



90  
YEARS  
est. 1924

## 2014 ANNUAL REPORT



*"It is only through a thousand points of disciplined execution that **90-year-old companies** can achieve record performance."*

*—John Venhuizen, President and CEO*





# 90 Years & Counting

## A Message from the President & CEO

As we officially blow out the last candle on our 90<sup>th</sup> anniversary, I want to thank and congratulate the entire Ace enterprise for yet another landmark in Ace's storied history. The number of milestones at Ace is a list as long as your arm, however I believe three stand out as being particularly noteworthy.

- **Founders** Our founders decided that Ace would be in the business of serving others. That principle is the bedrock of our values to this day.

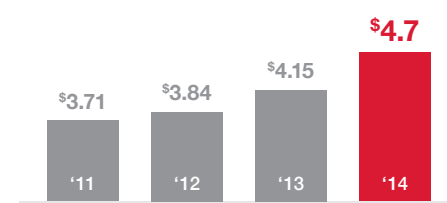
- **Focus** Over 20 years ago, the Ace board expanded our mission from mere wholesale distribution to being the best provider of products, services and operating methods. The synergy of local ownership coupled with a globally trusted brand continues to be foundational to our retail model and the passion of this organization.

- **Performance** I cannot think of a more appropriate "thank you" to the founders of this great company than to celebrate our 90<sup>th</sup> year with both record sales and profits.

### Corporate Performance

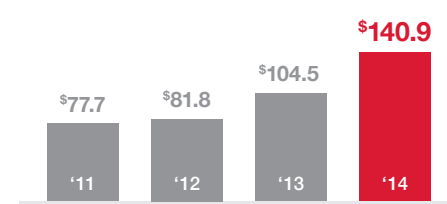
By joining hands in a unified mission, shared values and a determined spirit, we achieved record revenue of \$4.7 billion, a 13.2% increase vs. last year (12.0% growth without the 53<sup>rd</sup> week). The strategic acquisition of Emery-Waterhouse certainly accelerated the growth, but even our comparable business revenue advanced a strong 9.6% in 2014.

#### Total Revenue (in billions)



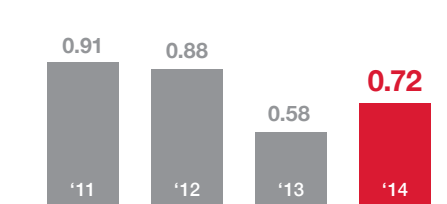
Thanks to the disciplined and frugal execution of the Ace team, net income grew to a record \$140.9 million, up 35% from last year.

#### Net Income (in millions)



Our debt-to-equity ratio increased slightly, but our shareholder equity continues to exceed our debt, and our ratio remains a very strong 0.72.

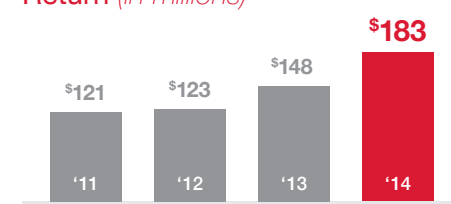
#### Debt-to-Equity Ratio



Arguably, our most important financial aim is to improve the return on equity shareholders have in both their stores and in this corporation. I'm pleased to report that return on shareholder equity ended 2014 at an impressive 35% and an industry-leading and record \$135.3 million will be returned to shareholders in cash, stock and notes. This is

in addition to the \$48 million in up-front discounts or dividends shareholders receive in STOP, Bulletin and LTL Plus merchandise.

#### Total Shareholder Return (in millions)



### 20/20 Vision Retail Strategy

It is only through a thousand points of disciplined execution that 90-year-old companies can achieve record performance. Terrific teamwork, passion and discipline throughout a number of our key initiatives fueled our growth. Chief among them in 2014 include:

- A nearly irrational pursuit of amazing customer service. After being ranked "Highest in Customer Satisfaction with Home Improvement Retail Stores, Eight Years in a Row" by J.D. Power, I continue to maintain that we have the most exceptional retailers in the industry.
- A ravenous commitment to a high-quality, locally relevant, differentiated product assortment. I credit a meaningful portion of the 5.0% same-store retail gross profit increase to our differentiated – often exclusive – lines of high-quality merchandise.

- Accelerated store growth. Nearly 2 million new square feet of retail was added in 2014, with 201 new domestic stores. More importantly, the new store model is stronger than ever with sales per square foot averaging north of \$130/ft. in year one.

When we launched 20/20 Vision, we stated that we intended to leverage our strengths and address our weaknesses. Relative to the weaknesses, we specifically stated that we wanted to stem the tide of declining transactions at retail and the declining U.S. store count. While we have a lot yet to accomplish, I'm delighted to report that 2014 was the second year in a row where retail transactions increased and the third consecutive year of increased store count. Domestic net store count increased by 80 and retail transactions were up 1.4%. Relative to our strengths, I'm far from satisfied, but believe we have made solid progress on all fronts, particularly within the four levees of Pinnacle Performance Retailing:

- **Invest in the Brand** We furthered our investments in both national and local advertising in 2014, with a national ad spend that now stands 37% higher with no additional expense to Ace retailers. Same-store sales grew 4.2%, while same-customer sales from Ace Rewards Members jumped 8%. With over 31 million "card carrying" rewards members, this continues to be both effective and strategic to our future.
- **Fulfill the Promise** Making promises is easy – becoming a promise keeper is what counts. With 2,008 Helpful Certified

stores and a 250% increase in Ace LearningPlace course completions, I'd say our brand promise of helpful service is in good hands. I'd further argue that the record \$5.8 million in CMNH donations is yet another example of the character, helpfulness and servant hearts of the Ace enterprise, including our supplier partners.

- **Enrich the Assortment** 4,769 Discovery Edge Level 3 re-sets were executed in 2014, Zoned Pricing was deployed to 75 market-specific regions, and we further advanced our Primo brands strategy with an exclusive offering from Toro and Yeti. In what may be a first for Ace Hardware, every merchandise category was up in 2014, 54% of which were up double digits.
- **Be the Supply Place** 1,646 retailers are now certified and house account growth from these stores doubled non-certified stores with growth of 5.6%.

Ultimately, Pinnacle Performance is all about two things; customer engagement and store profit. To that end, 55% of Pinnacle Ace retailers reported in our year-end survey that 2014 was the most profitable year in their companies' history. This is the very sort of metric that continues to keep an improved store model as the passion of this organization. I take comfort in the fact that most Ace retailers have their heads high – and their pedals down.

### To the Pinnacle

No climb up the proverbial mountain is without its difficulties. Were it to be easy – anyone could do it.

We'll continue to use the mountain metaphor because, in a record-breaking year, it implies at least two relevant things. First, in addition to a great deal of success, it's recognition that we also had plenty of challenges and stumbles along the way. And second, this is no environment for complacency. We do not, for one moment, believe we are anywhere near the top of the mountain. Our determination to encourage and enable Ace retailers to compete and win against the behemoths remains at a fevered pitch.

Our mission and aspirations are not for the faint of heart. We duke it out with some of the biggest, best, most well-funded companies on earth. It's a David vs. Goliath story at its finest. But in the event you haven't read your Old Testament lately – and to the extent you need a little fire in the belly to take it up a notch for 2015... David wins that fight!

Thanks for keeping the Ace flame burning brilliantly.



**John Venhuizen**  
President  
& CEO



# A message from the Chairman of the Board

Our 90-year history tells the tale of a dream that started in the 1920s with a “For Sale” sign on an empty storefront on Clark Street in Chicago and grew to more than 4,800 stores across the country and all around the world. It’s a story of integrity, perseverance, growth and service that begins anew each time a new Ace store opens its doors.

**And 2014 was another great chapter in our story – another great year for Ace!**

Our success was driven by our world-class owners and their teams, our dedicated Ace team, our vendor partners and a strategy that is working.

Our vision is “To be the best, most helpful hardware stores on the planet.” This vision in action is our long-term retail growth strategy – 20/20 Vision. It exemplifies everything we are and drives everything we do. While Ace will always make additional investments in the business, launch other strategies as the need arises and take advantage of favorable events in the business world, 20/20 Vision is our No. 1 weapon in the marketplace. As the hardware business ebbs and flows, as competitors rise

and fall, this overarching strategy is the one thing that will not change. It will be as reliable as your neighborhood Ace store.

Part of our long-term strategy leverages our expertise in wholesale distribution through Ace Wholesale Holdings (AWH), which results in financial benefits as well as defends and enhances our position with the competition. Our strategy also includes investment in our distribution centers while constantly improving our distribution operations.

The creation of Ace Retail Holdings (ARH – owner of Westlake Ace Hardware) not only enabled us to keep our largest customer in the Ace family, but also sent a message to our competition that we intend to win at retail. This acquisition illustrated that there is real value in a well-run Ace operation, which is very important to all of our owners and, for many of us, is our most valuable asset. Whether it’s valuing your business for your family’s next generation or knowing that you have value if you decide to sell, ARH is an important part of our strategy to continue growing long-term value in our businesses.

Ace International Holdings, of which we are a majority owner, allows us to grow the Ace brand around the

world. Positioning Ace International to gain strength and independence over time as a “C Corporation” (taxed separately from Ace) allows us and our partners to retain earnings to help fuel the growth of the business. It’s been a tough start, as in many new ventures, but the Ace International board and management team – with the oversight of your Ace Board of Directors – are working hard to improve and grow the business.

Our strategy is built around making Ace stronger and stronger every year. All of our investments are meant to build long-term value and keep Ace and our stores prosperous for the next 90 years!

Thank you all for a great 2014 and for being the most helpful hardware stores on the planet.

*James W. Ackroyd*

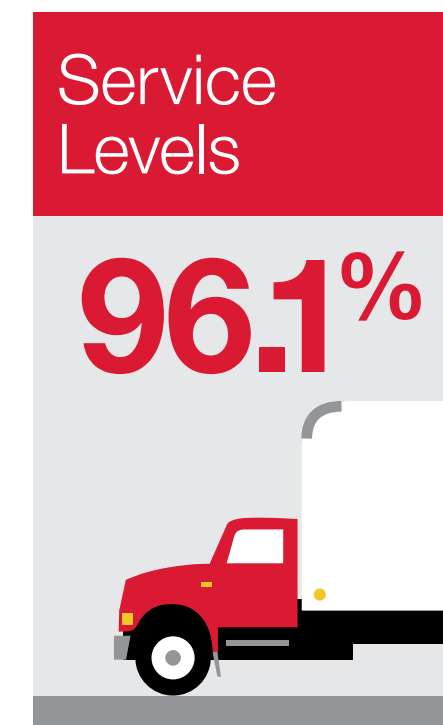
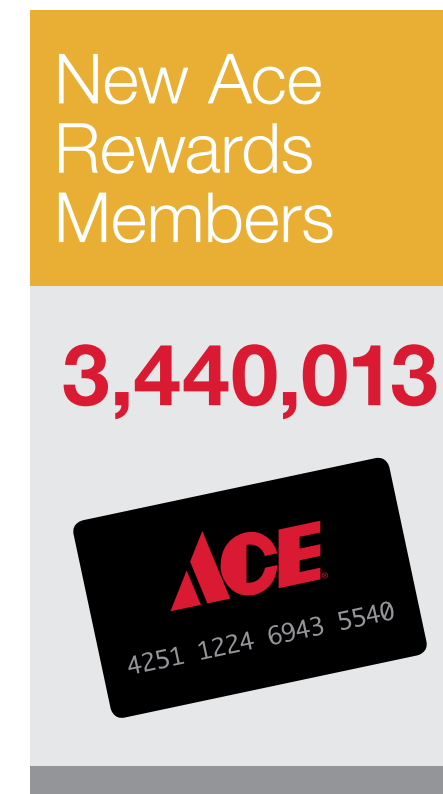
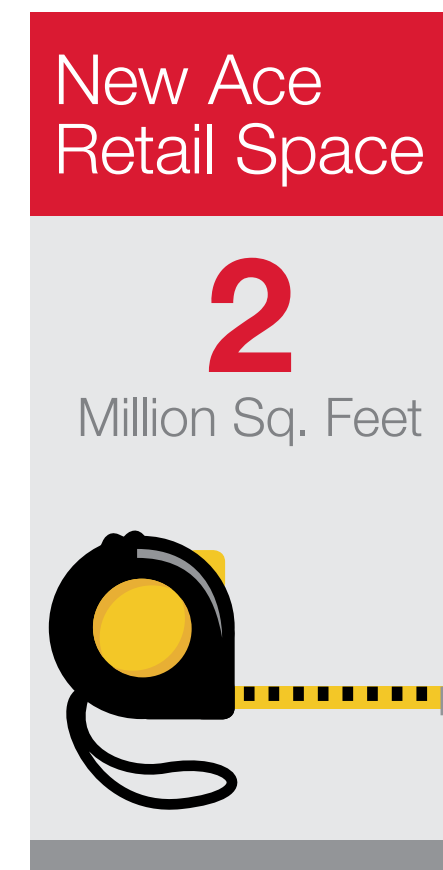
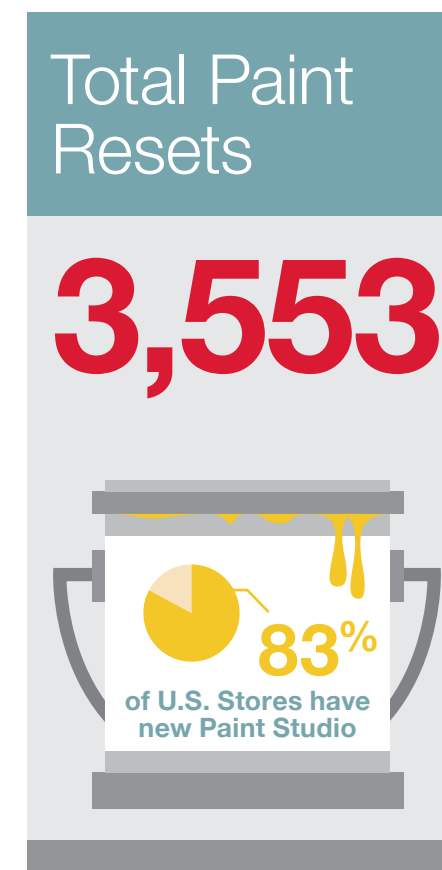
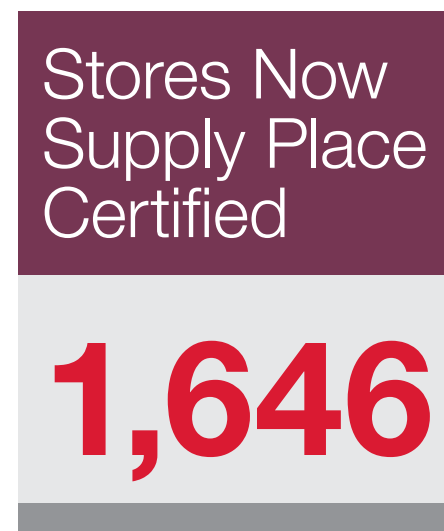
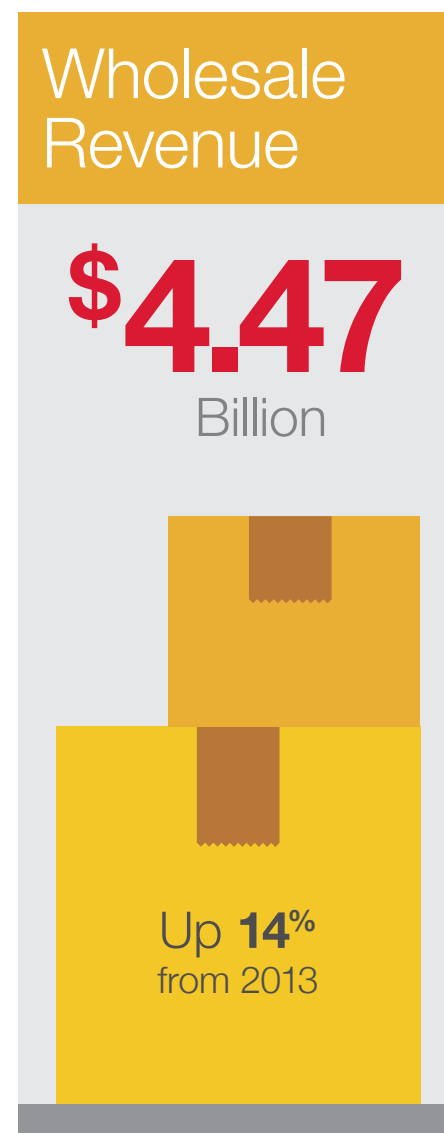
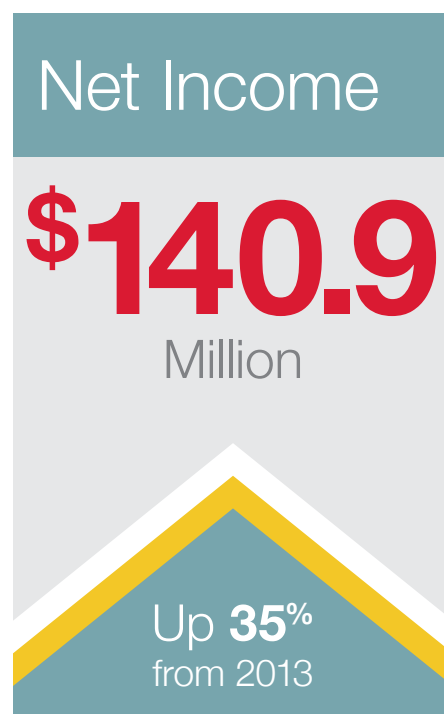


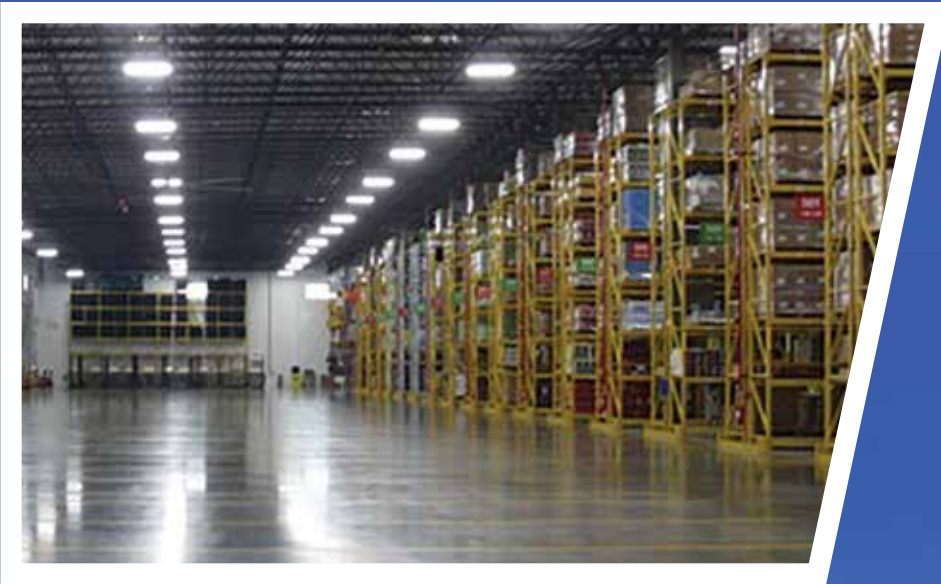
**Jim Ackroyd**  
Chairman of the Board





# 2014 in Review





Wilmer Retail Support Center



West Jefferson Retail Support Center  
Exterior photo © Cory Klein Photography

# New Retail Support Centers Open in Texas and Ohio

## Wilmer Retail Support Center

In order to be the best, most helpful hardware stores on the planet, Ace must be able to effectively and efficiently serve and supply its retailers. With approximately 4,300 retail stores throughout the U.S., Ace's network of strategically located Retail Support Centers is crucial to providing the necessary support on which retailers depend.

The new warehouse facility in Wilmer, Texas, is responsible for supporting several hundred Ace retailers throughout Texas, Oklahoma and New Mexico. This state-of-the-art Retail Support Center (RSC) opened in 2014 and boasts a number of features designed to further enhance Ace's supply chain, including nearly 90 dock doors that maximize transportation efficiency.

The Wilmer RSC was the first to introduce hydrogen fuel-cell technology to power its fleet of forklifts and other power equipment; this is a clean, reliable energy solution that reduces greenhouse gas emissions.

## West Jefferson Retail Support Center

Ace also opened a new 500,000-square-foot RSC in West Jefferson, Ohio, in August. "Ace is pleased to break ground on this state-of-the-art facility," Rick Whitson, Ace's Vice President of Retail Support, said at the facility's grand opening. "Our new Retail Support Center in West Jefferson

will play an integral part in Ace's overall supply chain, supplying hundreds of Ace retailers and, in turn, serving thousands of consumers."

The new center serves Ace Hardware retail locations throughout Ohio, parts of Michigan, eastern Indiana and northern Kentucky; it also

employs approximately 100 Ace team members locally. The warehouse has the capability to expand by more than 280,000 square feet to meet future growth needs. The facility is furnished with 84 dock doors as well as power equipment that is run by hydrogen fuel-cell technology.

## Latest Technology Delivers Results

Order fillers make up Ace's largest employee group in the 14 RSCs. In 2014, these team members began to use voice pick technology to deliver high-quality, damage-free shipments on a timely basis to their retailers.

In addition, Ace uses comprehensive product slotting technology within the RSCs to minimize travel time for order fillers. "Slot 3D" is being used to reduce travel by grouping high-moving products in priority

pick locations and freeing up space for continued growth. Reduced travel time not only eliminates waste but also lessens fatigue – therefore supporting quality and safety within Ace's RSCs.



# Exciting Coast-to-Coast Acquisitions for Ace Wholesale Holdings

In 2014, Ace solidified its position in the hardlines wholesale industry with the acquisition of Emery-Waterhouse and Jensen Distribution Services

With more than 300 years of success in the hardlines business combined, both companies have the history, leadership and values to create a strong foundation for Ace's growing wholesale business.

"As the hardlines industry evolves and consolidates, Ace Hardware is faced with the option of simply hoping the chips fall our way, or actively participating as a leader to shape this industry for the long-term benefit of Ace shareholders," says John Venhuizen, Ace President and CEO.

The fact that Emery-Waterhouse, headquartered in Portland, Maine, and Spokane-based Jensen are located on opposite coasts will allow Ace to strategically expand its wholesale distribution network and

complement Ace Retail Support Centers. At the same time, both acquisitions will provide a platform for lower cost of goods driven by scale and price synchronization, as well as access to new categories, products and suppliers.

"While Ace's retail strategy continues to be a priority with the stated mission of being the best provider of products, services and operating methods to convenience hardware retailers, Emery-Waterhouse and Jensen will advance Ace's wholesale strategy to be the best provider of hardlines products for independent lumber, paint, nursery, industrial and hardware outlets," notes Venhuizen.

## Ace Wholesale Holdings At-A-Glance

### Emery-Waterhouse

- Founded in 1842
- Based in Portland, Maine
- \$160 million in wholesale revenue

### Jensen Distribution Services

- Founded in 1883
- Based in Spokane, Wash.
- \$150 million in wholesale revenue







# Littleton's Living and Lasting Legacy

Littleton Ace Hardware  
Littleton, Colo.



Fulfill the Helpful Promise

*Years ago, Ace was known as “the place with the helpful hardware man.”*

But for 30 years, Lucille Bevans has been “the helpful hardware woman.” An astute businesswoman who has always been ahead of her time, Lucille decided to buy an Ace store when she was 55 years old. Now in her late 80s, she is still the visionary force driving the growth of Littleton Ace Hardware in Littleton, Colo.

After three decades in the same location, Lucille and her son Bob decided it was time to make a significant change in the business and relocate the store. She also

made the strategic decision to bring her granddaughter, Jill, and her husband, Ben Bussell, into the business as part of the move. Jill and Ben are purchasing the store from Lucille and are very grateful for Lucille's mentorship and involvement.

Working with Ace, Lucille and her family moved their 8,000-square-foot store into a 15,000-square-foot location, updating its inventory in order to remain relevant in the market and attract new customers. The original store remained open for almost the entire move. Less than 48 hours after the last merchandise was brought over from the old location, the new store was up and running.

Prior to starting the relocation project, Littleton Ace went through Helpful 101 Certification to make sure the staff would be fully prepared to give the highest level of helpful service during this transition, something Lucille and staff were adamant about maintaining.

The store has also completed Supply Place Certification and has seen an increase in small business owners in their new location.

*The strategy is working—sales and customer counts continue to grow every week, and the store celebrated its most successful year ever in 2014.*

When the time comes for Lucille to turn over control of the store to her grandchildren, she'll be able to enjoy a much-deserved retirement.

# 30

...for thirty years, Lucille Bevans has been known as  
**“the helpful hardware woman.”**



# The Friendliest Store in Town

Kendall Ace Hardware  
St. Paul, Minn.

## *A dream come true for both store owner Kendall Crosby and his customers*

Kendall's Ace Hardware in St. Paul is known in the local community as the "Friendliest Hardware Store in Town." Back in 2011, the county planned to widen Maryland Avenue at the Payne Avenue intersection where Kendall Crosby's store was located. As part of the expansion project, the county approached Kendall about acquiring his property. The county only needed half of his lot, but the neighboring community center wanted the rest of his property.

Kendall began his business in 1976 and purchased his first Ace Hardware store on Dale Street in 1992. Opening his second store in 2005 had been a dream come true for Kendall, and he didn't want to close Kendall's Ace Hardware. He worked out a deal with the city to sell the store and acquire a piece of property one mile south of his current location. He could have taken the money, closed the store and pursued a

different venture. But this was Kendall Crosby, and he felt he owed it to the community to continue selling hardware on the East Side, one of St. Paul's underserved neighborhoods.

He built a new hardware store at the corner of Payne Avenue and Phalen Blvd., and it became the anchor store of the Payne Avenue redevelopment project. He hired a local architect and a local contractor. He also made sure that all the subcontractors were local as well. In fact, his entire staff is from the neighborhood, often comprised of relatives from the same family working together.

From the buttery smell of popping popcorn that fills the store to the giant galvanized steel replica of a bolt protruding from the side of the building, the Crosby family invests time and creativity into every inch of their new store. Kendall's wife, Alexandra, designs unique window displays, transforming paint sticks, Mrs. Meyers earth-friendly cleaning products and trash bins into something of an art form.

Kendall's daughter, Ashley, met her future husband, Matt, at the Payne Avenue store back in 2005. Ashley gave birth to their first baby boy in October 2014, and she's now back at work.

Kendall's 30-year-old son, Josh, has managed the Dale Street store since 2005, and he keeps it running at peak efficiency and maximum profitability, even though the 3,000-square-foot store is one of the smallest stores in town.

Although the business is named after him, Kendall hopes it's anything but his. "We run it, but we really want our customers to feel like it's theirs," he says.



## The Can-Do Crew: Helpful in a Big Way

Main Building Supply  
Rogue River, Ore.



Fulfill the Helpful Promise

*The word "can't" isn't part of Main Building Supply's vocabulary*

Request something at Main Building Supply in Rogue River, Ore., and you're bound to hear an energetic "Can do!" in reply. The team at Main is so focused on customer experience they even call themselves the "Can-Do Crew."

"Have you ever had someone use the word 'can't' with you and felt good about the outcome?" asks store owner Darren Jahn. "Neither have we, so we simply banned the word. The reality is that there is always something we can do. Banning 'can't'

forces us to create positive options that deliver a great experience."

The Can-Do Crew realizes that amazement grows from consistency, and consistency requires effective systems. But sometimes even the best systems get derailed, and this is where the Can-Do Crew excels at turning "moments of misery" into "moments of magic."

"If a guest leaves without a smile on her face and we had the power to deliver that smile, we've failed," says Darren. Any Can-Do Crew member knows they can invest up to \$20 immediately and without approval to make things right with a guest. Additionally, they can call on help from a floor manager whose primary responsibility is to ensure that every customer leaves delighted. The entire staff is trained to understand that doing what's right for the customer is doing what's right for the company – even if there's a cost involved.

Darren utilizes all that Ace provides to help enhance the customer experience in his store. Achieving Platinum retailing status (one of the highest levels of retail performance at Ace) and Helpful 101 and 201 Certification are just some of the ways the Can-Do Crew provides an exceptional customer experience.

From the 100-foot-long community heritage mural to the "Welcome from the Can-Do Crew" parking signs, guests know there's something special about this Ace store before they even step foot inside. Upon entering, you never know when you might catch Darren, an accomplished musician, and his two young sons entertaining guests and staff alike with their fiddle playing. On a customer's first visit to the store, he or she will receive a \$5 gift card as a welcome gift.

It's all part of delivering the amazing Can-Do experience at Main Building Supply.



# Early Vision – Long-Term Strategy

Santa Barbara Home Improvement Center  
**Santa Barbara, Calif.**



Enrich the Assortment

*Innovative product assortment and helpful advice keep customers coming back*

Santa Barbara Home Improvement Center has been serving Santa Barbara and the surrounding communities since 1967. There's no secret to this store's success – it's the result of hard work, a clear vision and a long-term growth strategy. Combining a great assortment of regional product offerings with amazing customer attention, owner Gary Simpson and his team have continually sharpened their customer focus by providing consistent and excellent service.

Gary Simpson and his team are great stewards of the Ace brand with consistent annual sales gains averaging 5% for the past 20 years. In 2014, Santa Barbara Home Improvement Center ranked number two nationally in wholesale purchases for a single Ace store.

The store has a loyal, experienced staff comprised of 65 fantastic team players who consistently contribute to the common good of the store. Gary and his staff have worked hard to create a positive culture of service, and their position as Ace's second largest single-store volume dealer in the country is the result. A proactive store team with strong product knowledge provides valuable advice to their customers, who tell them on a daily basis how much they love shopping there. Not surprisingly, Santa Barbara Home Improvement Center enjoys low staff turnover, with many loyal associates logging more than 10 or 20 years of service.

Gary says his strategy is to always stay current in the marketplace. His staff is trained to value innovation and always be on the lookout for new products that deserve attention. If a particular product line looks promising, Gary works to bring it in and give it a try.

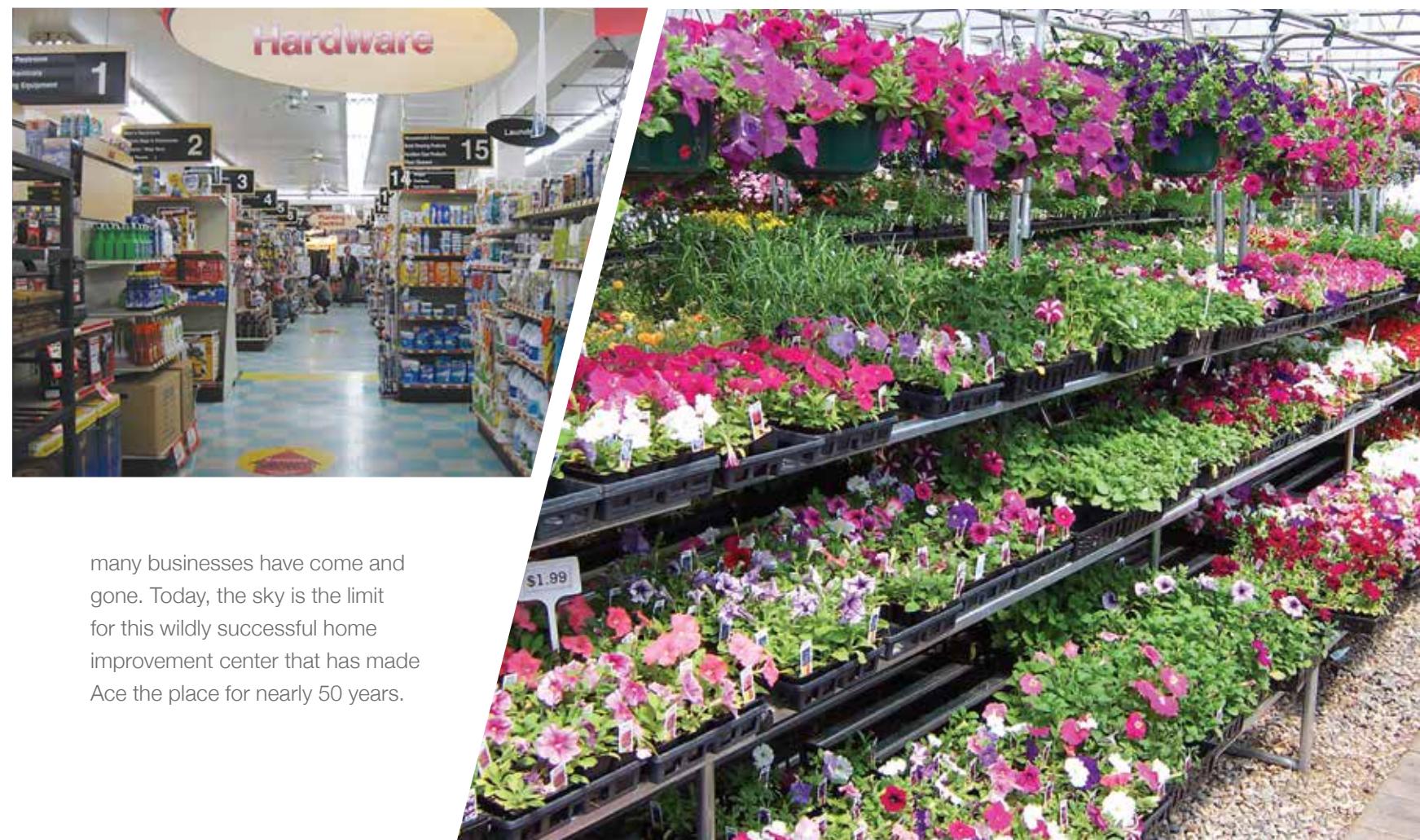
Another key to the store's success is really listening to what customers ask for. Each staff member acknowledges requests from customers by writing them down on a monthly request list. Gary studies this list and then regularly brings in new items. This shows customers that the staff cares enough to consider every request,

and staff members enjoy a \$5 perk for each request brought into stock.

The Home Improvement Center, as it's called locally, has been refining its 20/20 Vision since the middle of last year, completing Helpful 101 and 201 Certifications and executing several key departmental reviews, including the Paint Studio, electrical, builders hardware and lighting Level 3 resets.

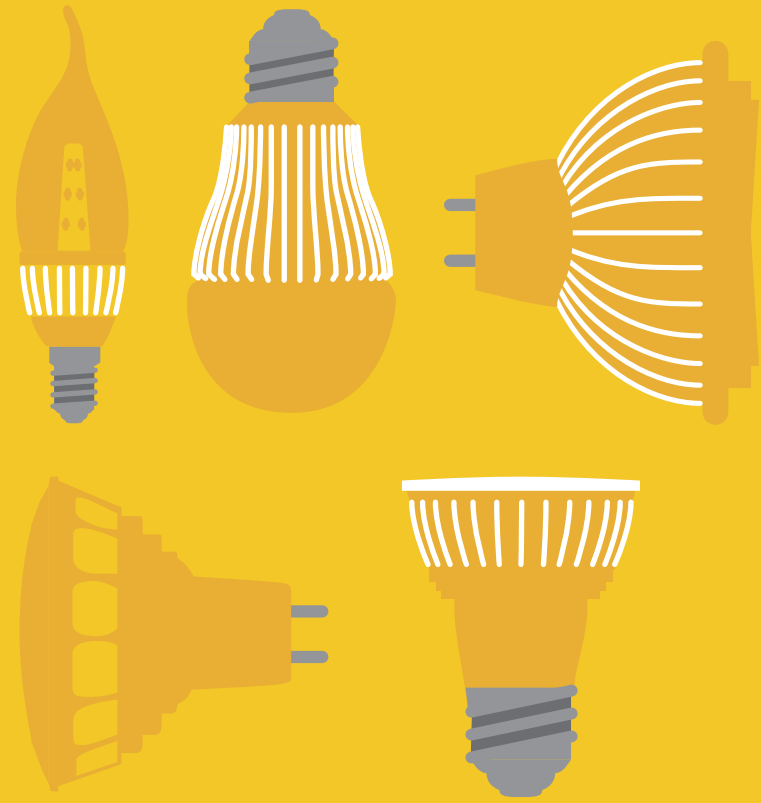
Gary's goal for giving customers what they want when it comes to product assortment led to the development of a thriving nursery business that partners with local suppliers for live goods and provides a great assortment of non-perishable merchandise sourced from vendors across the country. And even though Southern California experienced a historic drought during 2013 and 2014, the store's garden department sales continued to grow.

Santa Barbara Home Improvement Center continues to thrive in a local downtown market where



many businesses have come and gone. Today, the sky is the limit for this wildly successful home improvement center that has made Ace the place for nearly 50 years.





# A Bright Future With Ace

Hahn Ace Hardware  
*Delafield, Wis.*



*Using the power of Ace's vision to breathe new energy into store growth*

Perry and Barb Hahn are optimistic about the future of their business – and they're optimistic about the hardware industry, too. What fuels that optimism has been their switch to Ace.

Perry and Barb didn't have that outlook three years ago when they belonged to another co-op that hadn't experienced substantial growth in more than 10 years. While the Hahn's business was stable, it definitely was not thriving the way they had envisioned. Sales were flat and Barb and Perry were working 60 to 70 hours a week. After doing extensive research, they decided to join Ace in 2011 because of its proven growth strategy and the programs available to retailers.

After just one year, the Hahns realized increases across the board in sales, customer count, average transaction – and most importantly – gross profit margin and dollars.

Not only were Barb and Perry impressed with the results, but the store also grabbed the attention of their son, Adam. With the newfound confidence that came from being part of Ace, the Hahns began looking for another store to acquire. When they found an existing store in Delafield, they asked Adam if he would consider joining the family business. As a business analyst with a leading retailer, it didn't take him long to make a decision, and together the Hahn family created a succession plan.

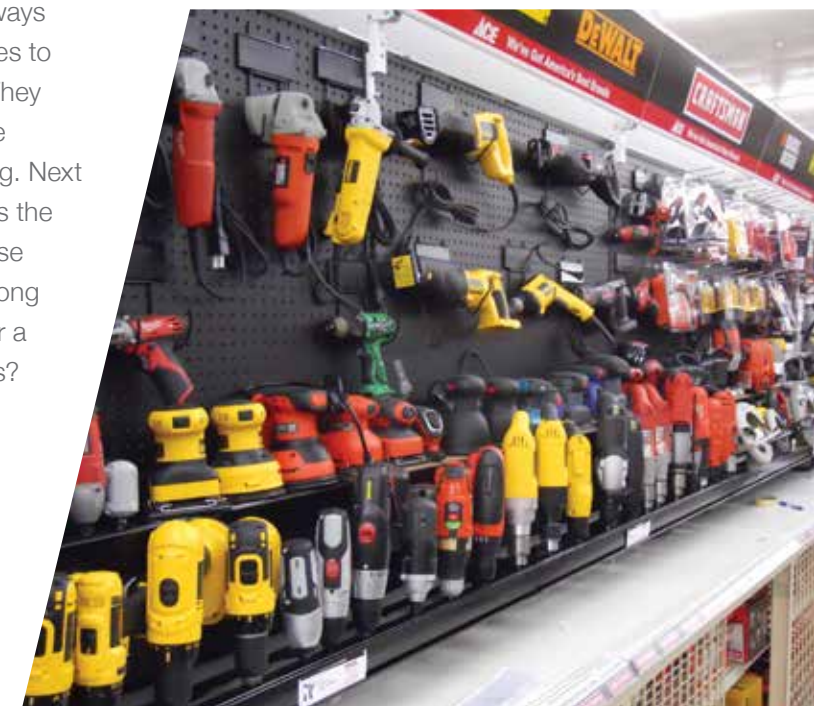
With the help of Ace's store planners and regional manager, the Hahns completed a major retrofit of the entire store, with a new floor plan, décor, flooring and fixtures all designed to

wow their customers. As a result, sales increased more than 20% at the new location. The Hahns are true believers in having a wide and deep inventory. They know their customers, and they customize the product mix to meet the needs of that market.

Barb, Perry and Adam are always on the lookout for opportunities to grow locations in the future. They concentrate on stores that are operating but underperforming. Next they begin to ask questions. Is the store underperforming because of low working capital, the wrong location, heavy competition or a lack of well-trained employees? Are the owners just weary and discouraged? Perry feels that if he can identify the issues, he and his team can overcome most of them. The Hahns have learned from experience: It's amazing what the power of positive

thinking and energetic owners will do for a tired organization.

Their journey epitomizes Ace's 20/20 Vision growth strategy: improve the store model, reduce atrophy and grow store count.





# One-Stop Shopping Brings in the Customers

Russell Supermarket, Inc.  
**Warrior, Ala.**



Enrich the Assortment

*Providing hardware and groceries proves to be a home run*

Russell Super Market, Inc., is a small, family-run, independent supermarket company in Warrior, Ala., consisting of three Piggly Wiggly grocery stores ranging in size from 40,000 square feet to 46,000 square feet. The company began in 1957 with one supermarket and has added two additional stores over the years. Beginning in 1957, the company is now a third-generation enterprise with Jerrold Russell, his wife Melanie and their sons Jason and David currently involved in the operation.

In 2010, Jerrold, along with his sister Donna Grantham and her husband Larry, opened a freestanding Ace Hardware next to their Piggly Wiggly

store in Warrior, Ala., the same town where their father had operated an Ace Hardware store for more than 30 years. That's why, when Jerrold began investigating the possibility of adding hardware to one of their supermarkets, Ace was the obvious choice. After conversations with Ace corporate and several trips to other supermarkets that had added Ace to their operations, it became apparent to the Russells that this was the way to go.

"We have been very impressed with Ace's commitment to its retailers in every possible way – especially their commitment to help stores provide truly great service to their customers," says Jerrold. "In my opinion, Ace's incentive program to assist both current and new retailers grow their store base is second to none."

Their first in-store Ace Hardware opened in December 2013 inside their largest Piggly Wiggly in Clay, Ala. This Ace Hardware, a convenience format, is approximately 6,400 square feet and has been very well received by existing

customers. This addition has led to increasing customer counts, average transaction size, total store sales and overall profitability. Not only did Jerrold see increases related to hardware sales, he also saw – and continues to see – excellent increases in supermarket sales after more than a year.

The Russells are in the process of adding an express format in their Cullman, Ala., location. This will give the company an Ace Hardware in or next to all three of their grocery stores.

"If we were to add additional locations in the future, Ace would certainly be part of the plan," Jerrold says. As a member of the board of directors of Piggly Wiggly Alabama Distributing Company, he has been instrumental in encouraging other grocers to consider Ace.

As Jerrold says, "For us, partnering with Ace was a home run!"

# Good Decisions Form a Great Partnership

JBK Ace Hardware & Rental **Chesterton, Md.**

Price & Gannon Ace Hardware & Rental **Centreville, Md.**



*Conversion was a smart move for these business owners*

John Price and his sister Margie Booze were the longtime owners of two hardware stores in Maryland that belonged to another co-op.

The Ace new business team had been talking to John and Margie for a number of years. Although they were not totally happy with their co-op, they were very loyal and felt that Ace could not bring more to the table than they were already getting. But after a fellow retailer decided to convert to Ace, John and Margie expressed an interest in seeing if Ace's long-term vision might work for them too.

After attending an Ace convention and conducting an intense due diligence process, they decided that Ace made the best sense for the

long-term financial health of their stores and would give them the best opportunity to grow their enterprise.

Since converting and retrofitting both JBK Ace Hardware & Rental in Chestertown and Price & Gannon Ace Hardware and Rental in Centreville, John reports record sales and profits. He appreciates how customer and retail-focused everyone at Ace corporate is. "It's refreshing to see a marketing program that actually works," he says. "Our flyers now bring customers through the doors, and we are selling three to four times the promotional goods as we previously did." John's local banker recently filmed a commercial at the Chestertown store, congratulating him on making a "smart move" by converting to Ace.

John and Margie transferred the same passion and loyalty they once had with their previous co-op to Ace, embracing everything Ace offers with great enthusiasm. They are big supporters of the Ace Rewards and Instant Savings programs, and they also have brought in the Paint Studio and a full Craftsman setup. John has been very vocal in talking to other retailers in his previous co-op about why changing to Ace was the best business decision he ever made. "I feel very strongly I am now with the best business partner possible – Ace's people and programs are of the highest caliber," he says. "Our only regret is not converting sooner!"

John and Margie have been a great addition to the Ace family of stores, demonstrating in tangible ways why the best of the best from other co-ops are choosing Ace.





# Pioneering Spirit

## Alive and Well in American Samoa

Ace American Industries  
**American Samoa**

### *Celebrating 30 years of community service*

Thirty years ago, Neil Scratch, an electrical engineer, and his wife, Sala, a nurse, saw a need in their community and decided to fill it. Neil was working with the American Samoa government in the Public Works division, and he discovered that there was a great need for electrical supplies in American Samoa. An entrepreneur at heart, he decided to open a small electrical parts supply business from his garage in Tafeta. The demand for supplies only grew, and so Neil and Sala added lumber and other building materials to their inventory.

From these humble beginnings, American Industries steadily grew.

All seven of the Scratch's children, six daughters and one son, were involved from the start in the business – doing everything from restocking the shelves and filling orders to unloading containers and driving the delivery trucks. American Industries was truly a family business.

In 1995 American Industries joined Ace Hardware, becoming known as Ace American Industries. Three years later Neil and Sala made a pivotal move from their small Tafeta location to their current 25,000-square-foot store in Malaeimi. In addition to a retail super store, they have a 12,000-square-foot warehouse and a full-service lumberyard.

The Scratch family credits the support of the local community and its loyal customers with the

fact that Ace American Industries has grown into one of the biggest retail stores in American Samoa, proudly employing more than 110 team members. The entire staff has the same mission: to exceed each customer's expectations with each visit and to treat everyone as a guest from the moment they walk into the store. The top priority for this team is exceptional customer service.

Founders Neil and Sala Scratch established their business on family values, and those values are still the driving principles guiding Ace American Industries today: respect for others, honesty in all dealings and being fair in all transactions.

Currently under the leadership of President and CEO Ngaire (Scratch) Ho Ching, CTO Vanessa (Scratch)

Mackenzie and Buyer Daren Scratch, the Scratch siblings continue to play an active role in the development and growth of the business. Their combined management style is a reflection of their mother's discipline and determination and their late father's entrepreneurial spirit and drive to succeed. In honor of Neil's pioneering soul, the family decided to celebrate their 30<sup>th</sup> anniversary by changing the name of their store to Neil's Ace Home Center.

Giving back to the community was always important to Neil, and the company is committed to carry on this legacy. Several hundred guests attended their grand reopening ceremony in November 2014, and more than \$25,000 was donated to various charitable organizations on the island, including the American

Samoa Community Cancer Coalition, the Department of Education, Love Your Neighbor Ministries and the Diocese of Samoa Pago Pago's Hope House (home for the sick and elderly). Supporting local charitable organizations is not a one-time event, however.

**Neil's Ace Home Center holds a variety of fundraising events throughout the year to demonstrate their support for the local community.**

Ngaire says, "It has been a great privilege for our Ace family to assist deserving causes in our community. We invite our business community to join us in these worthy efforts. Let us

leverage our resources in innovative ways to truly make a difference for our posterity. May we all give of our time, talents and treasure as a way to 'help up' and not 'hand out' so that all families in American Samoa are self-sufficient and prosperous."

American Samoa is a small island, and Neil's Ace Home Center is not the only hardware or home center, but by striving to offer the highest level of customer service every day, Neil's Ace Home Center's vision continues to be realized in customer loyalty and store profits.







# EMIGH ACE Hardware



## Emigh Owns Helpful

Emigh Ace Hardware  
Sacramento, Calif.



Fulfill the Helpful Promise

*Providing specialized attention and solving problems for 107 years*

Emigh Ace Hardware in Sacramento, Calif., has been a hardware store for 107 years, joining Ace in 1965. Rich and Mary Lawrence, with the help of Brian Lawrence and Craig Franklin, operate the 35,000-square-foot store, along with a seasonal patio store right next door.

Rich Lawrence, who has served as the company's president since 1980, makes sure the high-volume, well-stocked hardware store is dedicated

to providing its customers with an impressive variety of merchandise. "At Emigh Hardware, we strive to supply our customers with the products they need and surprise them with unexpected items they had not considered," he says.

Emigh Ace Hardware is proud to deliver the kind of specialized attention and help that customers just don't find in larger chain stores. The store professionals are comprised of



Ace Hardware Helpful 201 Certified specialists whose knowledgeable experience and practical advice assist customers with a variety of projects.

"I always come here for the excellent service. They always solve my problems. This store is a landmark due to the excellent, knowledgeable staff," says one loyal customer.

Emigh Ace Hardware is passionate about consistently providing the best

customer service in the market. It starts with the hiring process. Emigh hires for professional attitude and friendly personality and then trains the right people in product knowledge. Their strategy has paid off. Many of the associates at Emigh have been employed there for many years.

A strong advocate of Ace Professional Retail Services (PRS), Rich has implemented multiple PRS engagements to train and

motivate his associates. To commemorate the store achieving Helpful 101 Certification, Rich had special vests made with the Helpful Certified logo proudly displayed.

Rich and Emigh Ace Hardware have built a reputation for consistently following through and when customers come to the store, they know the service will be first class.



# You Want It — We Supply It!

Fisher's Ace Hardware & Rental  
Lansdale, Penn.



Be the Supply Place

## *B2B success gains the competitive edge in a crowded marketplace*

Fisher's Ace Hardware & Rental is located in Lansdale, a suburb of Philadelphia. The area is full of big-box stores, a mall and every craft, pet supply, electronics, hobby and automotive chain imaginable. Brothers Scott and Terry Fisher knew their store was a great option for customers looking for personalized service, and they were on the lookout for ways to gain a competitive edge in such a crowded marketplace.

Store manager John Herring encouraged the Fishers to consider Ace's B2B initiative, "The Supply Place," because he instantly recognized it as the much-needed catalyst for the growth they'd been looking for. Several staff members enrolled in the Ace LearningPlace training program and received Supply Place Certification. Confident

that Fisher's could offer business customers a valuable alternative to the larger chains around them, they began a dedicated quest to build their customer base. Along the way, they discovered key strategies that helped them succeed as The Supply Place. Starting out as complete novices, they learned that business sales are very different from the mom-and-pop retail sales they had been used to. They attribute their success in large part to the wonderful support they received from the B2B team in Oak Brook.

One of Fisher's part-time employees, Tom Kane, devotes most of his time to acquiring and serving B2B customers. His personality, drive, dedication and persistence have converted many customers who shopped at Fisher's only occasionally into some of their best business clients, who now make Fisher's their first stop.

Developing and maintaining those relationships through personalized service is an ongoing effort at Fisher's, where the entire staff is alert to any shopper who might be a potential business customer. Recently, the store has been focusing on driving sales in specific areas.

They offered pallet quantities of ice melt and winter goods to landscapers and property managers during the winter, and they plan to raise their profile in the paint sector next.

Not all contacts yield sales, and the reality is that some businesses are big-box customers and just not interested in shopping in a smaller venue. At the same time, other business owners just need to see that a retailer is interested in what they are doing and eager to meet their needs. One example is a local hotel that serves a nearby pharmaceutical giant. It took several visits and calls, but now they are regular customers. Time and perseverance pays off.

The Supply Place Certification has opened up a host of opportunities for Fisher's Ace Hardware & Rental. Ace's partnership with vendors has allowed Fisher's to buy many items not available in the RSC at competitive costs to meet their customer demands. John Herring says the buyers at Ace corporate also have kept certain SKUs at top levels to ensure Fisher's gets product when needed.

The team at Fisher's is energized and enthusiastic to be The Supply Place

in Lansdale. They meet weekly to discuss the windows of opportunity that exist within a few miles of their store, and team members are challenged to go after that business.

Since implementing The Supply Place, the statistics from September 2013 to September 2014 tell the story:

- House account sales increased 117%
- Total sales increased 15.3%
- House account average ticket increased 30.5%
- Number of house accounts added increased 73.2% (resulting in 99 new business customer accounts)

**Clearly, Fisher's Ace Hardware & Rental is supplying what their customers need and want – and that is supplying Fisher's with newfound growth and success!**

Assistant Manager Erin Conroy is involved in a great deal of behind-the-scenes work – account set up, product research and accounts receivable. The staff at Fisher's has recognized that this is very much a team effort, and each person brings different strengths to the table.







# The Place to Shop in Maize, Kansas

TMC's Ace Hardware  
*Maize, Kan.*



Invest in the Brand

*Thinking outside the  
box leads to standing  
out in the marketplace*

When owner Tom Inkleaar sold TMC's Ace Hardware in Maize, Kan., to the Dodge City farmer's cooperative, the co-op offered the management position to longtime employee Carl Varner. His first mission was getting rid of old product to make way for a total remodel, complete with a revamped floor layout, new inventory and lighting designed to enhance the shopping experience. Since accomplishing that remodel, the customer compliments have not stopped.

Carl is determined to stand out from the competition of two big-box stores within a couple of miles from TMC's Ace Hardware. His goal is to provide stellar service and offer

a great product mix. Carl's focus is on proactively growing the business instead of waiting for customers to walk through the door, so he's always thinking outside the box.

In 2013, Carl hosted a custom car show to support the Children's Miracle Network Hospitals (CMNH). The first year, there were 76 cars, and the event raised about \$2,500. The results were much less than Carl envisioned, and he began planning for a more successful event in 2014. His efforts paid off, and the next show brought in 106 cars, featured a local child who had benefited from CMNH and raised more than \$4,000 in one day, almost doubling the previous year's results.

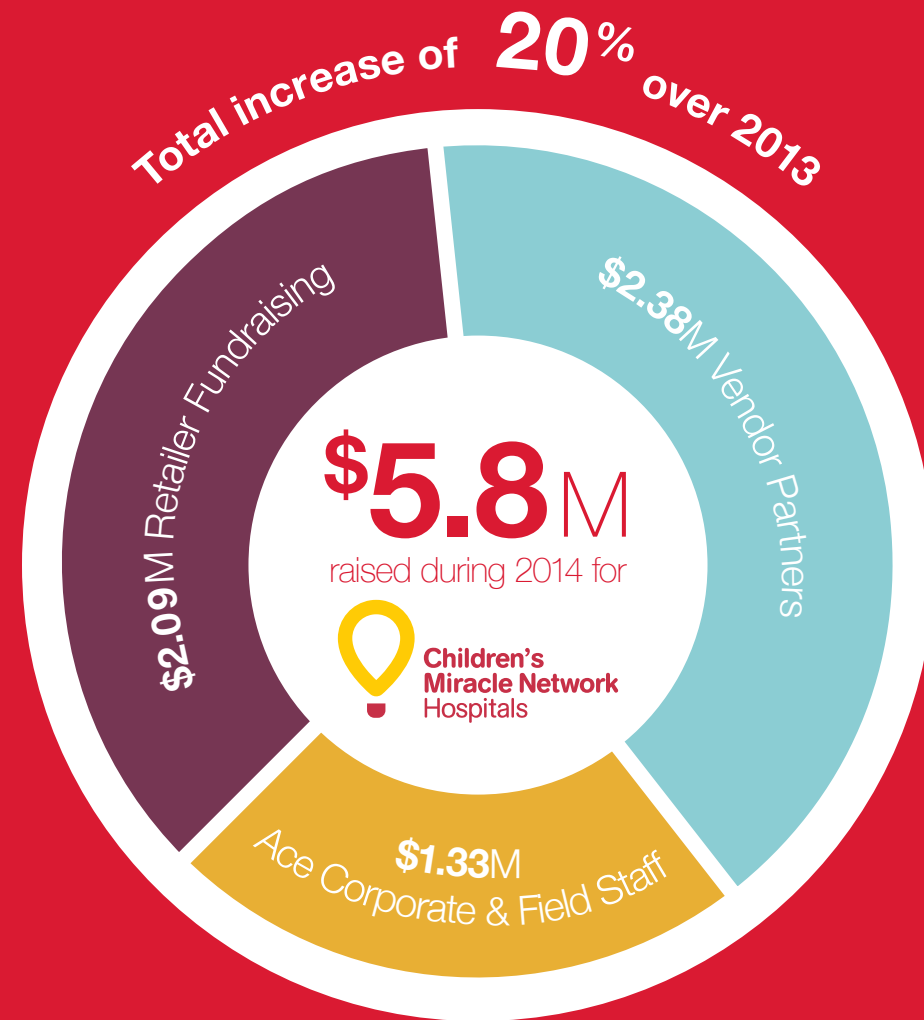
When 20/20 Vision was presented to Carl, he knew immediately that it would make his business more successful. This was the road map he had been looking for. When his Ace Rewards scan rate was lower than he'd anticipated, he went to work training and coaching his staff on how to make Ace Rewards accomplish what it was designed to do: reward loyal customers.

Carl Varner believes in being proactive. After making Platinum status last year, he took advantage of the opportunity to go to Las Vegas for the Ace convention, where he networked and brought back new ideas to try. He added live goods in 2013, and in 2014 they began to take off. The Supply Place is another area of targeted growth. Signing up for In-Store Pickup is one of the best tools Carl has discovered for bringing in new customers.

By following his 20/20 Vision growth plan, TMC's Ace Hardware achieved Pinnacle status in 2014 – the highest level of Ace retailing. Sales continue to grow, and it is now *the* place to shop in Maize.

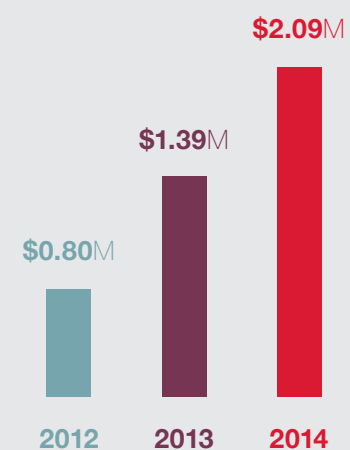






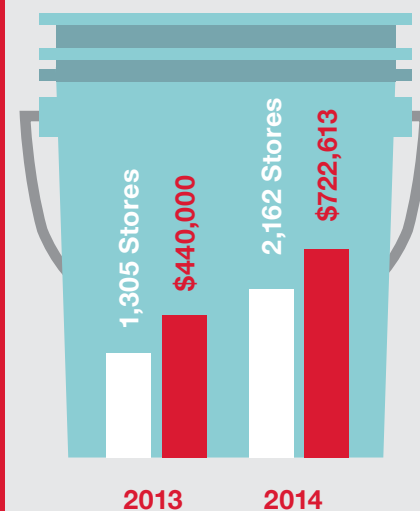
## Retailer Fundraising

**159%**  
increase in 2 years



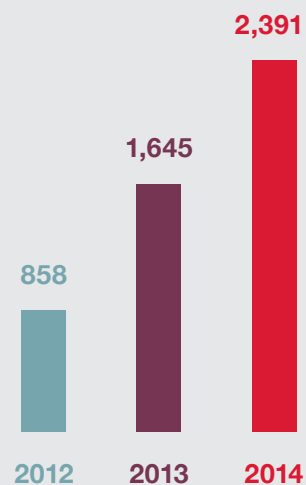
## CMN Bucket Promotion

**\$722,613**



## Store Participation

**2,391**



# A Record-Breaking Year for the Ace Foundation

*Ace retailers answer the question, "What's your Why?"*

When asked why they raise funds for Children's Miracle Network (CMN) Hospitals, Ace retailers from across the country were quick to share their "Why," inspiring fellow retailers, vendors and corporate team members to raise funds for and donate to CMN Hospitals. The result was a record-breaking \$5.8 million raised for CMN Hospitals in 2014 and donor engagement within the Ace world at an all-time high.

"At Ace Hardware, we're committed to being 'The Helpful Place' within

the walls of our stores, but that commitment also extends into the thousands of communities we serve," says Jim Ackroyd, Chairman of the Board, Ace Hardware Corp. "I am truly amazed by the amount of passion, camaraderie and dedication Ace store owners have demonstrated towards fundraising for CMN Hospitals this past year, exceeding goals and fundraising records, all to help children and families in need."

As part of the Ace Foundation's partnership with P&G and Duracell, the top 10 individual stores received a donation of \$10,000 in their name to their local CMN Hospital.

### Congratulations to the top 10 individual fundraising stores in 2014\*

- 1 Smith & Edwards, Craig Smith, Salt Lake City – **\$33,089**
- 2 Cypress Ace Hardware & Feed, Bill Murff, Houston – **\$29,721**
- 3 Ace Hardware & Paint, Bob Mitchell, Portland – **\$16,235**
- 4 Weiss Ace Hardware, Jon Weiss, Chicago – **\$15,915**
- 5 Alspaugh's Ace Hardware – Woodlands, Rick Alspaugh, Houston – **\$13,741**
- 6 Alspaugh's Ace Hardware – Kingwood, Rick Alspaugh, Houston – **\$13,618**
- 7 Jabo's Ace Hardware, Bill Jablonowski, Ft. Worth – **\$13,136**
- 8 Central Ace Hardware, Ron, Mike and Sandra Williams, Houston – **\$13,115**
- 9 Food City, Rick and Cathy Elliott, El Paso – **\$11,959**
- 10 Olson's Ace Hardware, Dan Olson, Chicago – **\$11,445**

\*Based on in-store fundraising campaigns, events and store donations



The Ace Foundation has raised more than **\$64M** since 1991





# An All-Star Year

“Awesome” – that’s how 2014 Ace All-Star, Aiden Morales, would describe the past year.

Aiden and his mom, Jenni, both agree that they had no idea what the year would hold back when Ace surprised Aiden at his school in January, crowning him the second annual Ace All-Star. It was quite a year, complete with several meetings with Miss Arizona, a trip to Ace corporate headquarters in Chicago (including a Cubs game and a day at the Arlington Park race track), his first Ace show in Orlando, Fla., and a trip to Disney World. But in between all those trips, a lot of hard work and an extraordinary amount of fundraising in the local Ace stores around Phoenix took place.

“Having Aiden in our stores over the past year was so much fun – not only for our customers but for our staff,” said Ace Board Member Dave Karsten of Karsten’s Ace Hardware. “He inspired our customers to donate and our team to make that ask. Aiden and Jenni really became a part of the Ace family this year.”

The Phoenix area stores rallied for Aiden and other children treated at their local CMN Hospital, Phoenix Children’s Hospital; they exceeded their goal of raising \$50,000, finishing the year raising \$55,000 as a group and increasing their store participation to 80%.

Aiden, who was born with a congenital heart defect, is looking forward to continuing to help his local Ace stores raise funds for the hospital that saved his life. Aiden’s legacy as the 2014 Ace All-Star will live on for many years to come as the Ace team gave him one final surprise to conclude his reign: a tree planted in a garden at Phoenix Children’s Hospital in his honor, complete with a plaque in recognition of his role, for all to see.



Not only did Aiden’s video interview with Ace President and CEO John Venhuizen go viral in the Ace world, it was also recognized by Home Channel News, naming Aiden one of its 2014 People of the Year. HCN noted that the video shown in Orlando was “one of the most inspirational and genuinely entertaining segments to come from a co-op presentation in years.”





and commitment to Children's Miracle Network (CMN) Hospitals.

Mike was nominated by his local CMN Hospital, Gillette Children's Specialty Healthcare. Frattallone's Ace Hardware, owned by Mike and his brother Tom and their father Larry, has 20 locations throughout Minnesota. Mike has championed fundraising for Gillette Children's in their stores – in 2013 they raised more than \$20,000,

national award at the charity's 31st annual Momentum event in November.

"Mike's outstanding dedication and passion for fundraising have greatly impacted his local children's hospital as well as inspired team members at other Ace stores to raise funds on a national level," says John Lauck, CMN Hospitals President and CEO.

# Minneapolis Philanthropist Named **First Annual Ace All-Star Retailer and CMN Local Corporate Person of the Year**



A community-minded, helpful Ace retailer earns two separate awards for his dedication to fundraising

Mike Frattallone, co-owner of Frattallone's Ace Hardware in Minneapolis, was the recipient of the inaugural Ace All-Star Retailer award. Announced at the Ace Hardware Fall Convention in Orlando, Fla., this award was bestowed on Mike by the Ace Hardware Foundation. The first-ever award of its kind, the Ace All-Star Retailer award recognizes one Ace retailer annually for his or her impressive fundraising, leadership skills, innovation

and in 2014 they raised \$61,000. As part of his recognition, Proctor & Gamble donated \$25,000 in Mike Frattallone's name to Gillette Children's.

"Mike embodies the ideal caring, community-minded, helpful Ace retailer," says Jimmy Alexander, Ace's Senior Vice President of Customer Care and President of the Ace Hardware Foundation. "His driven actions have inspired others and provided much-needed funds to Gillette Children's Specialty Healthcare and CMN Hospitals everywhere. We are proud to call Mike Frattallone our first-ever Ace All-Star Retailer."

Additionally, CMN Hospitals chose Mike Frattallone as its Local Corporate Person of the Year. He received the

"I'm humbled and honored to receive such wonderful recognition from these two outstanding organizations," says Frattallone.

"At Ace, we are privileged to be in the business of serving our neighbors – not just within our store walls but in our communities as well.

Working collectively to raise funds for CMN Hospitals all across the country is something that unifies us at Ace with a common purpose."



# ACE STORES



NATIONAL  
HARDWARE

WEEK



CHECK  
THE

NATION  
HARDWA

WEEK

MAY  
9-14

NATIONAL

NATIONAL  
HARDWARE  
WEEK







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