (NFIB) to develop a bill that would increase the punishment for organized retail crime. PFMA members have clearly outlined that surrounding states have tougher laws, making Pennsylvania a fencing target. HB 1720 passed the House and is currently in a Senate Judiciary Committee awaiting an amendment from Senator Greenleaf. PFMA staff will continue to push to pass these tougher penalties into law.

In December 2009, a mice infestation at the capitol cafeteria shut it down for more than two weeks bringing attention to the non-uniformity of state food inspections. The cafeteria had not been inspected since 2005. PFMA continues to work toward statewide uniformity for food safety regulations. Currently, through Act 315, six counties and four cities are permitted to promulgate their own health regulations, which

may exceed those of the state. In addition, more than 200 municipalities have the same ability based on Act 369. PFMA's Randy St. John continues to ask that HB 174 utilize the State Food Code as the standard for all food safety inspections undertaken in Pennsylvania's regulatory jurisdictions.

You can help by contacting your legislator and announcing your opposition to sales tax expansion, sugared beverage taxes and to encourage uniformity in food inspections.

Thanks to Associate Members

We take this opportunity to thank the associate members who support association activities and provide their input as members of the PFMA board of directors and PCSC executive committee (please see the listing on page 30). Your participation is invaluable to the success of the association. We appreciate your willingness to attend meetings and events and put your ideas out to the staff and directors. Thank you for your support! We also encourage other associate members to become active and join the board and executive committee. Please give David McCorkle a call at 800-543-8207, ext. 5900 to express your interest.

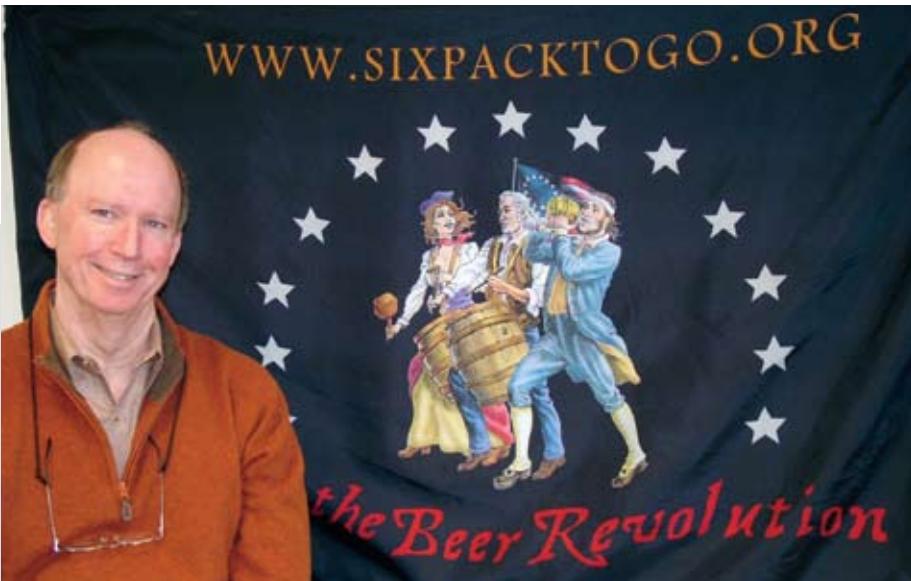
A handwritten signature in black ink, appearing to read "Daniel McNabb".

Daniel McNabb, PFMA Chairman

A handwritten signature in black ink, appearing to read "Daniel N. Pastor".

Daniel N. Pastor, PCSC Chairman

ASSOCIATION SERVICES



Randy St. John
Senior Vice President
Association Services

Two Thousand Nine (2009) was a daunting year for PFMA, its members and the state legislature as Pennsylvania struggled to recover from a deep recession. However, PFMA continued to provide a full range of member service activities including an Annual Conference, the Pennsylvania Best Bagger Contest and active participation in food safety, loss prevention and government relations.

Although Governor Rendell pushed for tax increases in a number of areas, PFMA formed coalitions with other Pennsylvania businesses to fight back the Governor's thirst for increasing revenues for the state. This kept the government relations staff busy well into the fall as Pennsylvania passed a final state budget 101 days after its due date on June 30.

One of the major legislative issues for 2009 concerned the problem that PFMA faced members regarding the sale of non-fire safe cigarettes. A law passed in 2008 required that retailers sell out their entire stock of non-fire safe cigarettes by June 30, 2009. As the deadline approached, retailers realized they were unable to do that and would have to destroy non-fire safe cigarettes on June 30. PFMA's government relations department worked with Representative Richard Stevenson (R-Butler, Mercer) to create a bill which would extend the deadline for one year. The legislation sped through the House and Senate before the June 30 deadline and the grocery and convenience store industry saved millions of dollars by this quick legislative action.

PFMA's legislative staff worked throughout 2009 behind the scenes crafting the strategy for a campaign to legalize the sale of beer in supermarkets, grocery stores and convenience stores. Working with Senator John Rafferty (R-Berks, Chester, Montgomery), the new beer bill's prime sponsor, PFMA prepared for a kickoff event which took place in February 2010 launching the Better Beer

Laws 2010 Campaign. Members are now urged to visit the website at www.sixpacktogo.org and send communications to legislators in support of the bill. Members should also be recruiting their employees and customers to also contact their legislators.

PFMA's committees were active in 2009. The Loss Prevention Committee worked with the Pennsylvania Retailers' Association to author a bill which would strengthen the penalties for organized retail crime. The bill passed the House of Representatives unanimously and then went out to the Senate passed the Judiciary Committee on March 16 and it was up for a second consideration on April 12, 2010.



PFMA's Food Protection Committee hosted two sessions during the annual meeting in May. Committee chairman Chuck Martin, Acme Markets, right, thanked speakers Dan Vaché and Xuetong Fan, Ph.D. for presenting at the sessions.



PFMA and PCSC members have the opportunity to save on their electricity bills through the association's partnership with OnDemand Energy. John Bodine, left, conducted energy seminars during the annual conference in May and again in October to explain the company's service and how PFMA/PCSC members can save money.

ASSOCIATION SERVICES



Melanie Horvath
Vice President of Government Relations



Annette Knapp
Manager of Legislative Research



Ellen Markle
Administrative Assistant **Elizabeth Peroni**
Director of Communications **Jamie Overmiller**
Executive Assistant

PFMA's Food Protection Committee worked closely with the Pennsylvania Department of Agriculture to create an emergency preparedness document. The document addresses issues such as floods, snow storms, pandemics or epidemics and food contamination events and creates a direct line of communication between PFMA and its members and the Pennsylvania Department of Agriculture and the Pennsylvania Emergency Management Agency. As the state battled a rash of snow storms early in 2010, PFMA staff obtained a waiver for the hours of service requirements for truckers in an effort to keep stores stocked with food and pharmaceutical supplies.

Several convenience store members have asked PFMA to consider yet another committee — a Fuels Committee — that would work with appropriate state agencies that regulate the sale of gasoline and diesel fuel. PFMA will poll members in 2010 to assess their interest.

PFMA held its Annual Conference, May 20-21, in Harrisburg. Seminars featured topics on food protection, loss prevention, how to save money on your electricity bills, social networking, Recession proofing your store, activating your consumers, revving up your employees, and insights on how to successfully participate in media interviews. Members and guests enjoyed a PFMA Night at the Races at Penn National Race Course where they celebrated, networked and enjoyed the relaxed atmosphere during the fun evening.

Genuardi's took home bragging rights this year as grocery bagger Courtney Acton took home the title of Pennsylvania's Best Bagger.



Pennsylvania's Best Bagger
Courtney Acton, Genuardi's

She represented the state in the national competition during the National Grocers Association convention in Las Vegas in February.

Association services staff are working actively now to create this year's regional events which will include a golf outing and combined retailer/associate member meetings in the east, west and central regions of the state. Visit PFMA's web site at www.PFMA.org for details as they become available.



Randy and Brenda Sprankle, Sprankle's Neighborhood Markets, Leechburg, select their favorite horses during PFMA's Night at the Races, held at Penn National Race Course.



PFMA and the Pittsburgh Association of Manufacturers Representatives (PAMR) co-hosted the Western Pennsylvania Golf Classic on August 24 at The Club at Nevillewood, Nevillewood, Pa.

PFMA Chairman Dan McNabb, Lebanon Shops Foodland; PAMR President Vince Bianco, Wise Snacks; and Randy St. John, PFMA.

GOVERNMENT RELATIONS



911 Surcharge

Cell phone providers such as Verizon and AT&T currently contribute funds to the state's 911 emergency services network by collecting a \$1 monthly fee from their phone service customers. Those funds are allocated back to the county in which their customers have service in order to subsidize the cost for 911 emergency services. Currently, there is no law in place to collect a fee for prepaid cellular phones at the point of purchase.

In 2009, Rep. Solobay (D-Washington) introduced House Bill 1789, (first considered and re-referred to House Rules on August 5), on behalf of Verizon and AT&T to transfer that responsibility to retailers who sell pre-paid cell phone service. Under HB 1789, retailers would be required to collect a non sales-taxable \$1 fee on every prepaid wireless cell phone transaction receipt, along with the state sales tax. The fee would be submitted quarterly and retailers would be rewarded with 3 percent of the total fees collected. (Roughly – 1.5 cents for every 50 cents collected.) Retail sales receipts would be required to state that the fee is a non-taxable dollar charge. PFMA members made the decision to oppose this bill.

AT&T and Verizon have been very active on this issue nationwide. PFMA served as a liaison for members in contacting their legislators to oppose this bill throughout the year. PFMA requested that members who operate in other states that are required to collect the 911 fee (Maine, Texas, Wisconsin and Louisiana) provide financial information that may be helpful in opposing it.

Three meetings have been held with cell phone providers, including their lobbyists and tax attorneys. Interested parties on the retail side included PFMA, Pennsylvania Retailers' Association (PRA) and National Federation of Independent Business (NFIB). This bill is not favored specifically by Republicans or Democrats, but rather PEMA and emergency responders, firemen, etc. PFMA has discussed this bill with House staff members and Pennsylvania Emergency Management Agency (PEMA) staffers to express our opposition to the bill. At these meetings AT&T and Verizon have espoused that retailer's collection of the



fee would be more accurate and comprehensive as compared to how the task has been carried out thus far by carriers. Retailers have made it clear that they see the actions of AT&T and Verizon as a dodge of their current responsibilities. One way for PFMA to frame the debate has been to illustrate that the poorest

Pennsylvanians buy the most prepaid cellular time and in the smallest of increments. Therefore, the poorest Pennsylvanians will be the ones carrying the burden of this collection shift. In addition, Randy St. John has conducted conversations with the bill sponsor regarding the inefficiency of having the state Department of Revenue audit the thousands of retail locations that sell prepaid wireless services, rather than having to audit a mere 23 provider locations.

A compromise devised by AT&T and Verizon would permit retailers to consider a first-year startup provision where they could keep a higher percentage of the collected fee to help offset the cost of programming and administrative processes necessary to collect it. A concern is that it would be uncertain whether or not the percentage retailers keep will be taken away at some point in the future (i.e. Governor Rendell had proposed eliminating the 1 percent vendor sales tax collection allowance in his 2009 and 2010 budget proposals).

Movement on another front may serve as a detriment to the retail cause as the National Conference of State Legislatures' (NCSL) Task Force on State and Local Taxation of Telecommunications and Electronic Conference has voted to create model legislation which would support having retailers collect the 911 fees on every transaction when they sell pre-paid wireless cards and phones. PFMA continues to oppose AT&T and Verizon as vigorously as possible. Members should realize, however, that this move by the NCSL will strengthen the position of AT&T and Verizon — that the collection of this fee should reside with the retailer.

The state House voted in favor of the bill (169-24) on March 8. The bill now heads to the Senate for consideration.

A LOOK BACK

Following the November 2008 election, the Pennsylvania House of Representatives retained a slight Democratic majority, the Pennsylvania State Senate was firmly in the control of the Republicans, and Governor Ed Rendell (D) had two years remaining to serve as governor.

Not unlike other states, in 2009, Pennsylvania continued to slip further into deep financial difficulties and negotiations on the 2009-2010 fiscal budget put our state 101 days past the July 1 deadline with negotiations on revenue still unresolved in December 2009.

The following are the top issues that PFMA and its membership faced in 2009...

GOVERNMENT RELATIONS

Bathroom Bill

Senate Bill 354 would require that stores allow certain qualified customers with medical conditions to use your non-public bathroom (if you do not have a public bathroom). One concern with this bill relates to the location of the non-public bathrooms. Customers should not be walking through food preparation areas due to food safety purposes; therefore, certain types of known exceptions such as this should be taken into account. Language in the bill states that customers would be permitted to use the facility if use does not create health or safety risks to the customer or security risks to the retail establishment. It was suggested that the language include restrictions that would prevent health and safety risks for the retail establishment as well. It was reported that Minnesota passed a similar bill in 2008. SB 354 was first considered by the Senate on April 28, and saw no further movement in 2009.



Biodiesel Mandate

In 2008, the state legislature passed a three-bill package mandating the use of alternative fuels at the pump. House Bill 1202, authored by Rep. Mike Gerber (D-Montgomery), required gasoline and diesel stations to meet content requirements for cellulosic ethanol and biodiesel, once in-state production reaches a certain level. Governor Rendell signed Act 78 on July 10, 2008 and the biofuel percentage requirements established under the new law go into effect as in-state biodiesel production achieves the following goals.

All diesel fuel sold at retail must contain:

- 2 percent biodiesel, once in-state production reaches 40 million gallons;
- 5 percent biodiesel, once in-state production reaches 100 million gallons;
- 10 percent biodiesel, once in-state production reaches 200 million gallons; and
- 20 percent biodiesel, once in-state production reaches 400 million gallons.

The Mandate

Governor Rendell announced during the 2009 Pennsylvania Farm Show that by January 1, 2010, every gallon of on-road diesel fuel sold in Pennsylvania must contain at least 2 percent biodiesel (B-2) by volume as the state's producers had reached and maintained the first critical threshold established by the new law in September 2008.

Infrastructure Limitations

In order to ensure a smooth transition for this initial biodiesel mandate without supply disruption and price spikes for customers, a great deal of work and economic investment would have to be made in Pennsylvania's fueling infrastructure between now and the start of the mandate.

Only one-third of all biodiesel production facilities in the United States are currently operating. At an April 1, 2009 state Department of Agriculture workshop, it was reported that 65% of the state's biodiesel fueling infrastructure is already in place. While that may sound promising, it also means that 35% of the infrastructure has not been established. There are myriad reasons as to why this will remain the case in 2010. To name a few:

- It is not feasible for pipelines to carry biodiesel;
- It would cost an estimated \$3 – 4 million per terminal to heat bio-feedstock tankage and lines, fuel oil blend stock tankage and lines, truck off load system and lines, rail off load systems and lines and loading rack lines, valves and meters;
- Ninety-nine percent of light product terminals do not have rail spurs or storage for rail cars;
- Ninety-five percent of terminals are not on the waterways for barge access;
- Underwriters Laboratories (UL) has stated that underground storage tanks, pumps and valve hoses need to be certified by the manufacturer stating that tanks are qualified to handle up to a B-5 blend.
- The National Work Group on Leak Detection Evaluations is working on best practices to handle biodiesel in compliance with states' fire codes;
- Current wholesale blending methods such as splash blending are inadequate to handle statewide mandated volumes;

Beer

In light of Sheetz' loss in its Supreme Court case this year — brought about by the Pennsylvania Malt Beverage Distributors Association (MBDA) in a 5 to 1 decision where the court ruled that if Sheetz were to have a carryout beer license they must sell beer for on-premises consumption. PFMA announced that Senator John Rafferty's (R-Berks, Chester, Montgomery) staff was in the process of working with the Legislative Reference Bureau to develop bill language that would allow the sale of beer in convenience stores and supermarkets. A proposed bill would offer an amendment to the state Liquor Code permitting supermarkets and convenience stores to purchase licenses from beer distributors, restaurants or taverns and convert them to a new license which would permit the sale of carryout beer. After legislation is drafted, it will be circulated for co-sponsorship. PFMA members need to tell senators that beer reform needs to happen.



PFMA created a consumer advocacy website where store employees and the general public can contact their legislators in support of beer sales in convenience stores and supermarkets. The site went "live" on February 16, 2010. An employee and store customer "Better Beer Laws" petition drive kicked off to support this issue in November. Senator Rafferty announced plans to introduce a bill that would allow supermarkets and convenience stores to sell beer during a rally on February 16, 2010. Association members presented him with petitions containing more than 125,000 signatures of Pennsylvanians interested in buying beer at their stores.

- There are no regulations currently in place that explain how the fuel will be tested, the penalties for noncompliance have yet to be identified and how they will be enforced; and,
- Many terminal operators are not making any investments. Under Act 78, there is no requirement for terminals to install infrastructure. The mandate only applies to the point of final sale.

Incentives Fall Short

In 2008, the legislature also sent the governor Special Session Senate Bill 22, which contained incentive subsidies for the in-state production of biodiesel. The bill, signed into law on July 10, 2008, provides a subsidy to in-state biodiesel producers at the rate of 75 cents-per-gallon, capped at \$1.9 million per producer.

There are many out-of-state terminals that currently supply product into Pennsylvania. These terminals will have little incentive to upgrade equipment as they are ineligible for the 75-cent credit and with an upgrade cost ranging from \$3 – 4 million per terminal, they will sell their diesel elsewhere. When that supply is taken off the market, the question remains — where do Pennsylvania's fuel retailers make up this supply shortfall?

The Bottom Line

PFMA has maintained that alternative fuel mandates need to be cost effective for farmers, suppliers, retailers, consumers and state agencies. As mandates are instituted, retailers may have to increase their costs, which could be passed on to the consumer. PFMA will work with other petroleum associations to avoid supply disruption due to a lack of infrastructure as the industry transitions into sales of this new fuel.



In 2009, PFMA attended several meetings with the PA Department of Agriculture (PDA) regarding implementation of the biodiesel mandate. Certification took place on August 31, 2009 for the mandate start date to go into effect on May 1, 2010. PDA continues to work on an amendment to Senate Bill 901, which would clarify to a certain extent the responsibilities of retailers who will be selling biodiesel. As the amendment takes shape, PFMA will circulate it to the membership.

GOVERNMENT RELATIONS



Bottle Bill

Senator John Rafferty (R-Berks/Chester/Montgomery) has again introduced a bottle bill in the form of SB 588. The same bill was introduced in the last legislative session and PFMA President & CEO David McCorkle worked actively with other interested parties to prevent its passage. The same parties began efforts in the spring of 2009 to stop this harmful legislation. This bill is currently in the Senate Environmental Resources Committee and no action is expected on it.

Charitable Goods Donation Bins

Rep. Joseph Preston's (D-Allegheny) House Bill 1726, dealing with charitable goods donation bins, was introduced on June 16, 2009 and a public hearing held on December 8, 2009. The bill would require that publicly available collection bins be properly marked with an affiliated organization log and identity information, along with what type of entity they are (for-profit or non-profit) and what percentage of the proceeds garnered from the donated items goes for charitable purposes.

Collection bins operated by for-profit entities would be required to display a sign that states "Donations are not for charitable purposes and will be resold for profit." If the collection bin is operated by a for-profit entity where some or all of the proceeds from the sale of the items are given to a non-profit entity (as defined by the IRS Code), then a sign stating "Donations to (Name of the collecting entity), a for-profit company, are sold for profit and (%) of all proceeds are donated to (Name of recipient charitable IRS 501(c)(3) organization)" must be displayed on the collection bin.

If the collection bin is operated by a non-profit entity and 75 percent or less of the proceeds from the sale of the donated items are used for charitable purposes, then a sign stating "Donations to (Name of the collecting non-profit entity), a non-profit entity, are resold for profit and (%) of all proceeds are donated (Name of beneficiary), a non-profit entity" must be displayed on the collection bin.

If more than 75% of the proceeds from the resale of the donated items are used for charitable purposes, then a sign stating "This collection bin is operated by (Name of collecting non-profit entity), a non-profit entity, on behalf of (Name of beneficiary). All donated items or proceeds from the resale of donated items are used for charitable purposes" must be displayed on the collection bin. The provisions of this act would not apply to items donated for recycling purposes (paper, glass, or aluminum products).

Following the hearing on December 8, an agreement was made to develop a simpler method of notification. The bill was voted from committee on March 22, 2010.

Employee Free Choice Act

During the first quarter of 2009, many PFMA members had discussed the Employee Free Choice Act (EFCA) with Senator Arlen Specter (at that time R-PA, but now D-PA). Sen. Specter held a great deal of power in that he could have been the 60th vote for cloture on EFCA, thus ending debate on the issue and forcing a vote. On February 19, 2009, Ellwood City Save-A-Lot's Christy Spoa and a small group of Ellwood City business leaders held a luncheon and then a public forum with the Senator to share views on the issue. Several PFMA members attended and the Senator spoke openly about changes needed in the operation of the National Labor Relations Board (NLRB) and other problems in labor management relations.

On March 23, 2009, Pennsylvania Convenience Store Council (PCSC) Director and Turkey Hill's Director of Information Technology and Petroleum Sales, Gabe Olives, and Quintin Frey, CEO of the Turkey Hill Dairy, met with Senator Specter, his staff and central Pennsylvania business leaders. Quintin raised the EFCA issue and Senator Specter noted his concern that the secret ballot is the cornerstone of America's democratic tradition.

Food Handler Certification

House Bill 174, first introduced during the last legislative session as HB 1422, revises state food safety laws. PFMA began lobbying on this bill in the spring of 2009 and worked specifically on three aspects. The first was to reduce fines for re-inspections from \$150 to \$0. Randy St. John, senior vice president of association services, accomplished this in a House Agricultural & Rural Affairs Committee meeting where all Republican committee members and a number of Democratic committee members voted for an amendment to make the change we requested.



The second ask in this bill concerned the number of certified food handlers that need to be on duty. The current bill requires one certified food handler be on duty during each shift at each facility with the following exceptions – the Department of Agriculture could use risk based factors to modify that requirement and would exempt stores that were not actively involved in food preparation. PFMA continues to argue for a change that would allow a certified food handler to be "accessible to" the store during all hours of food preparation, not necessarily on location.

PFMA's third request surrounded the issue of statewide uniformity for food safety regulations. Currently, there are six counties and four cities which, by virtue of Act 315, are permitted to promulgate their own health regulations which may exceed those of the state. There are also more than 200 municipalities which have the same ability based on Act 369. PFMA continues to ask that House Bill 174 use the state Food Code (which is based on sound science) as the regulatory floor and ceiling that all inspection entities must use for food safety regulations. Currently, Acts 315 and 369 grant inspection entities the right to continue to develop new regulations which exceed those of the state. This request was fulfilled in the same House Agricultural & Rural Affairs Committee meeting referenced above.

The bill passed out of the Democratically controlled House with a vote of 102-92 and it remains in the Republican controlled Senate, sitting in the Senate Agriculture Committee. Meetings are ongoing and PFMA will push to create an orderly process to regularly review requests to deviate from the state code.

With the help of PFMA member efforts, on March 24, Senator Specter announced that after much deliberation, he would not be the 60th vote for cloture to bring the EFCA bill to a vote.

He stated, "Such arbitration runs contrary to the basic tenet of the Wagner Act for collective bargaining which makes the employer liable only for a deal he or she agrees to. The arbitration provision could be substantially improved by the last best offer procedure which would limit the arbitrator's discretion and prompt the parties to move to more reasonable positions. The problems of the recession make this a particularly bad time to enact Employees Free Choice legislation."

EFCA could rear its head in 2010 with President Obama's March appointment of general counsel for the service employees international union and labor federation AFL-CIO Craig Becker, which the U.S. Senate had previously blocked to National Labor Relations Board (NLRB).

GOVERNMENT RELATIONS

Hours of Service Waivers

PFMA members have asked for assistance in drafting language regarding waivers for hours of service requirements during an emergency. Currently, the state's emergency management council can take up to 72 hours or more to ratify a declaration. Retailers often can't spare a three-day delay on the movement of goods during an emergency. This proposal continues to be circulated to state agencies and representatives at the Pennsylvania Emergency Management Agency (PEMA) and Governor's office for consideration. PFMA staff is trying to implement this request into an emergency operations plan we are working on with the state Department of Agriculture that will eventually be adopted by PEMA.



I-80 Tolling Proposal

The state House of Representatives' Republican Policy Committee held a public hearing on November 18 regarding the proposal to toll Interstate 80. The Pennsylvania Turnpike Commission has submitted a new application for enacting tolls on the interstate to the Federal Highway Administration. The application, submitted on October 29, is a second attempt by the commission and state highway officials to implement tolls on I-80 to generate revenues for the state's transportation and mass transit needs.

In 2007, when it was first proposed as part of what later became Act 44, the plan met with plenty of opposition from citizens and lawmakers from the mostly northern Pennsylvania areas through which the 311-mile interstate runs – including PFMA supermarket chains that heavily truck goods on that road. That opposition died down when the federal government rejected the state's application in December 2007 for failing to demonstrate that the revenue generated by the tolls would be used solely for the improvement of I-80. PFMA will closely monitor developments on this important issue. On April 6, Governor Redell announced he will call a special session on transportation as the federal government once again rejected the tolling plan.

Leaking Underground Storage Tank (LUST) Fund

During the Schweiker Administration, the legislature borrowed \$100 million from the LUST Fund with the agreement that it would pay back the fund at a rate of \$10 million per year. As it has in past years, the Governor's budget proposed to significantly cut that repayment and PFMA advocated for the restoration of the full amount of borrowed monies from the LUST Fund. A letter sent to the Governor on behalf of the PFMA membership included this request.



Octane Testing

Senator Greenleaf (R-Bucks, Montgomery) has introduced a bill (as he has for many years in the past) which would require the Department of Agriculture to randomly test octane. The bill contains no fees for this testing to be done. This reflects a change from earlier years when Greenleaf attempted to pass the cost for these tests on to retailers. This most recent proposal has been well received by PFMA members, as fuel retailers do want competitors to be using full octane.

PFMA retailers did request a small amendment to the bill language – adding “or exceed”. The language would read, “Octane must meet or exceed...” A committee meeting was held on the bill and the language was amended to include the proposed change. Since the bill does not contain any provision to tax retailers to provide for the testing, it will be difficult for the bill to reach final passage because it will be a new cost imposed on state government.

Organized Retail Theft

PFMA's Loss Prevention Committee has been working with the District Attorneys Association, the Attorney General's Office, the Pennsylvania Retailers' Association and National Federation of Independent Business (NFIB) to develop legislative language for the increased punishment of organized retail theft (ORC). PFMA members have clearly outlined that surrounding states have tougher ORC laws in place that make Pennsylvania a fencing target. On March 9, 2009 the officers of the Loss Prevention Committee, along with PFMA staff, met with the members of the House Judiciary Committee on backing the introduction of a bill. During the dinner event, committee members spoke to the House Judiciary chairman Representative Thomas Caltagirone (D-Berks) who said he would support our efforts to develop new legislation for ORC.

After months of negotiations, on June 24, HB 1720, prime sponsored by Representative Caltagirone with a first co-sponsorship by Representative Ron Marsico (R-Dauphin), was introduced and quickly passed out of the House Judiciary Committee with a unanimous vote. The bill soon passed the House of Representatives with a 195-0 vote and moved from the Senate Judiciary Committee where Senator Greenleaf (R-Bucks, Montgomery) will amend to the bill, which will focus more on organizers and less on the booster level. The bill passed from the Senate Judiciary Committee on March 16 and is up for a second consideration on April 12, 2010. PFMA and the Pennsylvania Retailers' Association have been engaged in negotiations with Senator Greenleaf and his staff to work out this compromise.

Thanks go out to PFMA's Loss Prevention Committee members who have been so active in promoting this bill and urging its passage.

GOVERNMENT RELATIONS



Non-Fire Safe Cigarettes

Initially, non-fire safe cigarette stock had to be removed from Pennsylvania retail store shelves by July 1, 2009. PFMA asked the Attorney General's Office if these cigarettes could be discounted shortly before the date they must be removed from sale, and the Attorney General's Office deferred to the Department of Revenue. PFMA members agreed that a 2-month timeframe (May and June) and a discount of up to 50% off the state minimum would be fair in making up for any losses. The Department of Revenue denied our written request. As a result, Randy St. John requested that PFMA members let him know how many non-fire safe cigarettes stores would be left with as of June 30, 2009 and he lobbied for the introduction of House Bill 1342 as a solution.

HB 1342 was prime sponsored by Representative Richard Stevenson (R-Butler, Mercer) with the first co-sponsor being Representative Timothy Solobay (D-Washington). It passed the Pennsylvania Senate on June 22, 49 – 0. Previously the bill had passed the House of Representatives 191 – 0. The Governor signed this bill which gives retailers an additional year to sell off non-fire safe cigarettes (that were purchased prior to January 1, 2009) until July 1, 2010.

Penn DOT Task Force

At a strategic planning meeting in December 2008, PFMA association leaders identified problems relating to the issuance of Highway Occupancy Permits (HOPs) by the Pennsylvania Department of Transportation (Penn DOT). A volunteer Task Force of members reviewed new procedures for the completion of Traffic Impact Studies and HOP issuance and utilized an engineering consultant, Mr. Jim Scheiner, vice president of Century Engineering and a former Penn DOT Deputy Secretary, to identify specific topics of concern.

In addition, PFMA staff has initiated discussions with representatives of the Pennsylvania Association of Township Supervisors, Pennsylvania Builders Association, Pennsylvania County Commissioners Association, elected officials, Penn DOT managers and other groups involved in the matter.

At a recent meeting of task force members and Penn DOT's Glenn Rowe and Mike Dzurko, topics reviewed included: the uniformity of the permit issuance process across Penn DOT's 12 Districts, the importance of inviting all involved groups to a planning meeting before permit applications or Traffic Impact Studies are initiated, Penn DOT internal training activities and 2010 priorities, and other issues.

The permitting process is complicated for legal, engineering, environmental and political reasons. On an individual project basis, communication and persistence are most important. On a statewide policy basis it is obvious that Rowe and Dzurko have a good plan for establishing a clear permitting process and communicating that process to all stakeholders. We look forward to working with Penn DOT and the Task Force in 2010 to address other issues of mutual concern.

Out-of-Code Product

In the last legislative session, a bill emerged from the House of Representatives containing language which states that it would be illegal to sell food product beyond its expiration date. With the help of Senator Brubaker, PFMA was able to ensure that this bill died in the last legislative session. This spring, Representative Angel Cruz (D-Philadelphia) circulated a memo asking for co-sponsorship of a bill with similar language. PFMA worked with Amelia's Grocery Outlet to begin to contact legislators who would help oppose this bill should it gain any momentum. The bill has since seen no further activity.

Philadelphia Out-of-Code Food Bill

On June 18, 2009 Philadelphia City Council passed an out of code food ordinance (090383) which creates a new section of the Philadelphia Code (section 6-309) entitled "Outdated Products," to prohibit the sale of expired non-prescription drugs, infant formula, baby food, milk, milk products and eggs, all under certain terms and conditions. When Randy St. John met with city council staff members the day before the vote while providing educational materials outlining that the only products the state regulates in regard to expiration dates are milk and baby formula, the council unanimously referred to the bill as the "CVS Bill." An anti-CVS group nationally has been attempting to embarrass CVS and in Philadelphia this group had created the impression among City Council members and their staff that CVS repeatedly had sold expired infant formula.

Although quickly passed by the Philadelphia City Council, the ordinance took months for Mayor Nutter to sign it. David McCorkle sent the Mayor a letter requesting that the ordinance receive further consideration from City Council members and stakeholders before being considered for enactment.

While the ordinance became effective immediately upon the Mayor's eventual signature on August 17, the Philadelphia Health Department disclosed in a fall meeting with PFMA staff that the department has not drafted regulations, nor have they pinpointed an exact list of products affected by the burdensome ordinance. The ordinance calls for stores to post a notice to customers (the size and message will be spelled out in regulations to be drafted by the department) and the Health Department plans to eventually check stores for outdated products during regular food safety inspections. Stores have 30 days to rectify any problems.

The bill contains the following provision – "Discount incentive for locating outdated products. A person who discovers any outdated product in a food establishment and notifies an employee of that food establishment, shall be entitled to purchase from that food establishment one of that same product, not outdated, at a discount of 50 percent off the product's current price for every outdated product the person discovers."

In an October 2009 Legislative Committee conference call, Randy St. John discussed some of the aspects of the Philadelphia ordinance with PFMA members which conflict with Pennsylvania state law – specifically, the requirement by the ordinance to give away milk at a discounted price below the state minimum. The Pennsylvania Milk Marketing Board (PMMB) has been made aware of the situation and this legal conflict has been fully communicated to the Philadelphia Health Department.

Philadelphia Menu Labeling

Prior to the Philadelphia menu labeling ordinance (080167-A) passage in 2008, City Council members and their staff made it clear to PFMA that supermarkets and grocery stores were not included in the bill. However, the actual language of the bill is ambiguous enough so that some could argue that supermarkets and grocery stores should be included. Randy St. John had discussions with the Philadelphia Health Department and Councilwoman Blondell Reynolds Brown's chief of staff regarding this ambiguity. A proposed ordinance was introduced to amend the law to exempt supermarkets from inclusion. The ordinance passed a first city council consideration in March after PFMA's Randy St. John and Philadelphia area members testified on the issue. City Council is expected to vote for full passage of 10002 on April 8.

GOVERNMENT RELATIONS

Philadelphia Plastic Bags

During the past year, PFMA and its retail members worked to find a solution to any future proposed ordinances touting citywide plastic bag bans or potential "Green Fees" for using the bags in Philadelphia. In May, City Councilman Frank DiCicco sponsored a proposed ordinance (090075) that would have implemented a 25-cent fee on plastic bags. The ordinance called for the total number of bags given out in a sales transaction to appear on the customer's receipt. On a quarterly basis, the Green Fees would be remitted to the city with stores of annual gross sales of more than \$1 million being permitted to retain 25 percent of the total amount collected. Recyclable paper bags were not covered by the 25-cent fee as long as they "contain no old growth fiber, were 100 percent recyclable overall, and contain a minimum of 40 percent post-consumer recycled content".

The Environmental Committee eventually withdrew the bill. In June, Rich McMenamin, ShopRite, and Randy St. John, PFMA, both testified at city council hearings in opposition to proposed ordinance 090074, a bill that would forbid the use of paper or plastic bags that are not reusable or compostable. Other members sent letters and contacted council members asking them to oppose the bill. On June 18, 2009 the bill was defeated.

Not resting on this brief victory as Councilmen DiCicco and Kenney vowed to begin the fight once again, PFMA requested that members who operate in the city of Philadelphia provide data as to how many plastic bags they collect for

recycling; how many of their stores have recycling bins for plastic bags and what they do with the plastic bags after they are collected. Upon the collection of that data, Philadelphia retailers proposed a plastic bag and waste reduction initiative to council members. A stakeholder group including ShopRite's Rich and Sean McMenamin and Jeff Brown; Acme's Judy Spires and Gail Street; Wakefern's Lorelei Mottese; and Penn Jersey Paper Company's Rocco D'Antonio, and other retailers suggested a voluntary plastic bag recycling program where participating retailers would sell reusable shopping bags to reduce the use of plastic bags; train employees to use the fewest number of plastic bags possible at checkout and provide recycling bins at each location for customers to return their used plastic bags.

On December 3, 2009, Philadelphia Councilwoman Blondell Reynolds Brown held a press conference announcing the resolution adopting the voluntary plastic bag recycling program in the City of Philadelphia. Nearly 30 companies, including supermarket and convenience stores, national chain stores, pharmacies and home improvement retailers, have volunteered to participate in the program. When the program began in January 2010, 300 locations were available for consumers to recycle their plastic shopping bags.

On December 10, 2009, Councilman DiCicco introduced a new ordinance requesting either a bag tax or mandatory recycling program.

Shut-Off Values

On February 27, PFMA sent out emergency shut-off valve legislation for PFMA members to review. The initial proposal followed the National Fire Protection Association's (NFPA) code 30-A which suggests that pumps be no farther than 100-feet from a shut off valve, not necessarily from "the" shut off valve near an attendant. Thus a station could expand beyond the current 125-foot mandatory distance by using additional outside emergency shut-off switches. Current 125-foot existing stations would be grandfathered. The new concept would allow stores to have a larger forecourt/pump area than existing stores. Under the current law, there is no provision for the department to grant a variance.

When consulted, the Tank Installers of Pennsylvania (TIP) did not see any problems with this legislation. It was reported that neighboring states Delaware, Maryland, Virginia, Ohio, and New York had already adopted NFPA 30-A.

House Bill 1769 was introduced on June 24 by Rep. Tim Solobay (D-Washington). The bill was amended on July 15 at the request of a PFMA member to make it clear that store attendants would have discretion in shutting off the emergency switch.

In our discussions about this issue during the summer months, PFMA members were in agreement that the bill's current language was acceptable and they were opposed to the granting of variances. However, Rep. Solobay later introduced an amendment to the bill which made the following changes at the request of the state Department of Labor and Industry: "The farthest fuel dispensing device should

not be more than 150-feet from the master control emergency shut off device. However, a variance in distance requirements may be granted by the Industrial Board."

Randy St. John met with Rep. Solobay to explain that PFMA would be supportive of the bill in its original form, but members had serious concerns about variances. In turn, Rep. Solobay granted a request to speak with PFMA members on the issue and delayed voting on the bill. In a conference call with Rep. Solobay, his staff and PFMA members, the Department of Labor and Industry said that the amendment to the bill – the 150-foot variance – was a result of not wanting to come back to the negotiating table every couple years to draft an amendment because fuel stations are continuing to improve site construction. Labor and Industry's further concern was should the current proposal go into effect exactly as drafted, it puts the safety issue directly on the customer.

The proposal that is on the table now is that the maximum distance from the shut off valve be 150 feet with variance capability. PFMA members remain opposed to the variance provision. In addition, PFMA members have expressed an interest that they would like to true up the state regulations so that they also apply to both diesel and gasoline.

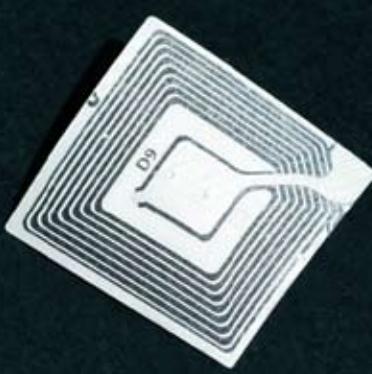
HB 1769 was referred to the House Appropriations Committee on September 11. At this time PFMA is lobbying a proposed amendment calling for a distance of 200 feet with no variance option.

RFID

On April 29, State Rep. Frank Dermody (D-Oakmont) introduced legislation that would expand the definition of identity theft to cover the unauthorized reading of personal data using Radio Frequency Identification (RFID) technology.

RFID involves a microchip that emits radio signals and a device called a reader that picks up the signal. RFID is used for tracking shipments of merchandise. Credit cards using RFID have microchips with personal information embedded in the card itself. Reading the information stored on those chips requires only a physical proximity between the card and the reader, unlike current magnetic strips which require direct contact. Dermody said that research has shown that cheap off-the-shelf hardware and software, and even homemade readers, are sufficient for obtaining personal and sensitive data contained on these chips.

HB 1386 was referred to the House Consumer Affairs Committee and did not see any movement in 2009.



GOVERNMENT RELATIONS



The budget did not include tax increases on arts and cultural events, profits from small games of chance or natural gas extraction; Nor did it include a tax on smokeless and other tobacco products (OTP) except small cigars. These were all additional revenue options discussed in the final days.

The budget plan transferred \$755 million from the state's Rainy Day Fund, depleting that account. Gambling expansion, which was set to bring in \$240 million, was resolved later in the year. When \$2.6 billion in federal stimulus dollars are included.

A positive development may come from this year's budget debacle in the creation of an independent fiscal office to aid in future budget discussions. The new agency would be required to make an "official binding revenue estimate" by June 15 of each year. That estimate would be revised on the 15th of each subsequent month until the state budget is enacted. The independent fiscal office would become at least semi-independent and produce informative reports and press administrations to adopt best practices. The legislature has until June of 2010 to devise this new fiscal and budget agency. This proposal would be implemented after the next governor takes office.

Overview:

- \$27.8 billion in overall spending
- Relies on taxes, fees, federal stimulus money and surpluses
- Maintains current state tax rates on personal income and sales
- Relies on an estimated \$240 million in fees and taxes from legalizing table games at slot-machine casinos

Taxes:

- Increased the state tax on cigarette sales by 25 cents-per-pack, to \$1.60, to raise \$97 million. The cigarette tax hike became effective November 1, 2009 and there was a floor tax taken on that date.
- Imposed a new sales tax on "little cigars" (essentially cigarettes wrapped in tobacco leaves that weigh 4 pounds per 1,000 sticks) to raise \$16 million. According to the Pennsylvania Department of Revenue, "little cigars are taxed at the same rate as cigarettes (8 cents per stick). The tax on little cigars became effective November 1, 2009, but only will be collected at that time on little cigars in packages that could be stamped. A floor tax was imposed on unstamped little cigars starting January 3, 2010. If the little cigars are not in packages that can be stamped, the wholesaler is required to collect the tax on the sale of unstampable little cigars from the retailer."
- Increased the Capital Stock and Franchise Tax (CSFT) that businesses pay from 1.89 mills to the 2008 rate of 2.89 mills to raise \$373.9 million this fiscal year and \$550.6 million in 2010-11. This is retroactive to January 1, 2009. The 2.89 rate would be effective through 2011. In 2012 the phase-out will continue and reduce the rate to 1.89 mills. In 2013 the rate will be .89 mills and in 2014 the rate will be 0 mills. There is a provision in the budget that allows companies to exempt the first \$160,000 of value from the CSFT. Previous law had set that rate at \$150,000.

State Budget

Ending a 101-day standoff on October 9, Governor Edward Rendell signed legislation to enact a \$27.8 billion General Fund budget for fiscal year 2009-10 that offered some hits to the business community. Although the budget included no statewide, broad-based tax increases on income or sales, the state increased taxes on cigarettes by 25 cents-per-pack and instituted a new tax on small cigars. It also postponed a scheduled phase-out of the Capital Stock and Franchise Tax (CSFT) paid by businesses, and made several other tax changes.

- Transferred revenue generated by an existing 25-cent portion of the state cigarette tax from a special fund that helps doctors and hospitals buy medical malpractice insurance coverage to raise \$171 million.
- There are tax credit reductions set for the next two fiscal years – netting a \$39 million reduction in 2009-2010 and a \$75 million reduction in 2010-2011. These reductions will be applied uniformly to the following tax credits:
 - Employment Incentive Payments
 - Job Creation Tax Credit
 - Research and Development Tax Credit
 - Education Improvement Tax Credit
 - Film Production Tax Credit
 - Resource Enhancement and Protection Tax Credit
 - First Class Cities Economic Development District Tax Credit
 - Call Center tax Credit
 - Complete suspension for the next two years of the Alternative Energy Production Tax Credit Program.

The Good News on Business Taxes:

- Increased the Corporate Net Income Tax (CNI) sales factor weight to 85% in fiscal year 2009-10 and 90% in fiscal year 2010-11.
- Increased the cap on Net Operating Loss (NOL) carry forwards to \$3 million or 15% in fiscal year 2009-10 and 3 million or 20% in 2010-11.

Surpluses:

- Transferred \$755 million from the "rainy day" contingency fund.
- Transferred \$808 million from medical malpractice insurance coverage funds.
- Transferred \$143 million from the Oil and Gas lease fund.
- Transferred \$150 million from the Tobacco Endowment account.

One-Time Revenue Items:

- Accelerated the deadline for sales tax collections to raise \$217 million in 2009-10.
- Accelerated the deadline for Personal Income Tax (PIT) collections to raise \$159 million in 2010-11.
- Generated an estimated \$190 million from a program that allows the repayment of back taxes without the penalty fees or half of the interest payments that normally apply.

Revenue Streams That Were Abandoned:

- Imposing a new severance tax on natural gas extraction based on both the value and volume of the gas.
- Legalizing and taxing video poker terminals in restaurants and bars.
- Imposed a new sales tax on the price of admission to live stage performances, museums, zoos and parks.
- Raising the state personal income tax by 16.3 percent for three years.
- Imposing a new excise tax on sales of loose tobacco and chewing tobacco.
- Raising the weekly limits on small games of chance fundraisers and imposing a 20 percent tax on ticket sales.

GOVERNMENT RELATIONS



Tipping Fees

Representative Mario Scavello's (R-Monroe) HB 1069 would allow certain municipalities to increase their waste tipping fees by \$4 per ton. The bill has not seen action since a May 21, 2009 public hearing, but PFMA will continue to monitor the bill for progress.

Vendor Allowance

For the first half of 2009, the governor's budget proposal included a provision which would eliminate the 1% vendor allowance that stores receive for collecting the state sales tax. PFMA joined a coalition of other business groups who collectively contacted legislators to oppose this take back. Members of the coalition included Wal-Mart, Comcast, National Federation of Independent Business, Pennsylvania Beverage Association, Pennsylvania Restaurant Association and Pennsylvania Retailers Association. The campaign was a success as the provision did not remain in the final 2009-2010 fiscal budget. However, the proposal is back in the 2010-11 budget proposal.

Women, Infants and Children (WIC)



A number of states have applied to the United States Department of Agriculture (USDA) for funding to start pilot programs which would allow states to test the efficiency of both online and offline WIC/EBT programs. PFMA hosted a WIC conference call on July 30 for members to discuss the merits and shortcomings of both online and offline WIC/EBT programs with Department of Health officials. Pennsylvania is one of the states that have applied for a grant. Randy St. John requested input from members about their experiences in other states and with other pilot programs so that they could share experiences with the personnel at WIC on August 5, 2009.

Supporting Corbett in 2010

The Pennsylvania Food Merchants Association (PFMA) and Pennsylvania Convenience Store Council (PCSC) have endorsed Tom Corbett as their choice for Governor in the May 18, 2010 Republican primary.

David McCorkle, president and CEO of PFMA, observed that Tom Corbett's experience and performance as a teacher, Assistant District Attorney in Allegheny County, U.S. Attorney in Pennsylvania's Western District, National Guard officer, lawyer in private practice and as the Commonwealth's appointed and twice elected Attorney General have prepared him well to serve as Governor.

"We believe that Tom Corbett will motivate Pennsylvanians to participate in shaping a new philosophy for managing the affairs of the state. During these challenging economic times, Tom Corbett has the vision and leadership to create a strong partnership between government and business to grow and develop Pennsylvania's economy," McCorkle said.

2010



Wine In Supermarkets

Representative Mike Turzai (R-Allegheny) has introduced House Bill 2125 that would create a class of "grocery store licenses" that allow wine sales in supermarkets. Representative Turzai introduced an identical bill in previous legislative sessions where it received little notice. PFMA provided a copy of the 2004 American Economics Group study demonstrating the significant financial benefit to the Commonwealth if wine and beer were sold in supermarkets. With the state's ongoing fiscal situation, revenue generated from the sale of wine (\$120 million during the first year and \$55 million recurring) in supermarkets would be beneficial to state budget coffers.

As of December 4, the bill resided in the House liquor Control committee.

PENNSYLVANIA PHARMACY COUNCIL



PPC Takes Proactive Approach To Issues

Pennsylvania Pharmacy Council members' proactive approach helped keep costly legislation from passing into law in 2009. Executive Director Melanie Horvath was at the state capitol regularly meeting with lawmakers to ensure the pharmacists' interests were represented. The following summary provides a look at the issues PPC members were actively engaged in throughout the year.

2009 Review

State Budget 2009-10

PPC members were first out of the gate to talk with legislators about the 2009-10 state budget. PPC members and stakeholders effectively prevented:

- The Department of Public Welfare's Pharmacy Carve Out of Prescription Drug Coverage
- 20% Rate Reduction in Pharmacy Provider Reimbursement for PACE program (HB 1676), Budget borrows \$200+ million from PACE program to cover DPW's long-term living initiative

PACE Reimbursement Reduction (HB 1676)

Legislation that would have resulted in the third rate reduction (20-25 percent hit on pharmacy's bottom line) in five years has been held up in the House. PPC continues to monitor bill, although the Senate showed little appetite for its passage. While other stakeholders suggested the pharmacy groups negotiate with the House Majority Leader early in budget negotiations, PPC held firm in resolve to oppose it.

Collaborative Practice (HB 1041)

Before being passed by the House, PPC amended legislation that would have set different requirements for community pharmacists than for pharmacists practicing in institutions. PPC removed from the legislation provisions that would have required community pharmacists to register and to pay a fee that institutional pharmacists would not have had to pay. The lopsided provisions of the bill did not concern other pharmacy stakeholder groups. PPC testified in opposition to the current version of HB 1041 before the House Professional Licensure Committee (HPLC). PPC further amended the bill in the Senate, striking the final provision that would have established different requirements to be set because of practice setting.

Pharmacy Technicians (HB 528, SB 753)

Poised to be voted on by the House Professional Licensure Committee early this year, HB 528 would impose overly stringent regulations on pharmacy technicians. PPC works closely with the Senate to advance SB 753, legislation that would require only registration and background checks on pharmacy technicians. PPC provided testimony and more recently correspondence opposing HB 528. The bill is currently on second consideration in the House.

Below Cost on Generic Drugs (SB 603)

Legislation that would have lifted the state's below cost law for generic drugs remains in the Senate Consumer Protection and Licensure Committee. PPC opposed the bill and continues to educate Senate staff on its adverse impact.

Dextromethorphan (HB 1616)

HB 1616 is legislation that would subject products containing dextromethorphan (DXM) to registration is poised to be voted on by the House. The bill, which has been introduced in prior sessions, has not gained traction in previous years in the Senate but is nevertheless high on the watch list.

Identification Badges (HB 2057)

Another bill recycled from sessions gone by, this idea continues to be highly unpopular with the healthcare professional organizations, as demonstrated by a November 2009 public hearing. The bill would affect pharmacy ID badges and is on PPC's watch list.

Fair Audit Bill (HB 822, SB 596)

Legislation setting fairer standards and procedures for audits continues to be held up in the House as a result of strong opposition from those doing the audits! The legislation passed out of committee last fall but its success is highly doubtful.



PENNSYLVANIA PHARMACY COUNCIL

Pennsylvania Pharmacy Council members met at PFMA headquarters recently to discuss upcoming issues. Standing, from left, Paul Granger, RPh, AWI; Fran Soda, RPh, Wegmans; Melanie Horvath, PPC executive director; Mark Rabinowitz, RPh, Safeway; and Sean Lynch, S&L Solutions. Seated, from left, Bob Killoran, RPh, S&L Solutions; and Leigh Shirley, RPh, Giant Food Stores.



Mail Order (HB 278, HB 527, HB 866, SB 616)

PPC testified before the Senate regarding the importance of passing a bill that would give consumers the freedom to choose where they buy their prescription drugs without financial penalties such as higher co-pays.

Safe Disposal of Drugs (HB 33)

HB 33 would have resulted in compliance costs has been held up in committee.

Redistribution of Drugs in Prisons (HB 721)

Legislation permitting the re-distribution of drugs in the state's prison systems has passed the house, providing that several provisions are met. PPC remains concerned that the legislation undermines the strict safety standards set to insure the efficacy of the prescription drug.

Electronic Log Book (HB 2057)

The prime sponsor of this legislation requiring that pharmacists enter into an electronic log book sale information for products containing PSE, ephedrine and phenylpropanolamine has resigned his seat. Yes!

Regulations

Pharmacists Break Regulations

IRRC has approved regulations permitting pharmacists to take a 30 minute break on premises without closing the pharmacy. Prior to the adoption of the regulation, pharmacists were required to close shop if they needed to take a restroom break, this regulation was especially detrimental to PPC members. PPC provided input to the state Board of Pharmacy on these regulations before they were even drafted (September 2005). Published in *PA Bulletin* December 12 and is final.

Fees

New regulations increases fees for the pharmacy intern certificate, new pharmacy permits, re-inspections, pharmacy permit changes and biennial renewal for pharmacists and pharmacies has been approved

Sale of Syringes/Needles by Pharmacy/ist

Regulations permitting the sale of syringes/needles by a pharmacist or someone supervised by the pharmacist is permitted without a prescription. The regulation is approved and final.



Contact PPC

Melanie Horvath
Pennsylvania Pharmacy Council
Executive Director

800-543-8207, ext. 5910
Email: mhorvath@pfma.net

DELAWARE FOOD INDUSTRY COUNCIL



DFIC Initiatives

Plastic Bag Bill (HB 15)

HB 15, signed by Governor Jack Markell in July, preempts any city, county or municipality from imposing a tax or ban on plastic bags. It went into effect in December 2009 and remains in effect until December 2014.

The legislation requires stores to offer reusable bags for sale; have a bin to accept used plastic bags, and requires distributors to provide recycling educational materials to their stores, plastic bags are required to have a recycling message printed on them. Companies are required to keep records as to how they recycle plastic bags. No fiscal note was attached to the bill. There are fines in the bill for noncompliance however no regulations will be written and DNREC has no staff to enforce the bill.

Bottle Bill (HB 201)

HB 201 is almost our greatest accomplishment and a crushing defeat. Governor Markell vetoed this bill that would have eliminated Delaware's "bottle bill." The bottle bill was enacted in the mid-1980s to encourage recycling and has proven to be unsuccessful and draining to retailers. The "bottle bill" provides a 5 cent-rebate for consumers who return certain beverage bottles, such as soda bottles, to stores that sell them. The law is outdated and ineffective as many Delaware residents now participate in curbside recycling programs offered by the Delaware Solid Waste Authority. Delaware would have been the first state in the nation to repeal a bottle deposit bill.

Beer & Wine Sales (HB 193)

HB 193 was tabled in mid-June. It would have allowed supermarkets to sell beer and wine. A one time license fee of \$100,000 per store with a \$5,000 biennial renewal fee would have been required.

Tax Bills That Passed

- **HB 289** Gross Receipts Tax increase of 8% instead of the 10% increase proposed by the administration.
- **HB 211** Cigarette tax increases the tax from \$1.15 to \$1.60 per 20-cigarette pack
- **HB 288** Public Utility tax increase
- **HB 264** Personal Income Tax increase of 1% on all income over \$60,000
- **HB 291** imposes an Estate Tax

DFIC LEGISLATIVE WRAP UP 2009

This session was plagued by shrinking state revenues and consumed with sports betting and table games. The Delaware food industry fared well but we have much to accomplish in 2010.

Julie Miro Wenger

Executive Director
Delaware Food Industry Council

- **HS1 for HB 263** increases fire marshal's fees
- **HS1 for HB 260** taxes Lottery winnings
- **HS1 for HB 262** increases the surcharge to the state on document fees for recordings and filings in the counties

Issues DFIC Advocated

Workers' Compensation Update (SB 38)

In order to keep the new workers' compensation statute up to date, the Health Care Advisory Panel and the Department of Labor put together a bill for the workers' compensation medical payment system.

Review of Health Insurance Premiums (SB 1 for SB 35)

SB 1 Grants the Delaware Insurance Department the same ability to review health insurance premium rates that it now has for auto insurance, homeowner's insurance and all other lines of property and casualty insurance.

DFIC worked against this Legislation Not Passed

- **HB 273** New Weights and Measures Fees — adds fees for scanners and scales
- **HB 274** — Increased fees paid to DHSS
- **SB 80** — Statewide Health Information Network
- **SB 120** — Required health insurance for part-time workers
- **HB 18** Elimination of employment at will
- **HB 231** Grants employees time off unpaid to attend children's educational events

Legislation Still Active Next Session

HB 193 Beer and Wine Sales in Supermarkets — DFIC will continue to be active in pursuing legislators to enact a law that would allow supermarkets to begin selling beer and wine.

SB 81 Menu Labeling — DFIC is opposed to state legislation that would require all delis and bakeries to add the calorie and fat content to their display menu boards. We feel the issue should be handled at the federal level and not left for each state to impose different requirements.

Bottle Bill — DFIC will continue to work with the governor's staff to craft legislation that eliminates the bottle deposit and strengthens recycling initiatives in the state.



We, the citizens of this Commonwealth, have the right as free Americans to have retailers compete for our business by offering: • Clean, well-lit and safe family environments • Competitive prices • Convenient locations • One-stop shopping for food, beer, gasoline, etc. • Opportunities to buy beer in the quantities that suit my needs

Beer Battle Brewing in Harrisburg Let's Bring it to a Head!

Maybe you signed the beer petition, maybe you joined your friends and colleagues in Harrisburg at the *Better Beer Laws* Campaign rally in February (Check out the pictures!) Or maybe you're part of the silent majority. Whatever your level of participation, it counted! The rally was a great start, but the battle for *Better Beer Laws* has just begun. Now, your lawmakers need to hear from you directly. They need to know that you support the Rafferty Beer Bill and that you want them to support it too!

The Rafferty Beer Bill brings fairness, choice, and competition to Pennsylvania's outdated and out-of-touch beer laws. The bill will allow convenience and grocery stores to sell beer. Go to www.sixpacktogo.org, click on Contact Your Legislator, and let your fingers do the talking! Help rock this Beer revolution!

Join the Revolution



Better Beer Laws 2010

Supermarket and convenience store retailers united to support change in Pennsylvania's beer sales laws.



*Senator John Rafferty
Better Beer Laws Bill prime sponsor*

*February 16, 2010
Better Beer Laws Rally
Pennsylvania Capitol
Harrisburg, PA*

www.SixPackToGo.org



PENNSYLVANIA COUPON REDEMPTION SERVICES



PCRS Overview

Pennsylvania Coupon Redemption Services, Inc. (PCRS), serving PFMA members since 1956, is the association's longest-operating business service. It is also the largest retail coupon clearinghouse owned and operated by a retail association. More than 800 retailers in Pennsylvania and adjoining states entrust their coupon processing needs to PCRS.

PCRS Embraces New Processes To Better Serve Its Customers

PCRS provides a competitively priced, superior quality redemption service that is geared toward meeting the needs of the independent food retailer. Features of the program include:

- Fast and accurate processing utilizing barcode technology;
 - Prompt payment for the full face value and 8-cent manufacturer handling allowance for all coupons redeemed;
 - Three payment plan options (two, 10 and 20) working days) for maximum convenience and flexibility;
 - No service charges or volume minimums;
 - Experienced and professional customer service support;
- and;
- A commitment to obtaining fair treatment for independent grocers in the complicated redemption process.

PCRS can also help its clients process the digital or electronic coupons that shoppers select from retailer or digital coupon publisher web sites and download to their frequent shopper cards. Through our strategic alliance with ProLogic Redemption Solutions, PCRS has access to a digital coupon clearing process that delivers the same accuracy, effectiveness and oversight that PCRS provides for paper coupon clearing. Retailers implementing digital coupon programs are assured of maximum reimbursements, high accuracy, low processing cost and a single integrated clearing solution for the processing and reporting for both digital and paper coupons.

The profits earned from PCRS operations are returned to the association to help offset the costs of other PFMA programs, providing members with added value for each coupon submitted for processing.



President
Autumn Thomas
Pennsylvania Coupon
Redemption Services, Inc.



Laurie Savoy
PCRS Account Manager



SCANNING CERTIFICATION PROGRAM

SCP Ensures Price Accuracy

Since 1991, the Scanning Certification Program (SCP) has helped participating retailers provide price accuracy and appropriate pricing information to consumers in Pennsylvania and surrounding states.



Price Accuracy Gives Retailers' Advantage

The main goals of this voluntary price accuracy program are to clearly identify for customers the prices of all items in the store and to ensure that shoppers are charged the lowest advertised price at checkout.

Program guidelines require stores to adopt and advertise a price accuracy policy, provide employees with price accuracy training, document and correct errors promptly and ensure that shelf tags are accurate and legible.

SCP auditors conduct unannounced in-store inspections to measure compliance with program standards. Certification is awarded to stores that have implemented program requirements and achieve an accuracy rating of at least 98 percent on a random sampling of items.

The Scanning Certification Program provides public recognition to stores that achieve and maintain a high level of price accuracy. Adherence to program standards helps prevent overcharges that erode consumer confidence and undercharges that cost stores money. Certified stores also fulfill the Pennsylvania state requirement of Act 155 for the annual inspection of checkout scanning systems.

The program has grown significantly over the last 17 years. Membership increased from 10 study participants in 1991 to more than 1,650 supermarkets and convenience stores today. Inspection activity has also grown with a record 1,778 inspections performed last year.

Most importantly, the SCP is meeting its main goal of helping its members improve their price accuracy. Supermarket accuracy rose from 96.9 percent in 1991 to 98.23 percent in 2008. Convenience stores made strides too — improving overall average accuracy 1.03 percent since 2000.

Expanding enrollment and providing members with customized data analyses that enhance accuracy are ongoing priorities. Web site upgrades and a transition to electronic data capture and reporting in 2010 will assist the SCP in helping its members uncover and respond to price accuracy issues.

SCP has received national attention for its proactive approach to price accuracy. The staff and board of advisors have collaborated with various government agencies and industry groups, including the Federal Trade Commission, Food Marketing Institute and the Pennsylvania Department of Agriculture on the issues of price and scanning accuracy. The SCP is also recognized by the Commonwealth of Pennsylvania as an approved certifier for Act 155 price verification inspections.

The Scanning Certification Program was developed by a board of advisors, which continues to set policy and oversee all aspects of the program.

The current members of the board of advisors are:

Edward D. Arnoldi, Pennsylvania Association of Weights and Measures

Mary Bach, Consumer Advocate

Murray Battleman, Richboro Shop 'n Bag

Dean Ely, Pennsylvania Association of Weights and Measures

Dr. Drew Hyman, Pennsylvania State University

Ric LeBlanc, Pennsylvania Office of Attorney General

David McCorkle, Pennsylvania Food Merchants Association

Kevin Mullen, SUPERVALU, Inc., Pittsburgh Division

Mike Rader, Pennsylvania Department of Agriculture

Peg Rhodes, United Food and Commercial Workers

Pattie Shekiro, Acme Markets

Steve Swan, Retalix

MERCHANTS EXPRESS MONEY ORDER COMPANY, INC.



MEMO 2009 Year In Review

Merchants Express Money Order Company, Inc., (MEMO) was established in 1986, as a wholly-owned business subsidiary of the Pennsylvania Food Merchants Association (PFMA). As a result of the association's restructured business model, MEMO is undergoing a spin off from PFMA and is in the due diligence process of a potential acquisition by a multi-state financial services business. Upon completion of the acquisition, MEMO will continue to operate as a stand alone money service business.

President

Tanya Butler

Email: tbutler@memoco.com

MEMO Offers Solid Financial Products and Excellent Service

After 24 years of operations, MEMO is recognized as one of the leading money service businesses in the United States. The company offers its financial products and services to consumers through established trust relationships to more than 3,500 independent retailer locations that are classified as MEMO agents.

Through the years, MEMO has expanded the operations from one state to 20 states and the District of Columbia. The MEMO operating states are predominantly on the eastern section of the United States and have expanded into the states of Texas and Michigan. The company continues to place a high emphasis on its philosophy of maintaining unsurpassed customer service and has positioned itself as a service-focused money service business.

The MEMO money order continues to be the core product offered and is marketed to MEMO agents who provide this product directly to consumers. Most recently, MEMO has expanded its marketing strategy with a high priority on the launching of "MEMO Bill Payments" a walk-in bill payment service available to consumers as an additional service offered at the MEMO agent locations. This service provides consumers the convenience of paying their personal utility bills at a local MEMO agent location, through real-time authorized processor contracts. MEMO Bill Payments also accepts other types of consumer bills and has electronic links with a wide range of credit vendors that accept the transmitted consumer bill payments daily. Additionally, Pre-Paid by MEMO, a prepaid cellular airtime and long distance calling card product continues to be a great enhancement to the existing product suite. The Pre-Paid by MEMO products are available at the MEMO agent locations. MEMO also offers its agents a leading single source provider of electronic processing services. These processing services include credit, debit and EBT, through its effective establishment of a business alliance with RBS WorldPay, the card processing division of The Royal Bank of Scotland.

MEMO products and services are available to MEMO agents using two types of stand-alone equipment. The Electra money order dispenser is owned, manufactured and serviced by MEMO's affiliated business, Keystone Marketing Services, Inc. The newly released VeriFone terminal offers multiple products on one device for convenience. The proprietary software for both equipment types is customized specifically for MEMO. The software on the Verifone terminal has a real-time interface with MEMO's back office host operating system and has the ability to integrate with various point-of-sale (POS) systems at the retailer level.

The money services industry has maintained its image as being an extremely unique industry, specifically those businesses offering money orders and walk-in bill payment services. Being that the payment source is predominately

cash received from consumers purchasing the products; the industry is heavily regulated by both the federal and state government. The financial transactions are monitored daily and specific reporting requirements are imposed on the industry ensuring sound internal and external controls are implemented. Additionally, government agencies require a license to operate in each state and that stable financial conditions and effective risk management procedures are practiced, to ensure the business maintains safety and soundness, as well as minimized risks and exposure.

MEMO continues to enhance its Anti-Money Laundering (AML) Program ensuring the business is compliant with the guidelines of the Bank Secrecy Act, U.S. Patriot Act and OFAC, as mandated by the Department of Treasury, Financial Crimes Enforcement Network (FINCEN). MEMO's AML Program facilitates agent training both directly and by phone. AML newsletters are distributed to agents and provide updates on a regular basis. *The Agent Guide to Anti-Money Laundering* is also distributed to all MEMO agents and is used as a training tool to educate agents and employees. Based on a risk assessment of its agents, MEMO conducts regular agent AML audits in specified states. Additionally, the business implements independent AML audits of the AML Program, internal audits of the various business operating departments, IT audits and financial audits. The operating states also conduct regular examinations of the business to ensure compliance with the states' money transmitter laws that are a condition to maintain the money transmitter licenses.

MEMO's corporate philosophy is consistent with the long and short-term objectives of the business. The company has demonstrated a pattern of profitability and has developed a new business plan model that will expand the footprint by offering innovative techniques to support a new market development strategy. The new business plan is consistent with the initial corporate mission that has contributed to the overall success of the business. The MEMO mission is to provide high quality, low cost money-based products and services; MEMO has pledged an ongoing commitment to expand the money services offered to its agents that will ensure a profitable financial result. The priority of the business is to remain focused on achieving the overall business goals and objectives and fulfill its obligation to the valued business stakeholders. We value and appreciate your contribution and continued support of MEMO.



MERCHANTS EXPRESS MONEY ORDER COMPANY, INC.



MEMO's board of directors oversees the overall strategic goals for the company. Standing, from left, Hans Leyer, director; and Tanya Butler, president. Seated are Karen Wilbert, secretary/treasurer; and David McCorkle, vice president.



MEMO's Risk Management Committee consists of from left, Karen Wilbert, vice president, finance; Hans Leyer, vice president, sales and marketing; Tanya Butler, president; Kevin Lutkins, corporate counsel/compliance officer; and Dan Oliva, credit manager. The group meets regularly to review MEMO accounts and ensure financial success.



Left, Missy Wellington, vendor relations director, seeks new relationships with vendors that will enhance MEMO's product line.



MEMO's operations team includes, from left, Shelley Harris, Lesa Althoff, and Bill Searer, operations coordinators; Sherri Criley, operations analyst; Peggy Langenbach, call center representative; Terry Smith, manager of money services; Tonia Milliken, call center representative; Travis Wrobbel, communications/imaging analyst; Brenda Minnich, agent service representative; and Angela Beck, operations coordinator.



MEMO's bilingual agent service representatives are from left, Wendy Shunk and Jeanette Tagliaferro.

MERCHANTS EXPRESS MONEY ORDER COMPANY, INC.



MEMO's compliance department ensures that the company is following the regulations set for Anti-Money Laundering (AML). The staff includes, from left, Matt Daly, compliance auditor; Tiara Banks, compliance analyst; Judy Johnson-Ward, licensing and compliance specialist; and Kevin Lutkins, corporate counsel/compliance officer.

MEMO's Research and Development team is constantly exploring new products to add to the company's financial service line.

Clockwise from left, Hans Leyer, vice president, sales and marketing; Tim Wallace, IT consultant; Tanya Butler, president; Beth Mullen, vice president, information technology; Missy Wellington, vendor relations director; and Bryan Hannan, national sales manager.



A screenshot of the MEMOCO.com website. The header features the "MEMO" logo and the text "MERCHANTS EXPRESS MONEY ORDER COMPANY, INC. & SUBSIDIARIES". The main navigation menu includes "Home", "About Us", "Products & Services", "Agents Only", "Consumers", "Become An Agent", and "Affiliates". A banner on the left says "BUILD TRAFFIC & PROFITS". The center features a "WELCOME TO MEMO" section and a "OUR PRODUCTS & SERVICES" list. The footer contains legal disclaimers and contact information.

www.MEMOCO.com

Merchants Express Money Order Company offers a web site to help serve its customers 24 hours a day/7 days a week. Agents can locate necessary forms, product information, sales reports, supplies and equipment troubleshooting information on-line.

MERCHANTS EXPRESS MONEY ORDER COMPANY, INC.



MEMO's Experienced Sales Team

The PFMA sales department is staffed by five Regional Sales Managers, a National Sales Manager, an Administrative Assistant and a Marketing Coordinator. As a team, our primary goals are to enroll new members and expand our business services throughout our 20 state operating area plus Washington, D.C. Our sales managers have considerable experience in the food industry. With an average tenure at PFMA in excess of 15 years, our sales professionals are able to share their considerable experience with you while helping improve your store traffic and profitability. For more information on our business services, please contact our sales department at 800-922-8079 or visit us at www.memoco.com.

Vice President, Sales & Marketing

Hans Leyer

Email: hleyer@memoco.com

Products To Help Your Business Grow

Listed below are some of the major services we offer to help your business grow.

PCRS, Inc. (Pennsylvania Coupon Redemption Services, Inc.)

PCRS is a wholly owned subsidiary of PFMA. With more than 50 years of coupon processing service, PCRS is your answer to coupon redemption. Coupons continue to be the best way to introduce new products and with the current state of the economy, we are experiencing a resurgence in overall coupon usage. Coupon redemption by consumers is at the highest level it's been in at least 10 years and continues to grow. If you're currently not accepting coupons at your retail location, give us a call to get started immediately. PCRS is the premier coupon service and is available to all PFMA members.

MEMO (Merchants Express Money Order Company, Inc.)

With unemployment at its highest level in many years and the economy slow to restart, as many as one-third of all consumers fall into the "unbanked" or "underbanked" category. These consumers still need to conduct their financial affairs on a daily basis and seek the least expensive, convenient means to pay bills and purchase other goods and services. Since its inception 24 years ago as a money order company, MEMO has continued to introduce new products and services designed to accommodate consumer's financial needs at retail locations throughout most of the eastern United States.

Merchants Express Money Order Company, Inc. and other similar businesses are now classified as Money Services Businesses (MSBs) to more accurately reflect the scope of our business services. Some of the services we provide are:

MEMO Money Orders — MEMO money orders are a fast, convenient purchase at thousands of retail locations throughout our trading area. MEMO selling locations include supermarkets, convenience stores, pharmacies, check cashers and many other types of retail locations. Many consumers cannot afford to maintain the minimum balances required by traditional financial institutions or have an inherent distrust of the banking community in general. Those consumers as well as other mainstream consumers prefer the convenience and safety of paying for bills, goods or services with money orders. Selling MEMO money orders helps build customer traffic and overall sales. Don't let your competition steal your business! Give us a call today!

MEMO Bill Payments — MEMO Bill Payments is a quick, easy way for consumers to pay their most common bills at retail locations. Consumers simply present their bill at a MEMO Bill Payments location along with their payment and a small convenience fee. The payment is applied to their account and they walk away with a payment receipt knowing their payment will

post to their account generally in 2-3 business days. Depending on the biller, some bill payments are credited to a consumers' account almost instantly. All payments are processed electronically, virtually eliminating all customer service issues.

Walk-In bill payments is a rapidly growing service that can add to your bottom line and customer count. All equipment and training is provided by MEMO with no upfront cost. MEMO Bill Payments is rapidly expanding throughout the MEMO territory so give us a call today to see if this service is currently available in your state.

Pre-Paid by MEMO — Pre-Paid by MEMO offers you prepaid cellular airtime from most major carriers and long distance phone cards used to call many countries throughout the world. Recent studies have shown that post paid cellular plan growth offered through the major carriers has stalled out and is slowly being displaced by pre-paid cellular service. As the prepaid cellular market continues its double digit growth annually, make sure you don't miss out on this "in demand" product.

As a retailer, there is no need to pre-buy anything. PINS for prepaid cellular and most long distance products are generated automatically and printed on the consumer receipt. Your fees are part of the selected product's purchase price. You keep your fee which is based on a percentage of each transaction and remit the balance to MEMO via our standard remittance schedule. Transaction times for sales are quick and repeat business a given. Call us today to get started selling Pre-Paid by MEMO as soon as possible.

Debit/Credit/EBT Processing — The MEMO card processing service is powered by RBS WorldPay, one of the world's largest card processors. Processing rates are quoted on a cost plus basis so you know exactly what your rates will be.

Debit card transactions now account for just over 50% of all transactions and continue to grow annually as checks and cash continue to decline in volume. Debit card transactions also cost significantly less than credit card transactions and have fewer related issues such as chargebacks. Give MEMO a call today so we can arrange for a competitive quote from RBS WorldPay.



MERCHANTS EXPRESS MONEY ORDER COMPANY, INC.



MEMO's Sales and Marketing Team

MEMO's sales and marketing team includes, from left, Hans Leyer, vice president, sales and marketing; Whitney Rhoads, marketing coordinator, and Michele Weaver, administrative assistant.

Keystone Marketing Services, Inc.

Keystone Marketing Services, Inc. (KMS) is the manufacturer of the Electra Money Order Dispenser utilized by Merchants Express Money Order Company, Inc. (MEMO) as well as many other money order companies, banks, credit unions and other financial institutions throughout the United States. In addition to selling the Electra to other money order companies and financial institutions, KMS also sells consumable supplies utilized by the Electra and provides equipment maintenance and repair services to businesses utilizing the Electra. The Electra money order dispenser is generally used as a stand alone device offering safeguards that ensure against theft and fraud, accuracy

through automated functions and data capture capabilities that facilitate timely sales reports. As an alternative, the Electra can also be configured with a host-based system offering the same basic features as the stand alone version with a secure printer interface connection to a host based point-of-sale system at a retail location.

For more information on Electra sales, supplies and repair services, please visit our website at www.electraeqipsales.com or call our sales department at 800-922-8079.

MEMO Sales Managers



Bryan Hannan
National Sales Manager
(410) 529-4287
Email:
bhannan@memoco.com



George Bartell
Sales Manager
(610) 582-2669
Email:
gbartell@memoco.com



Mac Dixon
Sales Manager
(804) 288-0606
Email:
mdixon@memoco.com



Steve Halterman
Sales Manager
(937) 349-2224
Email:
shalterman@memoco.com



John Jones
Sales Manager
(570) 868-4057
Email:
jjones@memoco.com



Terry Quigley
Sales Manager
(856) 228-2848
Email:
tquigley@memoco.com

Service area: Baltimore,
western MD,
southwestern PA,
northwestern WV, TX, FL,
GA and Washington, DC

Service area: Eastern and
Central PA, Northwestern
NJ

Service area: Virginia,
NC, SC, and southern
MD

Service area: Ohio, KY,
Southern WV and
Northeastern PA

Service area: NY, RI,
MA and CT

Service area: Philadelphia,
NJ, DE, Eastern MD,
Long Island and NYC

MERCHANTS EXPRESS MONEY ORDER COMPANY, INC.

Machine Maintenance & Tech Support

The Warehouse staff works from a facility in Mechanicsburg, Pennsylvania. Hans Leyer, standing second from right, joins MEMO's technical support team, from left, Matt Scholley, Kevin Null, David Uish, and Kevin Gripper, seated, machine maintenance/help desk technicians; and John Rodgers, right, warehouse manager.



MEMO Warehouse Operations

The MEMO help desk staff provides technical support to thousands of MEMO agents selling our money orders, bill payments and prepaid cellular and long distance minutes services. Money order equipment includes the Electra money order dispenser and the newly released Verifone POS terminal. For bill payments, MEMO agents use a PC with associated peripherals, and for prepaid services MEMO features various models of the Verifone POS terminal. Additionally, our technicians provide repair service for several other money order companies utilizing the Electra money order dispensers which are manufactured by Keystone Marketing Services, Inc., our affiliate company.

Help Desk hours are Monday through Friday 8 a.m. to 5 p.m. EST. All equipment shipped from our warehouse goes through a comprehensive

diagnostic evaluation to ensure proper operation and long term reliability.

Additionally, our warehouse ships all money order inventory utilizing the latest scanner technology, consumable supplies for all equipment and signage for agent locations. The MEMO website at www.memoco.com contains a self-help frequently asked Questions & Answers section under the technical assistance tab for agents to access at their convenience. In addition, signs, supplies, customer service forms and other useful information are always available on our website.

For additional questions and technical assistance, the MEMO warehouse can be reached directly at 800-864-5246. Thanks for using MEMO!



Hans Leyer, center, greets MEMO's office maintenance staff, David Gramm, left, and Lenny Semick, right.



FINANCE



"The Accounting department went through some major changes in 2009."

Finance Year In Review

The Accounting department went through some major changes in 2009. First, we said goodbye to long-time PFMA employees, Wanda Tafun and Joyce Gnaafakis. Both of their positions were eliminated due to the economic conditions. This change required a lot of shifting of responsibilities. However, everyone managed quite well.

At the end of September, another long time employee, Stacy Kropp had found other opportunities outside of PFMA. This left only two accounting staff in the department. In order to continue, the department hired a temporary employee to fill in until a permanent employee was hired. The temporary employee worked out well and eventually accepted a position within MEMO.

The department's new employee, Talitha Sheppard, joined the staff in January 2010. She is a huge asset to the department and is learning all her necessary duties quickly.

Now with all the employee changes complete, the accounting department continues to publish monthly financial statements, complete an annual budget, produce daily cash management reports, process payroll and perform at least 100 other functions.

The Credit and Collections workload remained intensely high throughout 2009. Monthly money order application volumes are at all time highs, averaging 175 per month. With a seasoned staff of three, they process the applications within an average of 2-3 weeks. The new MEMO product, Bill Pay, was introduced in 2009. These applications, as well as Pre-Pay applications are also processed by the department.

Credit Department staff members include, from left, David Bush, credit coordinator; Robin Harner, credit clerk; and Dan Oliva, credit manager.



The Accounting Department is staffed by, from left, Gail Bryner, accounting manager; Karen Wilbert, vice president of finance; and Talitha Sheppard, staff accountant.



INFORMATION TECHNOLOGY

“This past year the IT group met with a number of successes.”



Beth Mullen, vice president of Information Technology, oversees IT projects for PFMA, PCRS and MEMO.



From left, Tim Wallace, programmer consultant; Chuck Harbor, senior programmer/analyst; Scott Thomas, programmer/analyst; and Steve Orner, information systems specialist.

Information Technology Support

The Information Technology (IT) department supports all departmental goals by providing resources and assistance at the highest level possible. This past year the group met with a number of successes. As is the case in Information Technology, each individual achievement can be a building block for other achievements.

A new Merchants Express Money Order Company, Inc. (MEMO) scanning inventory project was wrapped up this year as were many enhancements to its Bill Payment program. Along with that, IT worked diligently at creating additional sales tracking reports. The group is constantly assessing and enhancing MEMO's compliance and control systems to ensure flawless operation. IT takes pride in the work accomplished in conjunction with the compliance team so that they have the tools necessary to adjust to the ever changing government regulations in all MEMO operating states.

Pennsylvania Food Merchants Association has been working on a transition to a new membership tracking system that will offer greater flexibility and is more feature rich than the current package. Pennsylvania Coupon Redemption Services has required some streamlining work to guarantee their systems run smoothly.

Companywide there were a few hardware and software conversions completed to assure future upgradability and efficient processing of data. The programming and technical staff works closely with all facets of the organization on a daily basis to assure systems are managed without interruption.

The Information Technology department continues to explore new and better ways of accomplishing its primary goal, which is to assure the smooth operation of our organization's computer systems in order to better serve our members.

ASSOCIATION LEADERSHIP

Pennsylvania Food Merchants Association Board of Directors



Chairman
Dan McNabb
Lebanon Shops Foodland
Pittsburgh, PA



Vice Chairman
Louie Sheetz
Sheetz, Inc.
Altoona, PA



Secretary/Treasurer
Gail Street
Acme Markets, Inc.
Malvern, PA

Samuel Anderson
Pump n Pantry, Montrose, PA

Carole Bitter
Friedman's Supermarkets, Butler, PA

Bill Bracey
Bill's ShopRites, Moscow, PA

Jeff Brown
Brown's Super Food Stores, Inc., Westville, NJ

Joseph Della Noce
Supervalu, Inc., Mechanicsville, VA

Ron Fish
Reading Consumer Products, Valley Forge, PA

Scott Hartman
Rutter's Farm Stores, York, PA

Craig Hoffman
Wegmans, Inc., Allentown, PA

David Hollinger
Four Seasons Produce, Inc., Ephrata, PA

Tom Jamieson
Shop 'n Save & Save-A-Lot, Uniontown, PA

Richard McMenamin
Shoprite of Morrell Plaza, Philadelphia, PA

J. Christopher Michael
Associated Wholesalers, Inc., Robesonia, PA

Richard Russell
Giant Eagle, Inc., Pittsburgh, PA

Paul Sauder
R.W. Sauder, Inc., Lititz, PA

Mark Suprenant
Wawa, Inc., Wawa, PA

Greg TenEyck
Safeway, Inc./Genuardi's, Lanham, MD

Dean Walker
Boyer's Food Markets, Inc., Orwigsburg, PA

Jonathan Weis
Weis Markets, Inc., Sunbury, PA

Ron Weislogel
Weislogel's, Inc., Fairview, PA

Laura Williams
Giant Food Stores, LLC, Carlisle, PA

Pennsylvania Convenience Store Council Executive Committee



Chairman
Dan Pastor
GetGo from Giant Eagle
Pittsburgh, PA



Vice Chairman
Paul Rankin
Country Fair Markets
Erie, PA



Secretary/Treasurer
Mark Suprenant
Wawa, Inc.
Wawa, PA

Samuel Anderson
Pump n Pantry, Montrose, PA

Mike Cortez
Sheetz, Inc., Altoona, PA

Tom Dempsey
Utz Quality Foods, Inc., Hanover, PA

Bruce Earhart
Handee Marts, Gibsonia, PA

Scott Hartman
Rutter's Farm Stores, York, PA

Dave Heisler
CoGo's, Pittsburgh, PA

Patty Hendel
Sunoco, Exton, PA

John Hodnett
S&D Coffee, Concord, NC

Bret Hoffmaster
Shipley Stores, LLC, York, PA

Gary Lauer
Associated Wholesalers, Inc., York, PA

Chuck Miller
Ellis Coffee, Philadelphia, PA

Gabriel Olives
Turkey Hill Minit Markets, Lancaster, PA

Joseph Tripi
Tripifoods, Inc., Buffalo, NY

ASSOCIATION LEADERSHIP

Committee Leadership



Chairman
Legislative Committee
Mike Cortez
Sheetz, Inc.
Altoona, PA



Chairman
Food Protection
Glenda Christy
Giant Eagle, Inc.
Pittsburgh, PA



Chairman
Loss Prevention
Adam Nowicki
Wegmans Food Markets
Allentown, PA

Delaware Food Industry Council

Chairman
Richard Kenny
Kenny Family ShopRites

Vice Chairman
Tim Reardon
Giant/Stop & Shop

Board Members
Patty Hendel
Sunoco, Inc.

Gail Street
Acme Markets, Inc.

Erik Woehrmann
Walgreens

Treasurer
Greg TenEyck
Safeway/Genuardi's

Secretary
Lorelei Mottese
Wakefern Food Corp

Terross Young
Food Lion

Executive Director
Julie Miro Wenger

Active Committees

Food Protection Committee

The PFMA Food Protection Committee provides a forum for state and local regulators, industry, academia, and other interested parties to share ideas and offer their unique perspectives on emerging food safety, food security, and food protection issues. It is the goal of the committee to educate PFMA members on these important issues and to influence public policy and regulations to promote safe food and safe food handling throughout the Commonwealth.

Legislative Committee

The Legislative Committee plays a crucial role in helping develop an industry position on proposed laws and regulations. Through active participation on the committee, members are kept abreast of current legislative and regulatory news affecting the grocery and convenience store industries. Supportive retailers also play a key role in efforts seeking to improve the business climate in Pennsylvania.

Loss Prevention Committee

The Loss Prevention Committee is a group of Pennsylvania retailers interested in sharing ideas and educating law enforcement officials in an effort to minimize retail theft in their stores. Grocery and convenience store members from across the state first met in March 2002 to form the group.

PFMA provides the latest state legislative updates on loss prevention issues. Members are provided copies of draft bills, which are introduced on retail theft, identity theft, "Drive-offs", OTC drug regulation, cigarette theft, and more to get the group's feedback in hopes to strengthen the collective effort.

Discussion topics covered in the past include: Organized Retail Theft (ORT) issues, pay-at-the pump scam warnings, credit card and coupon fraud, organized nighttime burglaries of store safes, identity theft, Patriot Act reporting of money order transactions, pharmacy drug theft/maintenance scams and much more.

Pennsylvania Pharmacy Council

Chairman
Mark Rabinowitz, RPh
Safeway/Genuardi's
Norristown, PA

Vice Chairman
Robert Killoran, RPh
S&L Solutions
Latrobe, PA

Treasurer
Carol Bylone, RPh
Redner's Warehouse Markets
Reading, PA

Executive Director
Melanie Horvath

For information about how you can become involved in the association's committees, contact Annette Knapp, manager of legislative research, at 800-543-8207, ext. 5922 or email her at aknapp@pfma.net.

Endorsed Programs

PFMA/PCSC endorses insurance and energy programs, contact Jamie Overmiller, executive assistant, at 800-543-8207, ext.3165 or email her at jovermiller@pfma.net for more information. Visit our web site at www.PFMA.org.

CONTACT YOUR ASSOCIATION REPRESENTATIVE FOR ASSISTANCE

President & CEO
David L. McCorkle



Association Services

Senior Vice President,
Association Services
Randy St. John

Administrative Assistant
Ellen Markle

Executive Assistant
Jamie Overmiller

Director of Communications
Elizabeth Peroni

Government Relations

Vice President, Government Relations
Melanie Horvath

Manager of Legislative Research
Annette Knapp

Programs

Scanning Certification Program Manager
Autumn Thomas

Finance

Vice President of Finance
Karen Wilbert

Credit Manager
Dan Oliva

Accounting/Human Resource Manager
Gail Bryner

Merchants Express Money Order Company, Inc. (MEMO)

President
Tanya Butler

Corporate Counsel/Compliance Officer
Kevin Lutkins

Manager of Money Services
Terry Smith

Pennsylvania Coupon Redemption Services (PCRS)

President
Autumn Thomas

Sales, Marketing & Facilities

Vice President of Sales, Marketing & Facilities
Hans Leyer

National Sales Manager
Bryan Hannan

Administrative Assistant
Michele Weaver

Warehouse Manager
John Rodgers

**Pennsylvania Food Merchants Association
Pennsylvania Convenience Store Council
Pennsylvania Pharmacy Council
P.O. Box 870 | Camp Hill, PA 17001-0870
Phone: 717-731-0600 | (Toll Free) 800-543-8207
Email: pfma@pfma.net
Web site: www.PFMA.org**

**Merchants Express Money Order Company, Inc.
Customer Service: 800-922-8079
Email: memoco@memoco.com
Web site: www.MEMOCO.com**