FORM POS AM

Post-Effective amendments for registration statement

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FILER

COTTER & CO

CIK:**25095**| IRS No.: **362099896** | State of Incorp.:**DE** | Fiscal Year End: **1231**
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SIC: **5072** Hardware

Business Address
2740 N CLYBOURN AVE
CHICAGO IL 60614
3129752700

AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON MARCH 18, 1994

REGISTRATION NO. 33-39477

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

POST-EFFECTIVE AMENDMENT NO. 3

to

FORM S-2

REGISTRATION STATEMENT

Under
THE SECURITIES ACT OF 1933

COTTER & COMPANY
(Exact name of Registrant as specified in its charter)

Delaware	36-2099896
(State of Incorporation)	(IRS Employer Identification No.)

2740 North Clybourn Avenue
Chicago, Illinois 60614
(312) 975-2700
(address, including zip code, and telephone number, including area code, of Registrant's principal executive offices)

Kerry J. Kirby, Vice President and Chief Financial Officer
Cotter & Company
2740 North Clybourn Avenue
Chicago, Illinois 60614
(312) 975-2700
(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies to:

Daniel T. Burns, Vice President and General Counsel	Robert N. Sodikoff, Esq.
Cotter & Company	Aronberg Goldgehn Davis & Garmisa
2740 North Clybourn Avenue	One IBM Plaza
	Suite 3000
Chicago, Illinois 60614	Chicago, Illinois 60611
(312) 975-2700	(312) 828-9600

Approximate date of commencement of proposed sale to the public:

As soon as practicable after the effective date of this Post-Effective Amendment to the Registration Statement.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. /X/

If the Registrant elects to deliver its latest annual report to security holders, or a complete and legible facsimile thereof, pursuant to Item 11(a)(1) of this Form, check the following box. / /

- --
- --

COTTER & COMPANY

CROSS REFERENCE SHEET

<TABLE>
<CAPTION>

	ITEM IN FORM S-2	CAPTION IN PROSPECTUS
<C>	<S>	<C>
1.	Forepart of the Registration Statement and Outside Front Cover Page of Prospectus...........	Forepart of Registration Statement and Outside Front Cover Page of Prospectus
2.	Inside Front and Outside Back Cover Pages of Prospectus.....................................	Available Information; Reports to Securities Holders; Documents Incorporated by Reference
3.	Summary Information, Risk Factors and Ratio of Earnings to Fixed Charges........................	Summary; The Company; Description of Common Stock
4.	Use of Proceeds.................................	Use of Proceeds
5.	Determination of Offering Price.................	Outside Front Cover Page of Prospectus and Plan of Distribution
6.	Dilution..	Not Applicable
7.	Selling Security Holders........................	Not Applicable
8.	Plan of Distribution............................	Plan of Distribution
9.	Description of Securities to be Registered.......	Description of Common Stock
10.	Interests of Named Experts and Counsel...........	Not Applicable
11.	Information with Respect to the Registrant.......	Summary; The Company; Dividends; Selected Financial Data; Management's Discussion and Analysis of Financial Condition and Results of Operations; Business; Distribution of Patronage Dividends; Description of Common Stock; Index to Consolidated Financial Statements
12.	Incorporation of Certain Information by Reference.......................................	Documents Incorporated By Reference
13.	Disclosure of Commission Position on Indemnification for Securities Act Liabilities...	Not Applicable

</TABLE>

Information contained herein is subject to completion or amendment. A registration statement relating to these securities has been filed with the Securities and Exchange Commission. These securities may not be sold nor may offers to buy be accepted prior to the time the registration statement becomes effective. This prospectus shall not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any State in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such State.

SUBJECT TO COMPLETION

PRELIMINARY PROSPECTUS DATED MARCH 18, 1994

PROSPECTUS

COTTER & COMPANY

14,960 SHARES CLASS A COMMON STOCK, $100 PAR VALUE

(IN UNITS OF TEN SHARES)

THE COMMON STOCK OFFERED HEREUNDER IS OFFERED EXCLUSIVELY TO RETAILERS OF HARDWARE, VARIETY AND RELATED PRODUCTS, IN CONNECTION WITH BECOMING MEMBERS OF THE COMPANY. (SEE "PLAN OF DISTRIBUTION" HEREIN.)

THE COMMON STOCK OFFERED HEREUNDER IS LIMITED AS TO TRANSFERABILITY BY ITS TERMS. THE COMPANY RETAINS AN AUTOMATIC LIEN AGAINST SUCH COMMON STOCK, AND DIVIDENDS ACCRUING THEREON, FOR ANY INDEBTEDNESS DUE THE COMPANY. (SEE "DESCRIPTION OF COMMON STOCK" HEREIN.)

THERE IS NO EXISTING MARKET FOR THE COMMON STOCK OFFERED HEREUNDER AND THERE IS NO EXPECTATION THAT ANY MARKET WILL DEVELOP.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION, OR ANY STATE SECURITIES COMMISSION, NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

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UNIT OF 10 SHARES OF CLASS A COMMON STOCK	PRICE TO PUBLIC	UNDERWRITING DISCOUNTS AND COMMISSIONS	PROCEEDS TO COMPANY
<S>	<C>	<C>	<C>
Per Unit(1)........................	$1,000	See (2) Below	$1,000(3)
Total..............................	$1,496,000	See (2) Below	$1,496,000(3)

</TABLE>

(1) The shares will be offered only in units of 10 shares and no shareholder may purchase more than one such unit.

(2) There will be no underwriters. The subject stock will be sold directly by the Company at par value.

(3) There is no firm commitment for the sale of the securities offered hereunder; they will be sold from time to time by the Company. However, assuming the sale of all securities offered hereunder, and before deduction of approximately $50,000 for estimated expenses in connection with this offering, the total proceeds will be as shown above.

THE DATE OF THIS PROSPECTUS IS APRIL , 1994.

AVAILABLE INFORMATION

The Company is subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and in accordance therewith files reports and other information with the Securities and Exchange Commission (the "Commission"). Such reports and other information filed by the Company with the Commission can be inspected and copied at the public reference facilities maintained by the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549 and at the following Regional Offices of the Commission: 219 S. Dearborn Street, Chicago, Illinois 60604; 75 Park Place, New York, New York 10007; and 5757 Wilshire Boulevard, Los Angeles, California 90036. Copies of such material can be obtained from the Public Reference Section of the Commission, Washington, D.C., 20549 at prescribed rates.

REPORTS TO SECURITY HOLDERS

Each year the Company distributes to its stockholder-Members an annual report containing consolidated financial statements reported upon by a firm of independent auditors. The Company may, from time to time, also furnish to its stockholder-Members interim reports, as determined by management.

DOCUMENTS INCORPORATED BY REFERENCE

The Company's Annual Report on Form 10-K for the year ended January 1, 1994 filed pursuant to Section 15(d) of the Exchange Act is incorporated herein by reference. The Company will provide without charge to each person to whom a Prospectus is delivered, upon written or oral request of such person, a copy of any and all of the documents incorporated by reference in the Registration Statement (other than exhibits to such documents unless such exhibits are specifically incorporated by reference into the documents that the Registration Statement incorporates). Requests for such copies should be directed to Kerry J. Kirby, Vice President and Chief Financial Officer, Cotter & Company, 2740 North Clybourn Avenue, Chicago, IL 60614, (312) 975-2700.

SUMMARY

This Summary is qualified in its entirety by the detailed information and the Company's consolidated financial statements (including the notes thereto) appearing elsewhere in this Prospectus and in the documents incorporated herein by reference.

Cotter & Company (the "Company"), located at 2740 North Clybourn Avenue, Chicago, Illinois, 60614, telephone number (312) 975-2700, is a Member-owned wholesaler of hardware, variety and related merchandise. It is the largest wholesaler of hardware and related items in the United States. The Company also manufactures paint, paint applicators, outdoor power equipment, heaters and hardware related products. For reporting purposes, the Company operates in a single industry as a Member-owned wholesaler cooperative.

The Company's Class A Common Stock being offered hereby is offered exclusively to retailers of hardware, variety and related merchandise, in connection with becoming Members of the Company. The Class A Common Stock (which is the sole voting stock) is offered only in ten (10) share units, and no party may acquire more than one unit; thus control of the Company is equally distributed among the stockholder-Members. Sales of Class A Common Stock are made for cash.

Membership entitles a Member to use certain Company trademarks and trade names, including the federally registered collective membership trademarks indicating membership in "True Value Hardware Stores" and "V&S Variety Stores". Membership also entitles the Member to receive annual patronage dividends based upon the Member's purchases from the Company. In accordance with the Company's By-Laws, the annual patronage dividend is paid to Members out of the gross margins from operations and other patronage source income, after deduction for expenses and provisions authorized by the Board of Directors.

The Class A Common Stock being offered hereby is limited as to transferability in that the Company has a ninety (90) day right of first refusal to repurchase, at book value, a Member's stock before such stock can otherwise be disposed of. Additionally, the Company retains an automatic lien on the Class A Common Stock, and dividends accruing thereon, for any indebtedness due the Company. The Company is obligated to repurchase a Member's Class A Common Stock and the Member is obligated to sell such stock, at book value, in accordance with the terms and conditions set forth in the Company's By-Laws upon termination of the Member Agreement (the "Agreement"). The Agreement may be terminated by either the Company or the Member on sixty (60) days written notice. Termination by the Company requires approval by a two-thirds vote of the Board of Directors, except in the following circumstances where the Company has the right to immediately terminate the Agreement: the Member becomes insolvent, commits any act of bankruptcy, files a voluntary petition in bankruptcy, is adjudicated as bankrupt, or commits a breach of any obligation under the Agreement, which breach is not cured within ten (10) days after written notice to the Member by the Company.

There is no existing market for the Class A Common Stock offered hereunder and there is no expectation that any market will develop.

The Company intends to use the proceeds of this offering primarily for general working capital purposes, including the purchase of merchandise for resale to Members and the maintenance of adequate inventory levels.

THE COMPANY

The Company was organized as a Delaware corporation in 1953. Upon its organization, it succeeded to the business of Cotter & Company, an Illinois corporation organized in 1948. The Company's principal executive offices are located at 2740 North Clybourn Avenue, Chicago, Illinois, 60614. Its telephone number is (312) 975-2700.

The Company is a Member-owned wholesaler of hardware, variety and related merchandise. It is the largest wholesaler of hardware and related items in the United States. The Company also manufactures paint, paint applicators, outdoor power equipment, heaters and hardware related products. For reporting purposes, the Company operates in a single industry as a Member-owned wholesaler cooperative.

The Company serves approximately 7,500 True Value Hardware Stores throughout the United States, including approximately 900 combination True Value Hardware and V&S Variety Stores and 1,000 V&S Variety Stores. Primary concentrations of Members exist in California (approximately 8%), New York (approximately 7%), Illinois (approximately 6%), Pennsylvania and Texas (approximately 5% each) and Michigan and Ohio (approximately 4% each).

USE OF PROCEEDS

The proceeds to be received from this offering will be used by the Company for general working capital purposes, including the purchase of merchandise for resale to Members and the maintenance of adequate inventory levels. Until used as provided herein, the net proceeds of the sale of the Class A Common Stock may be invested in short-term commercial paper, bank certificates of deposit, government securities, repurchase agreements, or other similar short-term investment.

Inasmuch as the Company will use its best efforts to sell the Class A Common Stock being offered hereunder and has no assurances that all such Class A Common Stock will be sold, the Company may not receive the entire amount of estimated proceeds from the sale of said Class A Common Stock.

PLAN OF DISTRIBUTION

The Company's Class A Common Stock being offered hereby is offered exclusively to retailers of hardware, variety and related merchandise, in connection with becoming Members of the Company. Each independent retailer who applies to become a stockholder-Member must subscribe for ten (10) shares of the Company's Class A Common Stock, $100 par value, having a total purchase price of $1,000. All sales of the Class A Common Stock will be made for cash.

Sales of Class A Common Stock are primarily made through the Company's member development specialists but only after the executive officers of the Company approve the admission of a new Member. Neither the Company's executive officers nor its member development specialists receive any special or separate compensation or commission in connection with the admission of new Members and concomitant sales of Class A Common Stock. Although the member development specialists frequently are the Company's initial contact with potential new Members, they do not, and are not empowered to, admit new Members to the Company.

DIVIDENDS

Other than the payment of patronage dividends, including the redemption of some nonqualified written notices of allocation, the Company has not paid dividends on its Class A Common Stock or Class B Common Stock. The Board of Directors does not plan to pay dividends on either of said classes. See "Distribution of Patronage Dividends" and "Description of Common Stock".

SELECTED FINANCIAL DATA

<TABLE>
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	FOR THE YEARS ENDED				
	JANUARY 1, 1994	JANUARY 2, 1993	DECEMBER 28, 1991	DECEMBER 29, 1990	DECEMBER 31, 1989
	(IN THOUSANDS EXCEPT PER SHARE DATA)				
<S>	<C>	<C>	<C>	<C>	<C>
Revenues............................	$2,420,727	$2,356,468	$2,139,887	$2,135,120	$2,058,822
Net margins.........................	$ 57,023	$ 60,629	$ 59,425	$ 54,847	$ 66,507
Patronage dividends.................	$ 54,440	$ 60,901	$ 60,339	$ 56,269	$ 67,605
Total assets........................	$ 803,528	$ 833,372	$ 763,109	$ 709,895	$ 714,889
Long-term debt and obligations under capital leases....................	$ 69,201	$ 72,749	$ 13,335	$ 15,077	$ 15,642
Promissory (subordinated) and instalment notes payable...........	$ 217,996	$ 235,695	$ 235,289	$ 215,452	$ 216,770
Redeemable Class A Common Stock......	$ 6,633	$ 6,857	$ 7,077	$ 7,362	$ 7,401
Redeemable Class B Common Stock......	$ 110,773	$ 108,982	$ 104,151	$ 101,398	$ 95,793
Book value per share of Class A Common Stock and Class B Common Stock(a)..........................	$ 103.85	$ 101.42	$ 102.50	$ 103.38	$ 104.74

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(a) The book value per share of the Company's Class A Common Stock and Class B Common Stock is the value, determined in accordance with generally accepted accounting principles, of such shares as shown by the respective year-end consolidated balance sheets of the Company, included elsewhere herein as reported on by the Company's independent auditors, after eliminating therefrom all value for goodwill, and other intangible assets and any retained earnings specifically appropriated by the Company's Board of Directors.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

FISCAL YEAR 1993 COMPARED TO FISCAL YEAR 1992

Revenues increased $64,259,000 or 2.7% compared to the previous year. The majority of this revenue gain resulted from increased direct shipment sales to Members. Contributing to the increased direct shipments were strong increases of 15.6% from Lumber and Building Materials and a 20.5% increase from the Company's manufacturing division, General Power Equipment Company. Another significant portion of the Company's revenue increase was due to Cotter Canada Hardware and Variety Cooperative, Inc. ("Cotter Canada"). With its growth in membership and its first full year of operations, Cotter Canada shipments to Canadian members increased by 36.4%.

Consolidated gross margins increased $1,313,000 but as a percentage of revenue decreased to 9.0% from 9.2% reflecting the change in sales mix from warehouse to direct shipments.

Warehouse, general and administrative expenses increased by $9,430,000 or 7.7% due to higher manufacturing and logistic costs, increases associated with a full year of operations at Cotter Canada and non-recurring expenses related to the decentralization of functions previously performed at the Company's National Headquarters.

Interest paid to Members decreased $1,258,000 or 4.9% primarily due to a lower average interest rate.

Other interest expense increased by $156,000 or 2.1% due to a long-term financing agreement entered into by the Company during the second quarter of fiscal year 1992 to finance the expansion of the Company's distribution network and entry into Canada. This increase was partially offset by a decrease in short-term borrowings and the average rate of interest compared to the corresponding period last year.

The gain on sale of properties owned of $5,985,000 and the corresponding increase in income tax expense of $2,193,000 resulted primarily from the disposition of a regional distribution center in Pomona, California and real estate located in Chicago, Illinois.

Net margins were $57,023,000 for the year ended January 1, 1994 compared to $60,629,000 for the year ended January 2, 1993.

FISCAL YEAR 1992 COMPARED TO FISCAL YEAR 1991

Revenues for fiscal year 1992 increased by $216,581,000 or 10.1%. This represents the highest single year dollar increase in the Company's history. The majority of the revenue growth resulted from a 7.8% increase in merchandise shipments to the True Value and V&S Variety Members from the Company's regional distribution network and manufacturing facilities. All general classes of merchandise experienced revenue gains, reflecting Member confidence in merchandising programs and regional assortments. Another significant influence on revenues was the Company's expansion into the Canadian market. Shipments to Canadian Members by Cotter Canada exceeded $65,000,000.

Gross margins increased by $18,863,000 or 9.5%. As a percentage of revenues, gross margins remained comparable to last year.

Warehouse, general and administrative expenses increased by $11,404,000 or 10.2% but as a percentage of revenues remained comparable with the prior year. The Company was able to maintain this percentage, even though the Company increased the number of items stocked in regional distribution centers and member ordering patterns continued to shift away from direct (drop shipment) sales. Additionally, fiscal year 1992 was the first full fiscal year of operating the Kingman, Arizona regional distribution center, and the year the Company began its Canadian operation.

Interest paid to Members decreased slightly due to a decrease in the average interest rate partially offset by an increase in the balance of the promissory (subordinated) and instalment notes.

Other interest expense increased by $4,807,000 due to long-term financing agreements entered into by the Company during fiscal year 1992, to finance the expansion of the Company's distribution network and entry into Canada.

Other income, net decreased by $1,502,000 due to a reduction in interest income compared to fiscal year 1991. Interest income decreased due to a reduction in the notes receivable and short-term investment amounts held during the year as well as lower rates of interest earned on these balances.

Net margins were $60,629,000 and $59,425,000 for fiscal years 1992 and 1991, respectively. The difference resulted primarily from increased merchandise shipments to Members.

LIQUIDITY AND CAPITAL RESOURCES

At January 1, 1994, net working capital decreased to $225.2 million from $230.2 million at January 2, 1993. The current ratio increased to 1.57 in fiscal year 1993 compared to 1.56 in fiscal year 1992. Current assets decreased $18.0 million, primarily due to the Company's change in cash position, offset by an increase of $22.2 million in receivables due to increased sales and offering Members favorable payment terms received by the Company from its vendors. Current liabilities decreased $13.0 million primarily due to a decrease in accounts payable as a result of decreased wholesale merchandise inventory offset by an increase in current maturities of long-term obligations and short-term borrowings.

Historically, cash flow from operations together with proceeds of short-term borrowings have sufficiently funded the Company's operations. In an attempt to improve Members' cash flow, the Company continued to offer Members extended terms on purchases during fiscal year 1993 thereby increasing extended term receivables by 24.7%. During fiscal year 1994, the Company anticipates that cash provided by operating activities will increase due to forecasted improvement in the relationship between inventories and accounts payable.

Cash and cash equivalents decreased to $1.3 million at January 1, 1994 compared to $37.6 million at January 2, 1993. Short-term lines of credit available under informal agreements with lending banks, cancelable by either party under specific circumstances, amounted to $56.5 million at January 1, 1994. There were $23.3 million of borrowings outstanding under these agreements at January 1, 1994 compared to $0.3 million at January 2, 1993.

The Company's capital is primarily derived from redeemable Class A Common Stock and retained earnings, together with promissory (subordinated) notes and redeemable nonvoting Class B Common Stock issued in connection with the Company's annual patronage dividend. Funds derived from these capital resources are usually sufficient to satisfy long-term capital needs.

Net capital expenditures, including those made under capital leases, were $5.6 million in fiscal year 1993 compared to $27.0 million in fiscal year 1992 and $30.5 million in fiscal year 1991. These capital expenditures were principally related to additional equipment and technological improvements at the regional distribution centers and National Headquarters. Additionally, a wholly-owned subsidiary of the Company acquired certain assets of a hardware and variety wholesaler based in Canada for approximately $13.1 million in fiscal year 1992. In fiscal year 1991, capital expenditures included the construction of a new regional distribution center

in Kingman, Arizona. Funding of capital expenditures in fiscal year 1994 is anticipated to come from operations and external sources, if necessary.

The effects of all recent tax legislation have not had a material effect on the Company's financial position and results of operations.

Effective January 3, 1993, the Company adopted SFAS No. 109, "Accounting for Income Taxes". As permitted under the new rules, prior years' financial statements have not been restated. The cumulative effect of this adoption does not have a material effect on the consolidated financial statements. Additionally, the Company has reviewed the impact of all new accounting standards issued as of the filing date of this report, that will be adopted at a future date, and has determined that these will not have a material impact on the Company's operating results and financial position.

BUSINESS

The Company is a Member-owned wholesaler of hardware, variety and related merchandise. It is the largest wholesaler of hardware and related items in the United States. The Company also manufactures paint, paint applicators, outdoor power equipment, heaters and hardware related products. For reporting purposes, the Company operates in a single industry as a Member-owned wholesaler cooperative.

Membership entitles a Member to use certain Company trademarks and trade names, including the federally registered collective membership trademarks indicating membership in "True Value Hardware Stores" and "V&S Variety Stores". The "True Value" collective membership mark has a present expiration date of January 2, 2003 and the "V&S Variety Stores" collective membership mark has a present expiration date of July 22, 1995.

The Company serves approximately 7,500 True Value Hardware Stores throughout the United States, including approximately 900 combination True Value Hardware and V&S Variety Stores and 1,000 V&S Variety Stores. Primary concentrations of Members exist in California (approximately 8%), New York (approximately 7%), Illinois (approximately 6%), Pennsylvania and Texas (approximately 5% each), and Michigan and Ohio (approximately 4% each).

The Company's total sales of merchandise to its U.S. Members were divided among the following general classes of merchandise:

<TABLE>
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	JANUARY 1, 1994	JANUARY 2, 1993	DECEMBER 28, 1991

Hardware Goods	20.0%	20.8%	20.9%
Electrical and Plumbing Supplies	16.3%	16.3%	16.7%
Painting and Cleaning Supplies	14.9%	14.7%	15.5%
Variety and Related Goods	13.9%	14.2%	13.7%
Farm and Garden Supplies	12.3%	11.7%	12.0%
Lumber and Building Materials	12.3%	10.8%	9.5%
Appliances and Housewares	10.3%	11.5%	11.7%

The Company serves its Members by purchasing products in quantity lots and selling them to Members in smaller lots, passing along any savings to Members in the form of lower prices and/or patronage dividends. The Company holds conventions and meetings for its Members in order to keep them better informed as to industry trends and as to new merchandise available. The Company also provides each of its Members with an illustrated price catalog showing the products available from the Company. The Company's sales to its Members are divided into three categories, as follows: (1) warehouse shipment sales (approximately 47% of

total sales); (2) direct (drop shipment) sales (approximately 41% of total sales); and (3) relay sales (approximately 12% of total sales). Warehouse shipment sales are sales of products purchased, warehoused, and resold by the Company upon orders from the Members. Direct shipment sales are sales of products purchased by the Company but delivered directly to Members from manufacturers. Relay sales are sales of products purchased by the Company in response to the requests of several Members for a product which is not normally held in inventory and is not susceptible to direct shipment. Generally, the Company will give notice to all Members of its intention to purchase products for relay shipment and then purchases only so many of such products as the Members order. When the product shipment arrives at the Company, it is not warehoused; rather, the Company breaks up the shipment and "relays" the appropriate quantities to the Members who placed orders.

The Company also manufactures paint, paint applicators, outdoor power equipment, heaters and hardware related products. The principal raw materials used by the Company include chemicals, engines and steel. All raw materials are purchased from outside sources. The Company has been able to obtain adequate sources of raw materials and other items used in production and no shortages of such materials which will materially impact operations are currently anticipated.

The Company annually sponsors two "markets" (one in the Spring and one in the Fall). In fiscal year 1994, these markets will be held in St. Louis, Missouri. Members are invited to the markets and generally place substantial orders for delivery during the period prior to the next market. During such markets, new merchandise and seasonal merchandise for the coming season is displayed to attending Members.

As of February 26, 1994 and February 27, 1993, the Company had a comparable backlog of orders (including relay orders) believed to be firm of approximately $23,000,000. It is anticipated that the entire backlog existing at February 26, 1994 will be filled by April 30, 1994. The Company's backlog at any given time is made up of two principal components: (i) normal resupply orders and (ii) market orders for future delivery. Resupply orders are orders from Members for merchandise to keep inventories at normal levels. Generally, such orders are filled the day following receipt, except that relay orders for future delivery (which are in the nature of resupply orders) are not intended to be filled for several months. Market orders for future delivery are orders for new or seasonal merchandise given by Members during the Company's two markets, for delivery during the several months subsequent to the markets. Thus, the Company will have a relatively high backlog at the end of each market which will diminish in subsequent months until the next market.

The retail hardware and variety industry is characterized by intense competition. Independent retail hardware and variety businesses, as served by the Company, have met increased competition from chain stores, discount stores, home centers, and warehouse operations. Increased operating expenses for the retail stores, including increased costs due to longer open-store hours and higher rental costs of shopping center locations, have cut into operating margins and brought pressures for lower merchandise costs, to which the Company has been responsive. The Company competes with other Member-owned and non-member-owned wholesalers as a source of supply and merchandising support for independent retailers. Competitive factors considered by independent retailers in choosing a source of supply include pricing, servicing capabilities, promotional support and merchandise quality. General increased operating costs and decreased margins have resulted in the withdrawal from business of several non-member-owned wholesalers or conversion to Member-owned status.

During fiscal year 1992, the Company acquired a majority equity interest in Cotter Canada Hardware and Variety Cooperative, Inc., a Canadian wholesaler of hardware, variety and related merchandise. This cooperative serves 336 MacLeod's True Value and Stedman's V&S Variety Stores, all located in Canada. The cooperative has approximately 330 employees and generated less than 5% of the Company's consolidated revenue in fiscal year 1993.

The Company operates several other subsidiaries, most of which are engaged in businesses providing additional services to the Company's Members. In the aggregate, these subsidiaries are not significant to the Company's results of operations.

The Company employs approximately 4,300 persons in the United States on a full-time basis. Due to the widespread geographical distribution of the Company's operations, employee relations are governed by the practices prevailing in the particular area and are generally dealt with locally. Approximately 40% of the Company's hourly-wage employees are covered by collective bargaining agreements which are generally effective for periods of three years. In general, the Company considers its relationship with its employees to be good.

DISTRIBUTION OF PATRONAGE DIVIDENDS

The Company operates on a cooperative basis with respect to business done with or for Members. All Members are entitled to receive patronage dividend distributions from the Company on the basis of gross margins of merchandise and/or services purchased by each Member. In accordance with the Company's By-Laws, the annual patronage dividend is paid to Members out of the gross margins from operations and other patronage source income, after deduction for expenses and provisions authorized by the Board of Directors.

Patronage dividends are usually paid to Members within 60 days after the close of the Company's fiscal year; however, the Internal Revenue Code permits distribution of patronage dividends as late as the 15th day of the ninth month after the close of the Company's fiscal year, and the Company may elect to distribute the annual patronage dividend at a later time than usual in accordance with the provisions of the Internal Revenue Code.

The Company's By-Laws provide for the payment of year-end patronage dividends, after payment of at least 20% of such patronage dividends in cash, in qualified written notices of allocation including (i) Class B nonvoting Common Stock based on book value thereof, to a maximum of 2% of the Member's net purchases of merchandise from the Company for the year (except in unusual circumstances of individual hardships, in which case the Board of Directors reserves the right to make payments in cash), (ii) Promissory (Subordinated) Notes, and (iii) other property. The Company may also issue nonqualified written notices of allocation to its Members as part of its annual patronage dividend.

A Member's required investment in Class B Common Stock of the Company is currently limited to an amount in the aggregate not exceeding an amount (computed on the basis of par value thereof and to the nearest multiple of $100) equal to (i) two percent (2%) of a Member's net purchases of direct (drop shipment) sales from the Company and purchases of direct (drop shipment) sales of "Competitive Edge Program Lumber" materials computed separately at one percent (1%), (ii) four percent (4%) of a Member's net purchases of relay sales from the Company and (iii) eight percent (8%) of a Member's net warehouse purchases from the Company in the year of the highest total net purchases of the three preceding years. The Board of Directors anticipates maintaining these percentages. In that each Member has equal voting power (voting rights being limited to Class A Common Stock), acquisition of Class B Common Stock as patronage dividends results in the larger volume Members having greater Common Stock equity in the Company but a lesser proportionate voting power per dollar of Common Stock owned than smaller volume Members.

PAYMENT OF PATRONAGE DIVIDENDS IN ACCORDANCE WITH THE INTERNAL REVENUE CODE

The Internal Revenue Code (the "Code") specifically provides for the taxation of cooperatives (such as the Company) and their patrons (such as the Company's Members) so as to ensure that the business earnings of cooperatives are currently taxable either to the cooperatives or to the patrons.

The shares of Class B Common Stock and the Promissory (Subordinated) Notes distributed by the Company to its Members as partial payment of the patronage dividend are "written notices of allocation" within the meaning of that term as used in the Code. In order that such written notices of allocation shall be deducted from earnings in determining taxable income of the Company, it is necessary that the Company pay 20% or more of the annual patronage dividend in cash and that the Members consent to having the allocations (at their stated dollar amount) treated as being constructively received by them and includable in their gross income. These conditions being met, the shares of Class B Common Stock and the Promissory (Subordinated) Notes distributed in payment of patronage dividends become "qualified written notices of allocation" as that term is used in the Code. Section 1385(a) of the Code provides, in substance, that the amount of any patronage dividend which is paid in money or in qualified written notices of allocation shall be included in the gross income of the patron (Member) for the taxable year in which he receives such money or such qualified written notices of allocation.

Thus, every year each Member will receive, as part of the Member's patronage dividend, non-cash items ("written notices of allocation") including Class B Common Stock and Promissory (Subordinated) Notes, the stated dollar amount of which must be recognized as gross income for the taxable year in which received. The portion of the patronage dividend paid in cash (at least 20%) may be insufficient, depending on the tax bracket in each Member's case, to provide funds for the payment of income taxes for which the Member will be liable as a result of the receipt of the entire patronage dividend, including cash, Class B Common Stock and Promissory (Subordinated) Notes.

In response to the provisions of the Code, the Company's By-Laws provide for the treatment of the shares of Class B Common Stock, Promissory (Subordinated) Notes and such other notices as the Board of Directors may determine, distributed in payment of patronage dividends as "qualified written notices of allocation." The By-Laws provide in effect:

(i) for payment of patronage dividends partly in cash, partly in qualified written notices of allocation (including the Class B Common Stock and Promissory (Subordinated) Notes as described above), other property or in nonqualified written notices of allocation, and

(ii) that membership in the organization (i.e. the status of being a Member of the Company) shall constitute consent by the Member to take the qualified written notices of allocation or other property into account in the Member's gross income as provided in Section 1385(a) of the Code.

Under the provisions of the Code, persons who become or became Members of the Company or who retained their status as Members after adoption of the By-Laws providing that membership in the organization constitutes consent, and after receiving written notification and a copy of the By-Laws are deemed to have consented to the tax treatment of the cash and the qualified written notices of allocation in which the patronage dividends are paid, in accordance with Section 1385(a) of the Code. Written notification of the adoption of the By-Laws and its significance, and a copy of the By-Laws, were sent to each then existing Member and have been, and will continue to be, delivered to each party that became, or becomes a Member thereafter. Such consent is then effective except as to patronage occurring after the distributee ceases to be a Member of the organization or after the By-Laws of the organization cease to contain the provision with respect to the above described consent.

Each year since 1978, the Company has paid its Members 30% of the annual patronage dividend in cash in respect to patronage (excluding nonqualified written notices of allocation) occurring in the preceding year. It is the judgment of management that the payment of 30% of patronage dividends in cash will not have a material adverse effect on the operations of the Company or its ability to maintain adequate working capital for the normal requirements of its business. However, the Company is obligated to distribute only 20% of the annual patronage dividend (excluding nonqualified written notices of allocation) in cash and it may distribute this lesser percentage in future years.

In order to avoid the administrative inconvenience and expense of issuing separate certificates representing shares of Class B Common Stock and separate Promissory (Subordinated) Notes to each Member, the Company deposits a bulk certificate and a bulk Promissory (Subordinated) Note with Harris Trust and Savings Bank, Chicago, Illinois for safekeeping for and on behalf of its Members and sends a written notice to each Member of these deposits and the allocation thereof to such Member. Each Member is, and is shown on the books of the Company as, the registered owner of his allocation of Class B Common Stock and Promissory (Subordinated) Notes. Upon written request to the Company, a Member can obtain a certificate for all or any portion of his Class B Common Stock and a Note or Notes for all or any portion of the amount allocated to his account.

MANAGEMENT

The directors and principal executive officers of the Company are as follows:

NAME (AGE)	OFFICE
Karen M. Agnew (51)	Vice President
Daniel T. Burns (43)	Vice President and General Counsel
Danny R. Burton (47)	Vice President
Kenneth O. Cayce, Jr. (73)	Director
William M. Claypool, III (71)	Director
Michael P. Cole (50)	Director
Samuel D. Costa, Jr. (52)	Director
Daniel A. Cotter (59)	President, Chief Executive Officer, and Director
Leonard C. Farr (72)	Director
William M. Halterman (46)	Director
Robert F. Johnson (50)	Vice President
Jerrald T. Kabelin (56)	Chairman of the Board and Director
Kerry J. Kirby (47)	Vice President, Chief Financial Officer, Secretary and Treasurer
Robert J. Ladner (47)	Director
Lewis W. Moore (81)	Director
Robert A. Nolawski (55)	Vice President
Jeremiah J. O'Connor (51)	Director
Steven J. Porter (41)	Executive Vice President and Chief Operating Officer
Richard L. Schaefer (64)	Director
John P. Semkus (47)	Vice President
Robert G. Waters (73)	Director
John M. West, Jr. (41)	Director
Donald E. Yeager (51)	Director

During the past five years, the principal occupation of each director of the Company, other than Daniel A. Cotter, was the operation of retail hardware stores.

DESCRIPTION OF COMMON STOCK

DIVIDEND RIGHTS. Dividends (other than patronage dividends) upon the Class A Common Stock (which is being registered herein) and Class B Common Stock, subject to the provisions of the Company's Certificate of Incorporation, may be declared out of gross margins of the Company, other than gross margins from operations with or for Members and other patronage source income, after deduction for expenses and provisions authorized by the Board of Directors.

Dividends may be paid in cash, in property, or in shares of the common stock, subject to the provisions of the Certificate of Incorporation (See "Dividends").

VOTING RIGHTS. The Class A Common Stock, which is the sole voting stock, is offered only in ten (10) share units, and no party may acquire more than one unit; thus control of the Company is equally distributed among all stockholder-Members. The holders of Class A Common Stock have the exclusive voting power upon all questions submitted to shareholders, being entitled to one vote per share, with the right of "cumulative voting" in the election of directors. Pursuant to the Certificate of Incorporation and By-Laws of the Company, the Board of Directors consists of directors who are elected for staggered three-year terms.

LIQUIDATION RIGHTS. Upon dissolution, liquidation or winding up of the Company, voluntary or involuntary, the assets are to be divided among and distributed ratably to the holders of shares of Class A Common Stock and Class B Common Stock pro rata in accordance with their holdings and without preference as between the classes.

PREEMPTIVE RIGHTS. Each shareholder has the right to purchase, and must purchase when he becomes a shareholder-Members, ten (10) shares of Class A Common Stock. No shares of Class A Common Stock shall be issued or sold except in such units and under such circumstances as will assure that every holder of Class A Common Stock shall own an identical number of said shares. No shares of Class B Common Stock shall be issued or sold except to parties who are, at the time of issuance, a holder of shares of Class A Common Stock.

REDEMPTION PROVISIONS. The Member Agreement (the "Agreement") may be terminated by either the Company or the Member on sixty (60) days' written notice. Termination by the Company requires approval by a two-thirds vote of the Board of Directors, except in the following circumstances where the Company has the right to immediately terminate the Agreement: the Member becomes insolvent, commits any act of bankruptcy, files a voluntary petition in bankruptcy, is adjudicated as bankrupt, or commits a breach of any obligation under the Agreement, which breach is not cured within ten (10) days after written notice to the Member by the Company. In the event the Agreement is terminated, the Company undertakes to purchase and the Member is required to sell all of his Class A Common Stock and Class B Common Stock at a price equal to the book value thereof. Payment for the Class A Common Stock will be in cash. Payment for the Class B Common Stock will be a note payable in five equal annual instalments which bears interest at the same rate per annum as the Promissory (Subordinated) Notes most recently issued as part of the Company's annual patronage dividend.

SHAREHOLDERS. As of February 26, 1994, there were 6,516 shareholders of Class A Common Stock and 6,396 shareholders of Class B Common Stock.

OTHER RESTRICTIONS AND RIGHTS. (a) There are no conversion rights, sinking fund provisions, or liability to further calls or assessment by the Company in regard to the Class A Common Stock.

(b) The Company is given an automatic lien to secure the payment of any indebtedness due the Company from any shareholder of record upon the Class A Common Stock and Class B Common Stock shares of such shareholder and upon any declared and unpaid dividends thereon.

(c) There is no existing market for the Class A Common Stock being offered.

Whenever any shareholder may desire to dispose in any manner, by sale, gift or otherwise, of all or any part of his shares of either class of common stock, and whenever any shareholder dies or suffers any other event giving rise to voluntary or involuntary transfer, by operation of law or otherwise, of all or part of his said shares, the Company is given the option, exercisable within ninety (90) days following the date upon which it receives written notice from the shareholder, his heirs, executors, personal representatives or other party in interest, as the case may be, of the intended disposition or of the death of the shareholder or other event giving rise to voluntary or involuntary transfer of the shares, to repurchase all shares referred to in the notice. The option price in the case of either class of Common Stock is the book value thereof as of the date of the most recently audited consolidated financial statements of the Company. Any disposition or attempted disposition or transfer, voluntary or involuntary, of Common Stock of the Company is null and void and confers no rights upon the transferee unless and until the Company has been given the required notice and has failed to exercise its option to purchase within the specified time. The above restrictions do not apply, in the case of a pledge by a shareholder of any of his shares in a bona fide transaction as security for a debt, until the pledge or lienholder forecloses the pledge or lien. The above restrictions do not apply at all in the case of a Class B Common Stock disposition to a person who prior thereto is the owner of shares of Class A Common Stock of the Company.

LEGAL MATTERS

The legality of the issuance of the Class A Common Stock offered hereby will be passed upon for the Company by Messrs. Aronberg Goldgehn Davis & Garmisa, Suite 3000, One IBM Plaza, Chicago, Illinois 60611.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS COVERED BY REPORT OF INDEPENDENT AUDITORS

<TABLE>
<CAPTION>

</TABLE>

REPORT OF INDEPENDENT AUDITORS

To the Members and the Board of Directors
Cotter & Company

We have audited the accompanying consolidated balance sheets of Cotter & Company as of January 1, 1994 and January 2, 1993, and the related consolidated statements of operations, cash flows and capital stock and retained earnings for each of the three years in the period ended January 1, 1994. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Cotter & Company at January 1, 1994 and January 2, 1993, and the consolidated results of its operations and its cash flows for each of the three years in the period ended January 1, 1994 in conformity with generally accepted accounting principles.

/s/ ERNST & YOUNG

Chicago, Illinois

February 9, 1994

COTTER & COMPANY

CONSOLIDATED BALANCE SHEET

ASSETS

<TABLE>
<CAPTION>

<S>	<C> JANUARY 1, 1994	<C> JANUARY 2, 1993
	(000'S OMITTED)	
Current assets:		
Cash and cash equivalents	$ 1,314	$ 37,603
Accounts and notes receivable	276,585	254,401
Inventories	336,066	336,603
Prepaid expenses	6,969	10,330
Total current assets	620,934	638,937
Properties owned, less accumulated depreciation	164,319	178,484
Properties under capital leases, less accumulated amortization	6,769	8,954
Other assets	11,506	6,997

Total assets	$803,528	$833,372

</TABLE>

See Notes to Consolidated Financial Statements.

COTTER & COMPANY

CONSOLIDATED BALANCE SHEET

LIABILITIES AND CAPITALIZATION

<TABLE>
<CAPTION>

	JANUARY 1, 1994	JANUARY 2, 1993
	(000'S OMITTED)	
Current liabilities:		
Accounts payable	$255,216	$300,925
Accrued expenses	38,926	39,367
Short-term borrowings	23,287	293
Current maturities of notes, long-term debt and lease obligations	61,685	49,582
Patronage dividend payable in cash	16,614	18,570
Total current liabilities	395,728	408,737
Long-term debt	63,977	65,282
Obligations under capital leases	5,224	7,467
Capitalization:		
Promissory (subordinated) and instalment notes	217,996	235,695
Redeemable Class A common stock and partially paid subscriptions (Authorized 100,000 shares; issued and fully paid 65,880 and 68,080 shares)	6,633	6,857
Redeemable Class B nonvoting common stock and paid-in capital (Authorized 2,000,000 shares; issued and fully paid 1,019,640 and 979,700 shares; issuable as partial payment of patronage dividends, 75,780 and 97,842 shares)	110,773	108,982
Retained earnings	3,867	1,284
	339,269	352,818
Foreign currency translation adjustment	(670)	(932)
Total capitalization	338,599	351,886
Total liabilities and capitalization	$803,528	$833,372

</TABLE>

See Notes to Consolidated Financial Statements.

COTTER & COMPANY

CONSOLIDATED STATEMENT OF OPERATIONS

<TABLE>
<CAPTION>

	FOR THE YEARS ENDED JANUARY 1, 1994	JANUARY 2, 1993	DECEMBER 28, 1991
	(000'S OMITTED)		
<S>	<C>	<C>	<C>
Revenues	$2,420,727	$2,356,468	$2,139,887
Cost and expenses:			
Cost of revenues	2,202,806	2,139,860	1,942,142
Warehouse, general and administrative	132,674	123,244	111,840
Interest paid to Members	24,458	25,716	26,006
Other interest expense	7,429	7,273	2,466
Gain on sale of properties owned	(5,985)	--	--
Other income, net	(260)	(643)	(2,145)
Income tax expense	2,582	389	153
	2,363,704	2,295,839	2,080,462
Net margins	$ 57,023	$ 60,629	$ 59,425

</TABLE>

See Notes to Consolidated Financial Statements.

COTTER & COMPANY

CONSOLIDATED STATEMENT OF CASH FLOWS

<TABLE>
<CAPTION>

<S>	FOR THE YEARS ENDED JANUARY 1, 1994 <C>	JANUARY 2, 1993 (000'S OMITTED) <C>	DECEMBER 28, 1991 <C>
Cash flows from operating activities:			
Net margins	$ 57,023	$ 60,629	$ 59,425
Adjustments to reconcile net margins to cash and cash equivalents provided by (used for) operating activities:			
Depreciation and amortization	21,566	21,869	20,727
Provision for losses on accounts and notes receivable	4,057	4,447	5,417
Changes in operating assets and liabilities:			
Accounts and notes receivable	(38,605)	(29,798)	(30,043)
Inventories	183	(11,819)	(44,628)
Accounts payable	(45,070)	23,770	13,954
Accrued expenses	(1,143)	(6,221)	8,238
Other adjustments, net	(2,679)	(3,035)	(1,771)
Net cash and cash equivalents provided by (used for) operating activities	(4,668)	59,842	31,319
Cash flows used for investing activities:			
Additions to properties owned	(13,382)	(17,871)	(20,092)
Proceeds from sale of properties owned	13,999	682	1,250
Changes in other assets	(3,850)	(2,076)	894
Net cash and cash equivalents (used for) investing activities	(3,233)	(19,265)	(17,948)
Cash flows used for financing activities:			
Payment of annual patronage dividend	(18,570)	(18,423)	(16,978)
Payment of notes, long-term debt and lease obligations	(32,730)	(18,776)	(25,231)
Proceeds from long-term borrowings	--	54,124	--
Increase (decrease) in short-term borrowings	23,059	(20,975)	12,000
Purchase of Class A common stock	(470)	(337)	(266)
Proceeds from sale of Class A common stock	323	352	328
Net cash and cash equivalents (used for) financing activities	(28,388)	(4,035)	(30,147)
Net increase (decrease) in cash and cash equivalents	(36,289)	36,542	(16,776)
Cash and cash equivalents at beginning of year	37,603	1,061	17,837
Cash and cash equivalents at end of year	$ 1,314	$ 37,603	$ 1,061

</TABLE>

See Notes to Consolidated Financial Statements.

COTTER & COMPANY

CONSOLIDATED STATEMENT OF CAPITAL STOCK AND RETAINED EARNINGS

FOR THE THREE YEARS ENDED JANUARY 1, 1994

<TABLE>
<CAPTION>

	COMMON STOCK, $100 PAR VALUE				
	CLASS A		CLASS B		
	ISSUED	SUBSCRIBED	ISSUED AND TO BE ISSUED	RETAINED EARNINGS	FOREIGN CURRENCY TRANSLATION ADJUSTMENT
<S>	<C>	<C>	<C>	<C>	<C>
			(000'S OMITTED)		
Balances at December 29, 1990..........	$7,274	$ 88	$101,398	$ 2,470	$ --
Net margins..........................				59,425	
Patronage dividend..................			8,095	(60,339)	
Stock issued for paid-up subscriptions....................	363	(363)			
Stock subscriptions.................		336			
Stock purchased and retired.........	(621)		(5,342)		
Balances at December 28, 1991.........	7,016	61	104,151	1,556	--
Net margins..........................				60,629	
Foreign currency translation adjustment......................					(932)
Patronage dividend..................			10,029	(60,901)	
Stock issued for paid-up subscriptions....................	357	(357)			
Stock subscriptions.................		345			
Stock purchased and retired.........	(565)		(5,198)		
Balances at January 2, 1993...........	6,808	49	108,982	1,284	(932)
Net margins..........................				57,023	
Foreign currency translation adjustment......................					262
Patronage dividend..................			7,686	(54,440)	
Stock issued for paid-up subscriptions....................	312	(312)			
Stock subscriptions.................		308			
Stock purchased and retired.........	(532)		(5,895)		
Balances at January 1, 1994...........	$6,588	$ 45	$110,773	$ 3,867	$(670)

</TABLE>

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Subscribed Class A common stock amounts are net of unpaid amounts of $14,000 at January 1, 1994, $27,000 at January 2, 1993 and December 28, 1991, and $32,000 at December 29, 1990 (for 590, 760, 880, and 1,200 shares subscribed, respectively).

See Notes to Consolidated Financial Statements.

COTTER & COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1--DESCRIPTION OF BUSINESS AND ACCOUNTING POLICIES

Cotter & Company (the Company) is a member-owned wholesaler of hardware, variety and related merchandise. The Company also manufactures paint, paint applicators, outdoor power equipment, heaters and hardware related products. The Company's goods and services are sold predominantly within the United States, primarily to retailers of hardware, variety and related lines, each of whom has purchased ten shares of the Company's Class A common stock on becoming a Member. The Company operates in a single industry as a member-owned wholesaler cooperative. In accordance with the Company's By-laws, the annual patronage dividend is paid to Members out of gross margins from operations and other patronage source income, after deduction for expenses and provisions authorized by the Board of Directors. The significant accounting policies of the Company are summarized below.

Consolidation. The consolidated financial statements include the accounts of the Company and all wholly-owned subsidiaries. In fiscal years 1992 and 1993, the consolidated financial statements also include the accounts of Cotter Canada Hardware and Variety Cooperative, Inc., a Canadian member-owned wholesaler of hardware, variety and related merchandise, in which the Company has a majority equity interest.

Capitalization. The Company's capital (Capitalization) is derived from redeemable Class A voting common stock and retained earnings, together with promissory (subordinated) notes and redeemable Class B nonvoting common stock issued in connection with the Company's annual patronage dividend. The By-laws provide for partially meeting the Company's capital requirements by payment of the year-end patronage dividend, of which at least twenty percent must be paid in cash, and the balance in promissory (subordinated) notes and redeemable $100 par value Class B common stock.

Membership may be terminated without cause by either the Company or the Member on sixty days written notice. In the event membership is terminated, the Company undertakes to purchase, and the Member is required to sell to the Company, all of the Member's Class A common stock and Class B common stock at book value. Payment for the Class A common stock will be in cash. Payment for the Class B common stock will be a note payable in five equal annual instalments bearing interest at the same rate per annum as the promissory (subordinated) notes most recently issued as part of the Company's patronage dividend.

Cash equivalents. The Company classifies its temporary investments in highly liquid debt instruments, with an original maturity of three months or less, as cash equivalents. The carrying amount reported in the consolidated balance sheets for cash and cash equivalents approximates fair value.

Inventories. Inventories are stated at the lower of cost, determined on the "first-in, first-out" basis, or market.

Properties. Properties are recorded at cost. Depreciation and amortization are computed by using the straight-line method over the following estimated useful lives: buildings and improvements--10 to 40 years; machinery, warehouse and office equipment--5 to 10 years; transportation equipment--3 to 7 years; and leasehold improvements--the life of the lease without regard to options for renewal.

Income Taxes. The Company adopted Statement of Financial Accounting Standards (SFAS) No. 109, "Accounting for Income Taxes," effective January 3, 1993. Under this standard, the liability method is used whereby deferred income taxes are recognized for the tax consequences of temporary differences by applying

enacted statutory rates applicable to future years to differences between the financial statement carrying amounts and the tax bases of existing assets and liabilities adjusting for the impact of tax credit carryforwards.

Retirement plans. The Company sponsors two noncontributory defined benefit retirement plans covering substantially all of its employees. Company contributions to union-sponsored defined contribution plans are based on collectively bargained rates times hours worked. The Company's policy is to fund annually all tax-qualified plans to the extent deductible for income tax purposes.

Reporting year. The Company's reporting year-end is the Saturday closest to December 31.

NOTE 2--INVENTORIES

Inventories consisted of:

<TABLE>
<CAPTION>

	JANUARY 1,	JANUARY 2,

	1994	1993
	(000'S OMITTED)	
Manufacturing inventories:		
Raw materials	$ 14,795	$ 13,520
Work-in-process and finished goods	54,992	46,126
	69,787	59,646
Merchandise inventories	266,279	276,957
	$336,066	$336,603

NOTE 3--PROPERTIES

Properties owned or leased under capital leases consisted of:

	JANUARY 1, 1994		JANUARY 2, 1993	
	OWNED	LEASED	OWNED	LEASED
	(000'S OMITTED)			
Buildings and improvements	$166,055	$ --	$171,479	$ --
Machinery and warehouse equipment	76,330	--	77,591	--
Office equipment	55,191	--	50,408	--
Transportation equipment	18,778	15,337	16,297	15,337
	316,354	15,337	315,775	15,337
Less accumulated depreciation and amortization	164,731	8,568	152,250	6,383
	151,623	6,769	163,525	8,954
Land	12,696	--	14,959	--
	$164,319	$ 6,769	$178,484	$ 8,954

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

NOTE 4--LONG-TERM DEBT AND BORROWING ARRANGEMENTS

Long-term debt consisted of:

<TABLE>
<CAPTION>
JANUARY 1, JANUARY 2,

	1994	1993
	(000'S OMITTED)	
Senior note at 8.60%	$ 50,000	$ 50,000
Term loan:		
7.75%	6,200	6,200
Canadian prime (5.50% and 7.25%)	3,777	3,932
Industrial Revenue Bonds:		
5.94%	4,000	4,000
8.25%	1,150	2,950
	65,127	67,082
Less amounts due within one year	1,150	1,800
	$ 63,977	$ 65,282

</TABLE>

The proceeds from the 8.60% senior note were used for operations. Principal payments starting in 1995 are due in increasing amounts through maturity in 2007. Under the senior note agreement, the Company is required to meet certain financial ratios and covenants.

The two term loans relate to the Canadian acquisition and are due in 1997.

The 5.94% issuance of bonds relates to financing the expansion of a distribution center. On October 1, 1994 and every three-year period thereafter, the interest rate will be adjusted based on a bond index. These bonds may be redeemed at face value at either the option of the Company or the bondholders at October 1, 1994 and every three-year period thereafter until maturity in 2003. The 8.25% issuance of bonds relates to financing the construction of a distribution center.

Total maturities of long-term debt for fiscal years 1994, 1995, 1996, 1997, 1998, and thereafter are $1,150,000, $1,000,000, $2,000,000, $12,977,000, $4,000,000 and $44,000,000 respectively.

In addition, the Company has various short-term lines of credit available under informal agreements with lending banks, cancelable by either party under specific circumstances, which amount to $56,500,000 at January 1, 1994. There were $23,287,000 borrowings under these agreements at January 1, 1994. The Company pays commitment fees for these lines.

The fair value of the 8.6% senior note was approximately $54,375,000 and $51,250,000 at January 1, 1994 and January 2, 1993, respectively. The fair value was estimated using discounted cash flow analyses, based on the Company's incremental borrowing rate for similar borrowings. The carrying amounts of the Company's other long term borrowings and short-term lines of credit approximate fair value.

NOTE 5--CAPITAL LEASES AND OTHER LEASE COMMITMENTS

Capitalized leases expire at various dates and generally provide for purchase options but not renewals. Purchase options provide for purchase prices at either fair market value or a stated value which is related to the lessor's book value at expiration of the lease term.

The following is a schedule of future minimum lease payments under capital leases, together with the present value of the net minimum lease payments, as of January 1, 1994:

<TABLE>
<CAPTION>

FISCAL YEARS	(000'S OMITTED)
<S>	<C>
1994	$ 2,545
1995	1,834
1996	1,485
1997	1,025
1998	751
1999	416

Net minimum lease payments	8,056
Less amount representing interest	589

Present value of net minimum lease payments	7,467
Less amounts due within one year	2,243

	$ 5,224

</TABLE>

The Company also is committed under cancelable operating leases on certain transportation equipment which, in certain cases, also provide for contingent rental arrangements and purchase options. The Company made contingent rental payments relating to operating leases of $575,000, $616,000 and $483,000 for fiscal years 1993, 1992 and 1991, respectively. Rental expense under operating leases for fiscal years 1993, 1992 and 1991 were $7,536,000, $6,850,000 and $5,583,000, respectively.

NOTE 6--CAPITALIZATION

Promissory (subordinated) and instalment notes consisted of:

<TABLE>
<CAPTION>

	JANUARY 1, 1994	JANUARY 2, 1993
	---------	---------
<S>	<C>	<C>

	(000'S OMITTED)	
Promissory (subordinated) notes--		
Due currently	$ 51	$ 56
Due on December 31, 1993--8%	--	24,734
Due on December 31, 1993--11%	--	18,393
Due on December 31, 1994--8 1/2%	26,173	26,739
Due on December 31, 1994--9 1/2%	30,321	31,548
Due on December 31, 1995--7 1/2%	21,324	22,686
Due on December 31, 1995--10%	36,257	38,259
Due on December 31, 1996--9 1/2%	28,930	30,324
Due on December 31, 1996--6%	27,187	--
Due on December 31, 1997--10%	18,138	24,668
Due on December 31, 1998--8%	29,266	30,090
Due on December 31, 1999--8% (issued 1993)	27,827	28,863
Due on December 31, 2000--6 1/2% (to be issued)	26,752	--
Instalment notes at interest rates of 8% to 10% with maturities through 1997	4,062	4,575
	276,288	280,935
Less amounts due within one year	58,292	45,240
	$ 217,996	$ 235,695

</TABLE>

The promissory notes are issued principally in payment of the annual patronage dividend. Promissory notes are subordinated to indebtedness to banking institutions, trade creditors and other indebtedness of the Company as specified by its Board of Directors. Notes to be issued relate to the patronage dividend which is distributed after the end of the year. Prior experience indicates that the maturities of a substantial portion of

the notes due within one year are extended, for a three year period, at interest rates substantially equivalent to competitive market rates of comparable instruments. The Company anticipates that this practice will continue.

Due to the uncertainty of the ultimate maturities of the promissory notes, management believes it is impracticable to estimate their fair value. The carrying amount of the instalment notes at January 1, 1994 and January 2, 1993 approximates fair value.

Total maturities of promissory and instalment notes for fiscal years 1994, 1995, 1996, 1997, 1998, and thereafter are $58,292,000, $58,826,000, $56,812,000, $18,513,000, $29,266,000 and $54,579,000, respectively.

NOTE 7--INCOME TAXES

Effective January 3, 1993, the Company adopted SFAS No. 109, "Accounting for Income Taxes" (See Note 1). As permitted under the new rules, prior years' financial statements have not been restated.

The cumulative effect of adopting SFAS No. 109 as of January 3, 1993 was not material to the consolidated financial statements of the Company.

At January 1, 1994, the Company has alternative minimum tax credit carryforwards of approximately $1,000,000 which do not expire. The carryforwards are available to offset future federal tax liabilities.

Significant components of the Company's deferred tax assets and liabilities as of January 1, 1994 resulted primarily from alternative minimum tax credit carryforwards and temporary differences between income tax and financial reporting for depreciation, vacation pay and contributions to fund retirement plans.

Significant components of the provision (benefit) for income taxes are as follows:

<TABLE>
<CAPTION>

	LIABILITY METHOD	DEFERRED METHOD	
	FOR THE YEARS ENDED		
	JANUARY 1, 1994	JANUARY 2, 1993	DECEMBER 28, 1991
	(000'S OMITTED)		
<S>	<C>	<C>	<C>
Current:			
Federal	$ 343	$ 551	$ 2,051
State	22	152	326
Foreign	237	122	--
Total current	602	825	2,377
Deferred:			
Federal	1,582	(497)	(2,051)
State	317	(14)	(173)
Foreign	81	75	--
Total deferred	1,980	(436)	(2,224)
	$2,582	$ 389	$ 153

</TABLE>

The Company operates as a nonexempt cooperative and is allowed a deduction in determining its taxable income for amounts paid as patronage dividend based on margins from business done with or for Members.

The reconciliation of income tax expense to income tax computed at the U.S. federal statutory tax rate of 35% in fiscal year 1993 and 34% in 1992 and 1991 is as follows:

	LIABILITY METHOD	DEFERRED METHOD	
	FOR THE YEARS ENDED		
	JANUARY 1, 1994	JANUARY 2, 1993	DECEMBER 28, 1991
	(000'S OMITTED)		
Tax at U.S. statutory rate	$ 20,862	$ 20,746	$ 20,257
Effects of:			
Patronage dividend	(19,054)	(20,706)	(20,515)
State income taxes, net of federal tax benefit	220	91	101
Other, net	554	258	310
	$ 2,582	$ 389	$ 153

NOTE 8--CASH FLOW

The Company's noncash financing and investing activities in fiscal years 1992 and 1991 include acquisitions of transportation and warehouse equipment by entering into capital leases. In fiscal year 1992, ownership of a distribution center previously under capital lease was transferred to the Company. Also in fiscal year 1992, a wholly-owned subsidiary of the Company acquired certain assets, in part, by assuming debt. In fiscal year 1991, the Company acquired a new distribution center by assuming debt. These transactions aggregate $12,527,000 and $11,382,000 in fiscal years 1992 and 1991, respectively. In addition, the annual patronage dividend and promissory (subordinated) note renewals relating to noncash operating and financing activities are as follows:

	FOR THE YEARS ENDED		
	JANUARY 1, 1994	JANUARY 2, 1993	DECEMBER 28, 1991
	(000'S OMITTED)		
Patronage dividend payable in cash	$ 16,614	$ 18,570	$ 18,423
Promissory (subordinated) notes	20,852	22,711	26,875
Class B nonvoting common stock	2,086	4,934	2,800
Instalment notes	2,939	2,485	2,996
Member indebtedness	11,949	12,201	9,245
	$ 54,440	$ 60,901	$ 60,339

Promissory (subordinated) note renewals................	$ 27,187	$ 22,686	$ 26,328

</TABLE>

Cash paid for interest during fiscal years 1993, 1992 and 1991, totalled $32,056,000, $31,638,000 and $28,668,000, respectively. Cash paid for income taxes during fiscal years 1993, 1992 and 1991 totalled $1,387,000, $1,771,000 and $2,380,000, respectively.

NOTE 9--RETIREMENT PLANS

The components of net pension cost for the Company administered pension plans consisted of:

<TABLE>
<CAPTION>

	FOR THE YEARS ENDED		
	JANUARY 1, 1994	JANUARY 2, 1993	DECEMBER 28, 1991
		(000'S OMITTED)	
<S>	<C>	<C>	<C>
Income:			
Actual return on plan assets.........................	$ 7,486	$ 2,856	$ 10,202
Amortization of excess plan assets...................	920	920	920
	8,406	3,776	11,122
Expenses:			
Service cost--benefits earned during year............	4,556	3,633	3,196
Interest on projected benefit obligation.............	6,266	5,738	5,314
Deferral of excess (deficiency) of actual over estimated return on plan assets...................	1,042	(3,060)	4,972
	11,864	6,311	13,482
Net pension cost.....................................	$ 3,458	$ 2,535	$ 2,360

</TABLE>

The discount rate and the rate of increase in future compensation levels used in determining the actuarial present value of the projected benefit obligation were 7 1/2% and 4 1/2%, respectively, in fiscal year 1993 compared to 9% and 6%, respectively, in fiscal years 1992 and 1991. These changes in actuarial assumptions did not have a material impact on net pension cost for fiscal year 1993 and the Company does not anticipate that these changes will have a material impact on net pension cost in future years. In fiscal years 1993, 1992 and 1991, the expected long-term rate of return on assets was 9 1/2%.

Plan assets are composed primarily of corporate equity and debt securities. Benefits are based on years of service and the employee's compensation during the last ten years of employment, offset by a percentage of

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

Social Security retirement benefits. Trusteed net assets and actuarially computed benefit obligations for the Company administered pension plans are presented below:

<TABLE>
<CAPTION>

	JANUARY 1, 1994	JANUARY 2, 1993
	(000'S OMITTED)	
<S>	<C>	<C>
Assets:		
Total plan assets at fair value	$ 81,726	$ 73,705
Obligations:		
Accumulated benefit obligation--		
Vested	$ 55,605	$ 41,382
Non-vested	8,704	5,039
Effect of projected compensation increases	24,110	21,863
Total obligations	88,419	68,284
Net excess assets (liabilities):		
Unrecognized--		
Unamortized excess assets at original date	9,563	10,483
Net actuarial gain (loss)	(5,773)	5,706
Prior service costs	(6,170)	(6,836)
Recognized accrued pension cost	(4,313)	(3,932)
Total net excess assets (liabilities)	(6,693)	5,421
Total obligations and net excess assets (liabilities)	$ 81,726	$ 73,705

</TABLE>

The Company also participates in union-sponsored defined contribution plans. Pension costs related to these plans were $702,000, $556,000 and $522,000 for fiscal years 1993, 1992 and 1991, respectively.

THIS PROSPECTUS DOES NOT CONTAIN ALL THE INFORMATION SET FORTH IN THE REGISTRATION STATEMENT, AND THE EXHIBITS AND SCHEDULES RELATING THERETO, WHICH THE COMPANY HAS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION, WASHINGTON, D. C. UNDER THE SECURITIES ACT OF 1933 AND TO WHICH REFERENCE IS HEREBY MADE FOR FURTHER INFORMATION WITH RESPECT TO THE COMPANY AND THE SECURITIES OFFERED

HEREBY.

TABLE OF CONTENTS

NO DEALER, SALESMAN, OR ANY OTHER PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR MAKE ANY REPRESENTATIONS OTHER THAN THOSE CONTAINED IN THIS PROSPECTUS IN CONNECTION WITH THE OFFERING CONTAINED IN THIS PROSPECTUS, AND, IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE COMPANY.

COTTER & COMPANY

14,960 SHARES
CLASS A COMMON STOCK

$100 PAR VALUE
(IN UNITS OF 10 SHARES)

PROSPECTUS

DATED APRIL , 1994

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 14. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION

The following are the actual or estimated expenses in connection with the issuance and distribution of the Common Stock being registered:

Registration Fee	$ --
Printing of Registration Statement and Prospectus	16,000
Accounting Fees and Expenses	9,000
Legal Fees	10,000
Fees and Expenses for Qualifying Securities under "Blue Sky" Laws of Various States	15,000
Total	$50,000

ITEM 15. INDEMNIFICATION OF DIRECTORS AND OFFICERS

The Company's certificate of incorporation, as amended, provides that the Company shall indemnify, in accordance with and to the full extent permitted by the Delaware General Corporation Law, any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (including, without limitation, an action by or in the right of the Company), by reason of the fact that such person is or was a director, officer, employee or agent of the Company, or is or was serving at the request of the Company as a director, officer, employee or agent of another Company, partnership, joint venture, trust or other enterprise, against any liability or expense actually and reasonably incurred by such person in respect thereof. Such indemnification is not exclusive of any other right of such director, officer, or employee to indemnification provided by law or otherwise.

Additionally, pursuant to Section 145(a)-(g) of the Delaware Corporation Law which empowers a corporation to indemnify its directors, officers, employees and agents, the Board of Directors of the Company on July 23, 1973 adopted a By-Law (Article XII, Indemnification of Directors, Officers and Employees--Exhibit 3-A to the Company's Form 10-K Annual Report for the year ended January 1, 1994 and incorporated herein by reference) providing for such indemnification. The following is a summary of the most significant provisions of said By-Law:

As against third parties, the Company shall indemnify any director, officer, employee or agent for any expenses (including attorneys' fees, judgments, fines and amounts paid in settlement) actually and reasonably incurred in defending any threatened, pending or completed suit or proceeding, whether civil, criminal, administrative or investigative brought against such person by reason of the fact that he was or is a director, officer, employee or agent, if such person acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interest of the Company, and with respect to any criminal action or proceeding if he had no reasonable cause to believe his conduct unlawful.

In any action or suit by or in the right of the Company, the Company shall indemnify any director, officer, employee or agent who is or was a party or threatened to be made a party to such threatened, pending or completed action or suit, for expenses (including attorney's fees and amounts paid in settlement) reasonably and actually incurred in connection with the defense or settlement of such suit or action, if such person acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interest of the Company, except that no indemnification shall be made if such person has been adjudged to be liable for negligence or misconduct in the performance of his duty to the Company unless and only to the extent that the Court of Chancery of Delaware or the court where the suit was brought finds that in view of all the circumstances of the case, such person is entitled to indemnification.

Any indemnification, unless ordered by a court, shall be made by the Company only as authorized in the specific case upon a determination that indemnification is proper in the circumstances because the party to be indemnified has met the applicable standard of conduct. Such determination shall be made by the Board of Directors by a majority vote of a quorum, consisting of directors who were not parties of such action, suit or

proceeding, or if such a quorum is not obtainable, or even if obtainable, if a quorum of disinterested directors so directs, by independent legal counsel in a written opinion, or by the stockholders.

Additionally, the shareholders of the Company have approved an amendment to the Certificate of Incorporation to eliminate personal liability of directors to the Company or its shareholders for monetary damages for breach of fiduciary duty of care. The amendment provides that a director of the Company shall not be liable to the Company or its stockholders for monetary damages for breach of fiduciary duty as a director, except to the extent such exemption from liability or limitation thereof is not permitted under the Delaware General Corporation Law as the same exists or may hereafter be amended.

Insofar as indemnification for liabilities arising under the Securities Act of 1933 is concerned, see Item 17 "Undertakings" below.

ITEM 16. EXHIBITS.

<TABLE>
<CAPTION>

EXHIBIT NUMBER	DESCRIPTION
<S>	<C>
4-A	Article Fourth of the Certificate of Incorporation of the Company, setting forth the designations and the powers, preferences and rights, and the qualifications, limitations and restrictions of the Class A Common Stock and Class B Common Stock of the Company. Article Twelfth of the Certificate of Incorporation of the Company, setting forth certain limitations on the rights of shareholders to bring an action against directors for breach of the duty of care. Incorporated by reference--Exhibit 3-A to the Company's Form 10-K Annual Report for the year ended January 1, 1994.
4-B	Articles VI, VII, VIII, IX and XI of the By-Laws of the Company relating to: certain qualifications, limitations and restrictions on the Common Stock of the Company; the Member agreement between the Company and its shareholders; the payment of patronage dividends; dividends; qualifying shares; and valuation of Class B Common Stock of the Company issued as part of the annual patronage dividend. Incorporated by reference--Exhibit 3-B to the Company's Form 10-K Annual Report for the year ended January 1, 1994.
4-C	Specimen certificate of Class A Common Stock. Incorporated by reference--Exhibit 4-A to Registration Statement on Form S-2 (No. 2-82836).
4-D	Specimen certificate of Class B Common Stock. Incorporated by reference--Exhibit 4-B to Registration Statement on Form S-2 (No. 2-82836).
4-E	Promissory (Subordinated) Note form effective for the year-ending December 31, 1986 and thereafter. Incorporated by reference--Exhibit 4-H to Registration Statement on Form S-2 (No. 33-20960).
4-F	Instalment Note form. Incorporated by reference--Exhibit 4-F to Registration Statement on Form S-2 (No. 2-82836).
4-G	Copy of Note Agreement with Prudential Insurance Company of America dated April 13, 1992 securing 8.60% Senior Notes in the principal sum of $50,000,000 with a maturity date of April 1, 2007. Incorporated by reference--Exhibit 4-J to Post-Effective Amendment No. 2 to Registration Statement on Form S-2 (No. 33-39477).
5	Opinion of Messrs. Aronberg Goldgehn Davis & Garmisa.

10-A	Form of "Retail Member Agreement with Cotter & Company" between the Company and its Members that offer primarily hardware, variety merchandise and related items. Incorporated by reference--Exhibit 10-C to Post-Effective Amendment No. 2 to Registration Statement on Form S-2 (No. 33-39477).
10-B	Current form of "Subscription to Shares of Cotter & Company". Incorporated by reference--Exhibit 10-H to Registration Statement on Form S-2 (No. 2-82836).

</TABLE>

<TABLE>
<CAPTION>

EXHIBIT NUMBER	DESCRIPTION
<S>	<C>
10-C	Cotter & Company Pension Plan, amended and restated as of January 1, 1989. Incorporated by reference--Exhibit 10-D to Post-Effective Amendment No. 2 to Registration Statement on Form S-2 (No. 33-39477).
10-D	Cotter & Company Employees' Savings and Compensation Deferral Plan, amended and restated as of July 1, 1992. Incorporated by reference--Exhibit 10-E to Post-Effective Amendment No. 2 to Registration Statement on Form S-2 (No. 33-39477).
10-E	Supplemental Retirement Plan between Cotter & Company and selected executives of the Company dated December 30, 1988. Incorporated by reference--Exhibit 10-V to Post-Effective Amendment No. 1 to Registration Statement on Form S-2 (No. 33-20960).
10-F	First Amendment to Supplemental Retirement Plan between Cotter & Company and selected executives of the Company. Incorporated by reference--Exhibit 10-Q to Post-Effective Amendment No. 1 to Registration Statement on Form S-2 (No. 33-39477).
10-G	Annual Incentive Compensation Program and Long-Term Incentive Compensation Program between Cotter & Company and selected executives of the Company. Incorporated by reference--filed as Exhibits A and B to Exhibit 10-N to Registration Statement on Form S-2 (No. 33-39477).
10-H	Employment Agreement between Cotter & Company and Daniel A. Cotter dated October 15, 1984. Incorporated by reference--Exhibit 10-N to Post-Effective Amendment No. 2 to Registration Statement on Form S-2 (No. 2-82836).
10-I	Amendment No. 1 to Employment Agreement between Cotter & Company and Daniel A. Cotter dated October 15, 1984 effective January 1, 1991. Incorporated by reference--Exhibit 10-N to Registration Statement on Form S-2 (No. 33-39477).
23-A	Consent of Aronberg Goldgehn Davis & Garmisa is included in Exhibit 5 to this Registration Statement.
23-B	Consent of Independent Auditors (included on page S-6).

</TABLE>

ITEM 17. UNDERTAKINGS.

The undersigned Registrant hereby undertakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this Registration Statement:

(i) To include any Prospectus required by section 10(a)(3) of the Securities Act of 1933;

(ii) To reflect in the Prospectus any facts or events arising after the effective date of the Registration Statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the Registration Statement.

(iii) To include any material information with respect to the plan of distribution not previously disclosed in the Registration Statement or any material change to such information in the Registration Statement.

(2) That, for the purpose of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new Registration Statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the Company pursuant to the foregoing provisions described in Item 15, or otherwise, the Company has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Company of expenses incurred or paid by a director, officer or controlling person of the Company in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Company will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

SIGNATURES

PURSUANT TO THE REQUIREMENTS OF THE SECURITIES ACT OF 1933, THE REGISTRANT CERTIFIES THAT IT HAS REASONABLE GROUNDS TO BELIEVE THAT IT MEETS ALL OF THE REQUIREMENTS FOR FILING ON FORM S-2 AND HAS DULY CAUSED THIS AMENDMENT TO REGISTRATION STATEMENT TO BE SIGNED ON ITS BEHALF BY THE UNDERSIGNED, THEREUNTO DULY AUTHORIZED, IN THE CITY OF CHICAGO, STATE OF ILLINOIS, ON THE 17TH DAY OF MARCH 1994.

COTTER & COMPANY

By: /s/ DANIEL A. COTTER

Daniel A. Cotter
President, Chief Executive Officer and Director

PURSUANT TO THE REQUIREMENTS OF THE SECURITIES ACT OF 1933, THIS AMENDMENT TO REGISTRATION STATEMENT HAS BEEN SIGNED BELOW BY THE FOLLOWING PERSONS IN THE CAPACITIES AND ON THE DATES INDICATED.

<TABLE>
<CAPTION>

SIGNATURE	TITLE	DATE
<S>	<C>	<C>
/s/ DANIEL A. COTTER	President, Chief Executive Officer and Director	March 17, 1994

Daniel A. Cotter		
/s/ STEVEN J. PORTER ---------------- Steven J. Porter	Executive Vice President and Chief Operating Officer	March 17, 1994
/s/ KERRY J. KIRBY -------------- Kerry J. Kirby	Vice President, Secretary, Treasurer and Chief Financial Officer	March 17, 1994
/s/ JERRALD T. KABELIN ------------------ Jerrald T. Kabelin	Chairman of the Board and Director	March 17, 1994
/s/ KENNETH O. CAYCE, JR. --------------------- Kenneth O. Cayce, Jr.	Director	March 17, 1994
/s/ WILLIAM M. CLAYPOOL, III ------------------------ William M. Claypool, III	Director	March 17, 1994
/s/ MICHAEL P. COLE --------------- Michael P. Cole	Director	March 17, 1994
/s/ SAMUEL D. COSTA, JR. -------------------- Samuel D. Costa, Jr.	Director	March 17, 1994
/s/ LEONARD C. FARR --------------- Leonard C. Farr	Director	March 17, 1994
/s/ WILLIAM M. HALTERMAN -------------------- William M. Halterman	Director	March 17, 1994
/s/ ARTHUR W. KETELSEN ------------------ Arthur W. Ketelsen	Director	March 17, 1994
/s/ LEWIS W. MOORE -------------- Lewis W. Moore	Director	March 17, 1994
/s/ JEREMIAH J. O'CONNOR -------------------- Jeremiah J. O'Connor	Director	March 17, 1994
/s/ RICHARD L. SCHAEFER ------------------- Richard L. Schaefer	Director	March 17, 1994
/s/ ROBERT G. WATERS ---------------- Robert G. Waters	Director	March 17, 1994
/s/ JOHN M. WEST, JR. ----------------- John M. West, Jr.	Director	March 17, 1994
/s/ DONALD E. YEAGER ---------------- Donald E. Yeager	Director	March 17, 1994

</TABLE>

CONSENT OF INDEPENDENT AUDITORS

We consent to the use of our report dated February 9, 1994, in Post-Effective Amendment No. 3 to the Registration Statement (Form S-2 No. 33-39477) and related Prospectus of Cotter & Company for the registration of 14,960 shares of its Class A Common Stock. We also consent to the incorporation by reference therein our report with respect to the consolidated financial statements and consolidated financial statement schedules of Cotter & Company for each of the three years in the period ended January 1, 1994 included in the Annual Report (Form 10-K) of Cotter & Company for the year ended January 1, 1994, filed with the Securities and Exchange Commission.

/s/ ERNST & YOUNG

Chicago, Illinois

March 17, 1994

INDEX TO EXHIBITS FILED
TO POST-EFFECTIVE AMENDMENT NO. 3 TO
REGISTRATION STATEMENT ON
FORM S-2 OF COTTER & COMPANY

<TABLE>
<CAPTION>

EXHIBIT NUMBER	EXHIBIT
<S>	<C>
5	Opinion of Messrs. Aronberg Goldgehn Davis & Garmisa.............
23-B	Consent of Independent Auditors (included on page S-6)...........

</TABLE>

Exhibits incorporated by reference are listed on Pages S-2 and S-3 of Post-Effective Amendment No. 3 to Registration Statement on Form S-2 of Cotter & Company.

EXHIBIT 23-A

ARONBERG GOLDGEHN DAVIS & GARMISA
[LETTERHEAD]

March 17, 1993

Cotter & Company
2740 North Clybourn Avenue
Chicago, Illinois 60614

Gentlemen:

We refer to the Post Effective Amendment No. 3 to Registration Statement on Form S-2 (No. 33-39477) being filed by Cotter & Company, a Delaware corporation (hereinafter referred to as the Company"), with the Securities and Exchange Commission under the Securities Act of 1933, as amended, pertaining to the registration of 14,960 shares of Class A Common Stock, $100 par value.

The Class A Common Stock shall be issued and sold directly by the Company in 10 share units at the part value thereof, for an aggregate purchase price of $1,000 per unit. Sales shall be made to retailers of hardware, variety and related merchandise, in connection with becoming members of the Company.

Upon the basis of our examination, we are of the opinion that:

1. The Company is a corporation duly incorporated, validly existing and in good standing under the laws of the State of Delaware.

2. The Company has an authorized capital consisting of 100,000 shares of Class A Common Stock, $100 par value and 2,000,000 shares of Class B Common Stock, $100 par value. As of February 26, 1994, there were 65,160 Class A Common shares issued and outstanding and 1,086,978 Class B Common shares issued and outstanding. All of said shares were legally issued, fully paid and non-assessable as of said date.

3. The proposed offering of 14,960 shares of Class A Common Stock, $100 par value, of the Company has been duly

authorized and when sold as contemplated will be legally issued and fully paid and non-assessable.

We hereby consent to the use of this opinion as an exhibit to the Registration Statement and the related Prospectus as counsel for the Company who have passed upon the legalities of the securities registered thereunder.

Sincerely,

ARONBERG GOLDGEHN DAVIS & GARMISA

By: /s/ ROBERT N. SODIKOFF

Robert N. Sodikoff

RNS:jgm