

SECURITIES AND EXCHANGE COMMISSION

FORM 10-K/A

Annual report pursuant to section 13 and 15(d) [amend]

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FILER

ACE HARDWARE CORP

CIK: **2024** | IRS No.: **360700810** | State of Incorpor.: **DE** | Fiscal Year End: **1231**
Type: **10-K/A** | Act: **34** | File No.: **002-55860** | Film No.: **95536337**
SIC: **5070** Hardware & plumbing & heating equipment & supplies

Business Address
2200 KENSINGTON COURT
OAK BROOK IL 60521
7089906600

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Form 10-K/A NO.1

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 1994 Commission File No. 2-55860

Ace Hardware Corporation
(Exact Name of Registrant as Specified in its Charter)

DELAWARE 36-0700810
(State or Other Jurisdiction of (I.R.S. Employer
Incorporation or Organization) Identification No.)

2200 Kensington Court, Oak Brook, IL 60521
(Address of Principal Executive Offices) (Zip Code)

Registrant's telephone number, including Area Code: (708) 990-6600

Securities registered pursuant to Section 12(b) of the Act: NONE

Securities registered pursuant to Section 12(g) of the Act: NONE

State the aggregate market value of the voting stock held by non-affiliates of the Registrant. The Registrant's shares are issued only to, and may be held only by, its dealer-stockholders, and the shares held by a dealer-stockholder are subject to repurchase by the Registrant upon termination of the membership agreement of a dealer-stockholder. Thus, there is no market for the Registrant's shares. The repurchase price for each share of Class A stock, the only voting stock issued by the Registrant, is equal to the par value of \$1,000 per share. As of February 28, 1995, the aggregate value of the Class A stock held by non-affiliates (dealer-stockholders) calculated on the basis of such repurchase price was \$3,891,000.

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No

Indicate the number of shares outstanding of each of the Registrant's classes of common stock, as of the latest practicable date (applicable only to corporation Registrants). Outstanding shares as of February 28, 1995:

Class A (voting) Stock,	\$1,000 par value	3,901 shares
Class B (nonvoting) Stock,	\$1,000 par value	3,212 shares
Class C (nonvoting) Stock,	\$ 100 par value	1,631,920 shares

PART I

Item 1. Business

Ace Hardware Corporation was formally organized as a Delaware corporation in 1964. In 1973, by means of a corporate merger, it succeeded to the business of Ace Hardware Corporation, an Illinois corporation organized in 1928. Until 1973, the business now being engaged in by the Company had been conducted by the Illinois corporation. The Company's principal executive offices are located at 2200 Kensington Court, Oak Brook, Illinois 60521. Its telephone number is (708) 990-6600.

The Company functions as a wholesaler of hardware and related products, and manufactures paint products. Sales of the products distributed by it are presently made primarily to individuals, partnerships or corporations who are engaged in business as retail dealers of hardware or related items and who have entered into Membership Agreements with the Company entitling them to purchase merchandise and services from the Company and to use the Company's marks as provided therein.

The Company operates on a cooperative basis and distributes patronage dividends to its eligible member dealers each year in proportion to the amount of their annual purchases of merchandise from it. (See the subheading "Distribution of Patronage Dividends.")

At December 31, 1994 there were 4,940 retail business outlets with respect to which such Membership Agreements had been entered into. Those

States having the largest concentration of member outlets are California (approximately 10%), Texas (approximately 6%), Illinois and Florida (approximately 5% each), Michigan (approximately 4%) and Georgia (approximately 3%). States into which were shipped the largest percentages of the merchandise sold by the Company in 1994 are California (approximately 11%), Illinois (approximately 9%), Florida and Texas (approximately 6% each) and Michigan and Georgia (approximately 4% each). Less than 4% of the Company's sales are made to outlets located outside of the United States or its territories.

Information as to the number of the Company's member outlets during each of the past three calendar years is set forth in the following table:

	1994	1993	1992
Member outlets at beginning of period	4,921	4,986	5,111
New member outlets	198	158	183
Member outlets terminated	179	223	308
Member outlets at end of period	4,940	4,921	4,986
Dealers having one or more member outlets at end of period	4,054	4,045	4,134

The Company services its dealers by purchasing merchandise in quantity lots, primarily from manufacturers, by warehousing substantial quantities of said merchandise and by selling the same in smaller lots to the dealers. Most of the products that the Company distributes to its dealers from its regional warehouses are sold at a 10% markup. In 1994 warehouse sales accounted for 62% of total sales and bulletin sales accounted for 2% of total sales with the balance of 36% representing direct shipment, including lumber and building material sales.

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The proportions in which the Company's total warehouse sales were divided among the various classes of merchandise sold by it during each of the past three calendar years are as follows:

Class of Merchandise	1994	1993	1992
Paint, cleaning and related supplies	19%	19%	18%
Hand and power tools	14%	14%	15%
Electrical supplies	12%	12%	13%
Plumbing and heating supplies	16%	15%	15%
General hardware	13%	12%	12%
Housewares and appliances	6%	7%	7%
Garden, rural equipment and related supplies	11%	12%	11%
Sundry	9%	9%	9%

The Company sponsors two major conventions annually (one in the Spring and one in the Autumn) at various locations. Dealers and vendors are invited to attend, and dealers generally place orders for delivery during the period prior to the next convention. During the convention regular merchandise, new merchandise and seasonal merchandise for the coming season are displayed to attending dealers. Lawn and garden supplies, building materials and exterior paints are seasonal merchandise in many parts of the country, as are certain sundries such as holiday decorations.

Warehouse sales involve the purchase of merchandise from the Company that is maintained in inventory by the Company at its warehouses. Direct shipment sales involve the purchase of merchandise from the Company with shipment directly from the vendors. Bulletin sales involve the purchase of merchandise from the Company pursuant to special bulletin offers by the Company.

Direct shipment sales are orders placed by dealers directly with vendors, using special purchase orders. Such vendors bill the Company for such orders, which are shipped directly to dealers. The Company, in turn, bills the ordering dealers at a markup. The markup on this category of sales varies with invoice amounts in accordance with the following schedule and is exclusive of sales under the LTL Plus program discussed below.

Invoice Amount	Handling Charge (Markup)
0.00 to \$ 999.99	2.00% or \$1.00 whichever is greater
\$1,000.00 to \$1,999.99	1.75%
\$2,000.00 to \$2,999.00	1.50%
\$3,000.00 to \$3,999.00	1.25%
\$4,000.00 to \$4,999.00	1.00%

\$5,000.00 to \$5,999.00	.75%
\$6,000.00 to \$6,999.00	.50%
\$7,000.00 to \$7,999.00	.25%
\$8,000.00 and over	.00%

Bulletin sales are made based upon notification from dealers of their participation in special bulletins offered by the Company. Generally, the Company will give notice to all members of its intention to purchase certain products for bulletin shipment and then purchases only so many of such products as the members order. When the bulletin shipment arrives at the Company, it is not warehoused, but is broken up into appropriate quantities and delivered to members who placed orders. A 6% markup is generally applied to this category of sales.

An additional markup of 3% is applied on the various categories of sales of merchandise exported to certain dealers located outside of the United States and its territories and possessions. Effective April 1995, a

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flat 2% markup is applied to all direct shipment sales placed by all dealers located outside of the United States and its territories and possessions.

The Company maintains inventories to meet only normal resupply orders. Resupply orders are orders from members for merchandise to keep inventories at normal levels. Generally, such orders are filled within one week of receipt. Bulletin orders (which are in the nature of resupply orders) may be for future delivery. The Company does not backlog normal resupply orders and, accordingly, no significant backlog exists at any point in time.

The Company also has established special sales programs for lumber and building materials products and for products assigned from time to time to an "extreme competitive price sales" classification and for products purchased from specified vendors for delivery to certain of the Company's dealers on a direct shipment basis (LTL Plus Program). Under its lumber and building materials ("LBM") program, the Company imposes no handling charge, markup or national advertising assessment on direct shipment orders for such products. The LBM program also enables the Company's dealers to purchase these products at net invoice prices which pass on to them important cost savings resulting from the Company's closely monitored lumber and building materials purchasing procedures. Additionally, the LBM program offers dealers the opportunity to order less than truckload quantities of many lumber and building materials products at economical prices under the LTL warehouse redistribution procedure which the Company has established with certain major vendors.

The Store Traffic Opportunity Program ("STOP") established by the Company is a program under which certain stockkeeping units of specific products assigned to an "extreme competitive price sales" classification are offered for sale to its dealers for delivery from designated Company retail support centers. Sales under this program are made without the addition of freight charges and with such handling charge or markup (if any) of not more than 5% as shall be specified for each item. The Company's officers have authority to add items to, and to withdraw items from, the STOP program from time to time and to establish reasonable minimum or multiple item purchase requirements for the items offered under the program. No allocations or distributions of patronage dividends are made with respect to sales under the STOP program. Purchases under the STOP program are, however, deemed to be warehouse purchases or bulletin purchases, as the case may be, for purposes of calculating the forms of patronage dividend distributions. (See the subheading under this Item 1 entitled "Forms of Patronage Dividend Distributions.")

The LTL Plus Program established by the Company is a program under which full or partial truckloads of products are purchased by the Company's dealers from specified vendors for delivery to such dealers on a direct shipment basis. No markup, handling charge or national advertising assessment is imposed by the Company on sales under the LTL Plus Program, and the maximum amount of patronage dividends allocated or distributed to the Company's dealers with respect to their purchases of products in the LTL Plus category is .5% of such sales. (See the subheading under this Item 1 entitled "Patronage Dividend Determinations and Allocations.")

The Company, in addition to conducting semi-annual and other conventions and product exhibits for its dealers, also provides them with numerous special services (on a voluntary basis and at a cost to cover its related expenses), such as inventory control systems, price and bin ticketing, and an electronic ordering system. In order for them to have on hand current pricing and other information concerning the merchandise obtainable from the Company, the Company further provides to each of its dealers either a catalogue checklist service or a microfiche film service (whichever the dealer selects), for either of which services the dealer

must pay a monthly charge. The Company also provides on a full-participation basis videotapes and related materials for educational and training programs for which dealers must pay an established monthly charge. (See the subheading under this Item 1 entitled "Special Charges and Assessments.")

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In 1994, the Company continued its ongoing strategic planning process and focused its strategic plans around four cornerstones for future growth and success in this competitive industry. The four cornerstones are: Retail Success (store operations), Wholesale Success (distribution), International growth and new member growth. Dealer retail success is a primary objective since it drives both retail performance and wholesale growth of the Company. In 1994, the Company accelerated its efforts in assisting member dealers in "retail success initiatives" designed to document and improve their retail performance and competitiveness. The retail success initiatives include retail goals which each dealer should strive for within their store and local competitive environment, but do not dictate material restrictions or requirements on member dealers. Minimum requirements for acceptance of a member dealer by the Company are outlined only in the Membership Agreement and in the Member Operational Requirements under the Ace Hardware Membership Agreement. The Operational Requirements do require that, within one year from the Company's acceptance of the Agreement, the member dealer make Ace their primary source of supply and terminate participation in the program of any other major hardware wholesaler. There are currently no specific requirements as to percentage of purchases required through Ace or minimum retail performance which must be achieved (i.e. sales dollars per square foot). This strategic plan, referred to as "The New Age of Ace" is an extension of previous strategic efforts under Ace 2000 and is not in conflict with these efforts.

Through its wholly-owned subsidiary, Ace Insurance Agency, Inc., the Company makes available to its dealers a Group Dealer Insurance Program under which they can purchase a package of insurance coverages, including "all risk" property insurance and business interruption, crime, liability and workers' compensation coverages, as well as medical insurance coverage for their employees. AHC Realty Corporation, another wholly-owned subsidiary of the Company, provides the services of a broker to those dealers who desire to sell or seek a new location for a presently owned store or to acquire an additional store. Loss Prevention Services, Inc. a third wholly-owned subsidiary provides security training and services for all dealers desiring security assistance. In addition, the Company offers to its dealers retail computer systems consisting of computer equipment, maintenance service and certain software programs and services. These are marketed by the Company under its registered service mark "PACE".

The Company manufactures paint and related products at a facility owned by it in Matteson, Illinois and will begin manufacturing paint and related products at a Chicago Heights, Illinois facility in mid 1995. These facilities now constitute the primary source of such products offered for sale by the Company to its dealers. It is operated as a separate Division of the Company for accounting purposes. All raw materials used by the Company to manufacture paint are purchased from outside sources. The Company has had adequate sources of raw materials, and no shortages of any materials which would materially impact operations are currently anticipated. The manufacturing of paint is seasonal to the extent that greater paint sales are found in the months of April through September. Historically, compliance with federal, state and local provisions which have been enacted or adopted regulating the discharge of materials into the environment or otherwise relating to the protection of the environment have not had any material impact.

The Company's business, either in hardware wholesaling or paint manufacturing activities is not dependent on any major suppliers and the Company feels that any seasonal fluctuations do not have a significant impact upon operations. For further discussion of the Company's business, see "Management's Discussion and Analysis of Financial Condition and Results of Operations", in Item 7 hereof.

The Company makes available some services to members which are related to the operation of their retail business. These services (such as advertising, store supplies and training programs) are provided in order to assist members and/or to utilize the centralized buying power of the Company. Members are rebilled in order to reimburse the Company for related expenses paid on their behalf. The special charges and assessments described below are similar in nature and are intended only to reimburse

the Company for related expenses.

Special Charges and Assessments

The Company sponsors a national advertising program for which its dealers are currently assessed an amount equal to 1.25% of their purchases (exclusive of lumber, building materials, purchases of PACE computer systems (hardware and software), less than truckload lumber and building material program purchases and LTL Plus Program purchases as described above in this Item 1) from the Company during each bi-weekly period, with the current minimum annual assessment being \$975.00 and with the maximum annual assessment being \$4,750 for each business location of any one dealer which has become a member of the Company. The total annual amount of advertising assessments payable by any one dealer is also subject to a further maximum limit which is determined by multiplying the number of such dealer's member retail store outlets serving the general public by \$4,750. In the case of a dealer whose place of business is located outside the contiguous States of the United States, the Company's management has authority to determine the extent, if any, to which such dealer shall be required to pay the annual national advertising assessment based upon its evaluation of the amount and nature of the television broadcasts received in the dealer's area. The percentage of bi-weekly purchases to be assessed for the Company's national advertising program and the amount of the maximum annual assessment for such program are both subject to being changed from time to time by action of the Board of Directors of the Company. The Company also has the authority, effective January 1, 1993 to impose a regional advertising assessment (for select geographic regions) not to exceed 2% of annual purchases with the same minimum and maximum assessments imposed by the National Advertising assessment.

Each dealer must pay a low volume service charge if the dealer's purchases during the calendar year are less than the minimum purchase levels described below. Minimum purchase levels and the amount of the low volume service charge are subject to change from time to time by the Company's Board of Directors. Presently, the low volume service charge is \$30.00 bi-weekly and applies beginning one (1) year after the granting of the membership, if the dealer's purchases from the Company (exclusive of

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carload lumber purchases) are less than \$4,000.00 per bi-weekly billing period. If the dealer's purchases from the Company reach \$104,000 during the calendar year, then the dealer receives credit on its next bi-weekly billing statement for all low volume service charges imposed on that account earlier in the same calendar year, and the account is not subject to any further low volume service charges for the rest of the calendar year. The low volume service charge is not billed on a bi-monthly basis to those accounts whose previous year's sales volume exceeded the minimum purchases level for the previous year, but the full annual low volume service charge will be billed at year end to those accounts if the minimum purchase level to avoid imposition of the charge has not been met for the current year. For the calendar year in which the first anniversary of the store's membership occurs, the \$104,000 purchase requirement is pro-rated from the first billing statement after that anniversary through December 31, if less than a full calendar year. An Ace store that falls below minimum purchase levels may also be subject to termination.

A late payment service charge is added on any past due balance owing by a dealer to the Company for purchases of merchandise and services or for the purchase price of the capital stock of the Company subscribed for by the dealer. The late payment service charge currently in effect is an amount equal to .77% per bi-weekly statement period, except in Texas where the charge is .384% and Georgia where the charge is .692%. A past due balance is created whenever payment of the amounts shown as due on any such statement is not received by the Company within 10 days following the date of the statement. The percentage for determining the amount of the late payment service charge may be changed from time to time by the Company.

Subscriptions to a retail training program consisting of video tapes and related course materials (the "S.T.A.R. Program") are mandatory for all stores located in the United States and U.S. Territories. The initial monthly assessment imposed on such stores for such subscriptions is \$14.50 for each single store or parent store and \$10.00 for each branch store. A single store or parent store is an initial retail outlet for which a dealer owns, or has subscribed for, one (1) share of Class A stock and forty (40)

shares of Class C stock of the Company. A branch store is an additional retail outlet for which a dealer owns, or has subscribed for, fifty (50) shares of Class C stock of the Company. (See Article XXV, Section 2 of the By-laws.) Branch stores may, upon request, be granted an exemption from the monthly subscription fee.

Subscriptions to a Material Safety Data Sheet information service are also mandatory for all stores located in the United States. The initial annual assessment imposed on such stores for such subscriptions is \$30.00 for each single store or parent store and \$15.00 for each branch store.

Trademark and Service Mark Registrations

The names "ACE HARDWARE" and "ACE" are used extensively by the Company and by its member-dealers in connection with the promotion, advertising and marketing of products and services sold by the Company. The Company holds the following Trademark and Service Mark Registrations issued by the U.S. Patent and Trademark Office for the marks used by it:

<TABLE>
<CAPTION>

Description of Mark <S>	Type of Mark <C>	Registration Number <C>	Expiration Date <C>
"ACE HARDWARE" with winged emblem design	Service Mark	840,176	December 5, 2007
"ACE HARDWARE" with winged emblem design	Trademark	898,070	September 8, 2000
"WEATHER SHEDDER"	Trademark	1,053,816	December 7, 1996
"THE HELPFUL HARDWARE MAN"	Service Mark	1,055,741	January 4, 1997
"ACE IS THE PLACE WITH THE HELPFUL HARDWARE MAN"	Service Mark	1,055,743	January 4, 1997
"BRIGHT & EASY"	Trademark	1,058,117	February 8, 1997
"THE PAINTIN' PLACE"	Service Mark	1,138,654	August 12, 2000

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"HARDWARE UNIVERSITY" with design	Service Mark	1,180,539	December 1, 2001
"SUPER STRICKER"	Trademark	1,182,330	December 15, 2001
"PACE" with design	Service Mark	1,208,887	September 14, 2002
"ACE HARDWARE" with winged emblem design	Trademark	1,277,581	May 15, 2004
"ACE HARDWARE" in slanted bar design	Trademark	1,426,137	January 27, 2007
"ACE" in stylized lettering design	Service Mark	1,464,025	November 3, 2007
"ACE HARDWARE" in stylized lettering design	Service Mark	1,486,528	April 26, 2008
"ACE HARDWARE AND GARDEN CENTER" in stylized lettering design	Service Mark	1,487,216	May 3, 2008
"FLO-SOFT"	Trademark	1,532,900	April 14, 2009
"ACE NEW EXPERIENCE" in stylized lettering design	Trademark	1,554,322	September 5, 2009
"ACE SEVEN STAR" in stylized lettering design	Trademark	1,556,389	September 19, 2009
"ACE BEST BUYS" in circle design	Service Mark	1,560,250	October 10, 2009
"PACER"	Trademark	1,570,820	December 12, 1999
"ACENET"	Service Mark	1,574,019	December 26, 1999
"ACE IS THE PLACE"	Service Mark	1,602,715	June 19, 2000
"LUB-E"	Trademark	1,615,386	October 2, 2000
"ACE FIVE STAR" in stylized lettering design	Trademark	1,627,887	December 18, 2000
"ACE THREE STAR" in stylized lettering design	Trademark	1,631,237	January 15, 2001
"ACE PRO"	Trademark	1,632,078	January 22, 2001
"ASK ACE"	Service Mark	1,653,263	August 6, 2001
Christmas Elves design	Trademark	1,669,306	December 24, 2001
"ACE 2000"	Service Mark	1,682,467	April 7, 2002
"ACE" in stylized lettering design	Trademark	1,683,538	April 21, 2002
"HARMONY" in stylized lettering design	Trademark	1,700,526	July 14, 2002
"SEVEN STAR SATISFACTION GUARANTEED QUALITY ACE PAINTS" with design	Service Mark	1,705,321	August 4, 2002
"THE OAK BROOK COLLECTION"			

in stylized lettering design	Trademark	1,707,986	August 18, 2002
"ACE HARDWARE BROWN BAG BONANZA" with design	Service Mark	1,761,277	April 13, 2003
"ACE HARDWARE COMMITTED TO A QUALITY ENVIRONMENT"	Service Mark	1,764,803	April 13, 2003
"THE OAK BROOK COLLECTION" in stylized lettering design	Trademark	1,783,335	July 20, 2003
"STORE 2000 THE STORE OF THE FUTURE"	Service Mark	1,811,032	December 14, 2003
"ENVIRO-CHOICE"	Trademark	1,811,392	December 14, 2003

</TABLE>

Currently, the Company has applications pending before the U.S. Patent and Trademark Office for Registration of "ACE RENTAL PLACE" in stylized lettering design for use in connection with the rental of equipment,

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merchandise and supplies; "THE NEW AGE OF ACE" with design for business consulting and retail store services; "CELEBRATIONS" for Christmas lights and light fixtures and "GREAT FINISHES" for paints, paint-like coatings, primers, lacquers, stains and varnishes. In addition, the Company also has service mark applications pending for "ACE HOME CENTER," "HELPFUL HARDWARE FOLKS," Repeating "A" in stylized lettering design and Repeating "A" in stylized lettering design with "ACE" in stylized lettering design for retail store services.

Competition

The competitive conditions in the wholesale hardware industry can be characterized as intensive and increasing due to the fact that independent retailers are required to remain competitive with discount stores and chain stores such as Wal-Mart, Home Depot, Menard's and Sears and with other mass merchandisers. The gradual shift of retail operations to high rent shopping center locations and the trend toward longer store hours have also intensified pressures to obtain low cost wholesale supply sources. The Company directly competes in several U.S. markets with Cotter & Company, Servistar Corporation, Hardware Wholesalers, Inc., Our Own Hardware Company, and United Hardware Distributing Co., all of which companies are also dealer-owned wholesalers. Of the aforementioned companies, only Cotter & Company, headquartered in Chicago, Illinois, has a larger sales volume than the Company.

Employees

The Company employs 3,664 full-time employees, of which 1,083 are salaried employees. Collective bargaining agreements covering one truck drivers' bargaining unit and four warehouse bargaining units are currently in effect at certain of the Company's distribution warehouses. The Company's employee relations with both union and non-union employees are considered to be good, and the Company has experienced no significant employee-related work stoppage in the past five years. All employees are covered either by negotiated or non-negotiated employee benefit plans which include hospitalization, death benefits and, with few exceptions, retirement benefits.

Limitations on Ownership of Stock

All of the issued and outstanding shares of capital stock of the Company are owned by its dealers. Only approved retail and other dealers in hardware and related products having Membership Agreements with the Company are eligible to own or purchase shares of any class of the Company's stock.

No dealer, regardless of the number of member business outlets owned or controlled by him, shall be entitled to own more than 1 share of Class A Stock, which is the only class of voting stock which can be issued by the Company. This ensures that each stockholder-dealer will have an equal voice in the management of the Company. An unincorporated person or partnership shall be deemed to be controlled by another person, partnership or corporation if 50% or more of the assets or profit shares therein are owned (i) by such other person, partnership or corporation or (ii) by the owner or owners of 50% or more of the assets or profit shares of another unincorporated business firm or (iii) by the owner or owners of 50% or more of the capital stock of an incorporated business firm. A corporation

shall be deemed to be controlled by another person, partnership or corporation if 50% or more of the capital stock of said corporation is owned (i) by such person, partnership or corporation or (ii) by the owner or owners of 50% or more of the capital stock of another incorporated business firm or (iii) by the owner or owners of 50% or more of the assets or profit shares of an unincorporated business firm.

Distribution of Patronage Dividends

The Company operates on a cooperative basis with respect to purchases of merchandise made from it by those of its dealers who have become "members" of the Company as described below and in the Company's By-laws. In addition, the Company operates on a cooperative basis with respect to all dealers who have subscribed for shares but who have not as yet become

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"members" by reason of the fact that the payments made by them on account of the purchase price of their shares have not yet reached an amount equal to the \$1,000 purchase price of 1 share of Class A Voting Stock. All member dealers falling into either of the foregoing classifications are entitled to receive patronage dividend distributions once each year from the Company in proportion to the amount of their annual purchases of merchandise from it.

The patronage dividends distributed on wholesale warehouse, bulletin and direct shipment sales made by the Company and on total sales of products manufactured by the Paint Division represented the following percentages of each of said categories of sales during each of the past three calendar years:

	1994	1993	1992
Warehouse Sales	4.64117%	4.94434%	5.26838%
Bulletin Sales	2.0%	2.0%	2.0%
Direct Shipment Sales	1.0%	1.0%	1.0%
Paint Sales	8.2205%	7.9389%	8.9440%

In addition to the dividends described above, patronage dividends are calculated separately and distributed on sales of lumber products, building material products and less-than-truckload (LTL) sales of lumber and building material products. Patronage dividends equal to .4073%, .1763% and .1260% of the total sales of these products (calculated separately by each of these three sales categories) were distributed to the Company's dealers who purchased those products in 1994, 1993 and 1992, respectively. Under the LTL Plus Program, patronage dividends are also calculated separately on sales of full or partial truckloads of products purchased by eligible dealers from specified vendors (see discussion of LTL Plus Program set forth above in this Item 1). The maximum amount of patronage dividends allocable to LTL Plus sales is .5% of such sales. The LTL Plus Program dividend was .5% of such sales for 1994, 1993 and 1992.

Patronage Dividend Determinations and Allocations

The amounts distributed by the Company as patronage dividends consist of its gross profits on business done with dealers who qualify for patronage dividend distributions after deducting from said gross profits a proportionate share of the Company's expenses for administration and operations. Such gross profits consist of the difference between the price at which merchandise is sold to such dealers and the cost of such merchandise to the Company. All income and expenses associated with activities not directly related to patronage transactions are excluded from the computation of patronage dividends. Generally these include profits on business done with dealers who do not qualify for patronage dividend distributions and any income (loss) realized by the Company from the disposition of property and equipment (except that, to the extent that depreciation on such assets has been deducted as an expense during the time that the Company has been operating on a cooperative basis and is recaptured in connection with such a disposition, the income derived from such recapture would be included in computing patronage dividends).

The By-laws of the Company provide that, by virtue of a dealer being a "member" of the Company (that is, by virtue of his ownership of 1 share of Class A Voting Stock), he will be deemed to have consented to include in his gross income for federal income tax purposes for the dealer's taxable year in which they are received by him all patronage dividends distributed

to him by the Company in connection with his purchases of merchandise from the Company. A dealer who has not yet paid an amount which at least equals the \$1,000 purchase price of the 1 share of Class A Voting Stock subscribed for by him will also be required to include all patronage dividends distributed to him by the Company in his gross income for federal income tax purposes in the year in which they are received by him. This is required by virtue of a provision in the Subscription Agreement executed by him under which he expressly consents to take all such patronage dividends into his gross income for such purposes. The amount of the patronage dividends which must be included in a dealer's gross income includes both the portion of such patronage dividends received by him in cash or applied against indebtedness owing by him to the Company in

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accordance with Section 7 of Article XXIV of the Company's By-laws and the portion or portions thereof which he receives in shares of Class C Nonvoting Stock of the Company or in patronage refund certificates.

Patronage dividends on each of the Company's three basic categories of sales (warehouse sales, bulletin sales and direct shipment sales) are allocated separately, as are patronage dividends under the LTL Plus Program. However, the maximum amount of patronage dividends allocable to LTL Plus Program sales is an amount no greater than .5% of such sales, the maximum amount of patronage dividends allocable to direct shipment sales exclusive of LTL Plus Program sales is an amount equal to 1% of such sales and the maximum amount of patronage dividends allocable to bulletin sales is an amount equal to 2% of that category of sales. All remaining patronage dividends resulting from sales made under these programs are allocated by the Company to warehouse sales. The Company feels that this allocation procedure provides a practical and understandable method for the distribution of these patronage dividends in a fair and equitable manner.

Sales of lumber and building materials products are not included as part of warehouse sales, bulletin sales, or direct shipment sales for patronage dividend purposes. Patronage dividends are calculated separately and distributed to the Company's dealers with respect to their purchases within each of three sales categories involving these types of products. These three categories are (a) lumber products (other than less-than-truckload sales); (b) building materials products (other than less-than-truckload sales); and (c) less-than-truckload ("LTL") sales of lumber and building material products. Patronage dividends are also calculated separately and distributed to the Company's dealers for full and partial truckloads of products purchased under the LTL Plus Program. (See the discussion of the LTL Plus Program set forth above in this Item 1 and under the subheading "Forms of Patronage Dividend Distributions," subparagraphs 2(a)-(b) below).

Any manufacturing profit realized on intracompany sales of the products manufactured by the Company's Paint Division is allocated among and distributed as patronage dividends to those member dealers who are eligible to receive patronage dividends from the Company in proportion to their respective annual dollar purchases of paint and related products manufactured by said Division. The earnings realized by the Company on wholesale sales of such products made by it to its member dealers are distributed as patronage dividends to all of its dealers who are eligible to receive patronage dividends from it as part of the patronage dividends which they receive each year with respect to the basic patronage dividend categories established for warehouse sales, bulletin sales, and direct shipment sales. Under Section 8 of Article XXIV of the Company's By-laws, if the Paint Division's manufacturing operations for any year result in a net loss, rather than a profit, to the Paint Division, such loss would be netted against the earnings realized by the Company from its other activities during the year, with the result that the earnings available from such other activities for distribution as patronage dividends for such year would be correspondingly reduced.

Forms of Patronage Dividend Distributions

Patronage dividend distributions will be made to the eligible and qualified member dealers of the Company in cash, shares of the Company's Class C stock and patronage refund certificates in accordance with the following plan which has been adopted by the Company's Board of Directors with respect to purchases of merchandise made by such dealers from the Company on or after January 1, 1995, and which will continue to be in effect until such time as the Board of Directors, in the exercise of their authority and discretion based upon business conditions from time to time and the requirements of the Company, shall determine that such plan should

be altered or amended:

1. With respect to each store owned or controlled by each eligible and qualifying dealer, such dealer shall receive a minimum cash distribution determined as follows:

(a) an amount equal to 20% of the first \$5,000 of the total patronage dividends allocated for distribution each year to such dealer in connection with the purchases made for such store;

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(b) an amount equal to 25% of the portion of the total patronage dividends allocated for distribution each year to such dealer for such store which exceeds \$5,000 but does not exceed \$7,500;

(c) an amount equal to 30% of the portion of the total patronage dividends allocated for distribution each year to such dealer for such store which exceeds \$7,500 but does not exceed \$10,000;

(d) an amount equal to 35% of the portion of the total patronage dividends allocated for distribution each year to such dealer for such store which exceeds \$10,000 but does not exceed \$12,500;

(e) an amount equal to 40% of the portion of the total patronage dividends allocated for distribution each year to such dealer for such store which exceeds \$12,500;

2. The portion of the total annual distribution allocated to any such dealer for each store owned or controlled by such dealer in excess of the amount to be distributed to such dealer for such store in cash shall be distributed each year in the form of shares of Class C Non-voting Stock of Ace Hardware Corporation (par value \$100 per share), valued at the par value thereof, until the total par value of all shares of all classes of capital stock of the corporation held by such dealer with respect to such store equals the greater of:

(a) \$20,000; or

(b) a sum equal to the total of the following categories of purchases made by such dealer for such store during the most recent calendar year;

(i) 15% of the volume of warehouse (including STOP and excluding Ace manufactured paint and related products) and bulletin purchases, plus

(ii) 15% of the volume of Ace manufactured paint and related products purchases, plus

(iii) 3% of the volume of drop-shipment or direct purchases (excluding Ace manufactured paint and related products), plus

(iv) 4% of the volume of lumber and building material (excluding LTL) purchases, plus

(v) 4% of the volume of LTL Plus purchases;

provided, however, that no fractional shares of Class C Non-voting Stock shall be issued to any dealer and that any amount which would have otherwise been distributable as a fractional share of such stock shall instead be distributed to such dealer in cash.

3. The portion of the total patronage dividends allocated each year to any such dealer for each store owned or controlled by such dealer which exceeds the sum of (a) the amount to be distributed to such dealer for such store in cash pursuant to Paragraph 1., above and (b) any amount to be distributed to him in the form of shares of Class C Non-voting Stock of Ace Hardware Corporation (par value \$100 per share) pursuant to Paragraph 2., above shall be distributed to such dealer in cash; provided, however, that in no event shall the total amount distributed under this plan to any such dealer for any such store in cash exceed 45% of the total patronage dividends allocated for such store for such year, and to the extent that any distribution to be made to any such dealer for any store pursuant to this Paragraph 3., would otherwise cause the total cash distribution to such dealer for such store to exceed 45% of the total patronage dividends allocated for such store for such year,

the distribution to be made under this Paragraph 3., shall instead be made in the form of a non-negotiable patronage refund certificate having such a maturity date and bearing interest at such an annual rate as shall be determined by the Board of Directors prior to the issuance thereof.

Patronage dividend distributions will be made to the eligible and qualified member dealers of the Company in cash, shares of the Company's Class C stock and patronage refund certificates in accordance with the following plan which has been adopted by the Company's Board of Directors

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with respect to purchases of merchandise made by such dealers from the Company on or after January 1, 1993, through and including December 31, 1994.

1. With respect to each store owned or controlled by each eligible and qualifying dealer, such dealer shall receive a minimum cash distribution determined as follows:

(a) an amount equal to 20% of the first \$5,000 of the total patronage dividends allocated for distribution each year to such dealer in connection with the purchases made for such store;

(b) an amount equal to 25% of the portion of the total patronage dividends allocated for distribution each year to such dealer for such store which exceeds \$5,000 but does not exceed \$7,500;

(c) an amount equal to 30% of the portion of the total patronage dividends allocated for distribution each year to such dealer for such store which exceeds \$7,500 but does not exceed \$10,000;

(d) an amount equal to 35% of the portion of the total patronage dividends allocated for distribution each year to such dealer for such store which exceeds \$10,000 but does not exceed \$12,500;

(e) an amount equal to 40% of the portion of the total patronage dividends allocated for distribution each year to such dealer for such store which exceeds \$12,500;

2. The portion of the total annual distribution allocated to any such dealer for each store owned or controlled by such dealer in excess of the amount to be distributed to such dealer for such store in cash shall be distributed to him each year in the form of shares of Class C Non-voting Stock of Ace Hardware Corporation (par value \$100 per share), valued at the par value thereof, until the total par value of all shares of all classes of capital stock of the corporation held by such dealer with respect to such store equals the greater of:

(a) \$20,000; or

(b) a sum equal to the total of the following categories of purchases made by such dealer for such store during the most recent calendar year;

(i) 13% of the volume of warehouse (including STOP and excluding Ace manufactured paint and related products) and bulletin purchases, plus

(ii) 10% of the volume of Ace manufactured paint and related products purchases, plus

(iii) 3% of the volume of drop-shipment or direct purchases (excluding Ace manufactured paint and related products), plus

(iv) 4% of the volume of lumber and building material (excluding LTL) purchases, plus

(v) 4% of the volume of LTL Plus purchases;

provided, however, that no fractional shares of Class C Non-voting Stock shall be issued to any dealer and that any amount which would have otherwise been distributable as a fractional share of such stock shall instead be distributed to such dealer in cash.

3. The portion of the total patronage dividends allocated each year to any such dealer for each store owned or controlled by such dealer which exceeds the sum of (a) the amount to be distributed to such

dealer for such store in cash pursuant to Paragraph 1., above and (b) any amount to be distributed to him in the form of shares of Class C Non-voting Stock of Ace Hardware Corporation (par value \$100 per share) pursuant to Paragraph 2., above shall be distributed to such dealer in cash; provided, however, that in no event shall the total amount distributed under this plan to any such dealer for any such store in cash exceed 49.9% of the total patronage dividends allocated for such store for such year, and to the extent that any distribution to be made to any such dealer for any store pursuant to this Paragraph 3., would otherwise cause the total cash distribution to such dealer for such store to exceed 49.9% of the

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total patronage dividends allocated for such store for such year, the distribution to be made under this Paragraph 3., shall instead be made in the form of a non-negotiable patronage refund certificate having such a maturity date and bearing interest at such an annual rate as shall be determined by the Board of Directors prior to the issuance thereof.

With certain modifications, the above Plans are applied separately in determining the form in which patronage dividends accrued with respect to sales of lumber and building materials products are distributed. In this connection the combined patronage dividends allocated annually to a store from (a) sales of lumber products (other than LTL sales) to the store, (b) sales of building materials (other than LTL sales) to the store, and (c) LTL sales to the store are used in determining the minimum cash distribution percentages to be applied under Paragraph 1 of the above Plans. A store's patronage dividends from any other sales category with respect to which patronage dividends are distributed by the Company are not taken into account in determining either the minimum portion or any additional portion of the store's patronage dividends derived from its purchases of lumber and building materials products which is to be distributed in cash. Also, Paragraphs 2 and 3 of the above Plans are applied separately to patronage dividends on lumber and building materials sales and the requirements of Paragraph 2 of the Plans shall not be deemed to have been complied with in the cases of (a) purchases of lumber products (other than LTL purchases) or (b) purchases of building materials products (other than LTL purchases) until the store's holdings of Class C Non-voting Stock of the Company resulting from patronage dividends on the Company's sales to it within the particular one of those two sales categories for which a patronage dividend distribution is to be made equal 4% of the volume of the store's purchases within such category during the most recent calendar year. However, no such special Class C Stock requirement applies to patronage dividends accrued on LTL purchases.

Notwithstanding the provisions of the above-described Plans, however, under Section 7 of Article XXIV of the Company's By-laws the portion of any patronage dividends which would otherwise be distributable in cash with respect to a retail dealer outlet which is a member of the Company will instead be applied against any indebtedness owing by the dealer to the Company to the extent of such indebtedness in any case where the membership for such outlet is cancelled or terminated prior to the distribution of such patronage dividends except that an amount equal to 20% of the dealer's total annual patronage dividends for such outlet will be paid in cash if a timely request for the payment of such amount in cash is submitted to the Company by the dealer.

Because of the requirement of the U.S. Internal Revenue Code that the Company withhold 30% of the annual patronage dividends distributed to member dealers of the Company whose places of business are located in foreign countries or Puerto Rico (except in the case of unincorporated Puerto Rico dealers owned by individuals who are U.S. citizens and certain dealers incorporated in Guam, American Samoa, the Northern Mariana Islands, or the U.S. Virgin Islands, if less than 25% of its stock is owned by foreign persons, and at least 65% of the Corporation's gross income for the last three years has been effectively connected with the conduct of a trade or business in such possession or in the United States), the cash portion of the annual patronage dividends of such dealers shall in no event be less than 30%.

It is anticipated that the terms of any patronage refund certificates issued pursuant to Paragraph 3. of the foregoing Plans would include provisions giving the Company a first lien thereon for the amount of any indebtedness owing to it at any time by the owner of any such certificate and provisions subordinating the certificates to all the rights and claims of secured, general and bank creditors against the Company. It is further anticipated that all such patronage refund certificates will have maturity

dates which will be no later than five years from the dates of issuance thereof.

In order to aid the Company's dealers in acquiring and installing standardized exterior signs identifying the retail stores operated by them as member outlets supplied by the Company, the Board of Directors of the Company has authorized a program under which a dealer may borrow from the Company within a range of \$100 to \$20,000 the funds required for such

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purpose. A dealer who obtains a loan under this program may either repay the loan in twelve substantially equal payments billed on such dealer's regular by-weekly billing statement, or may execute a direction to have the portion of the dealer's annual patronage dividends which would otherwise be distributed under the above plan in a form other than cash from no more than the next three annual distributions of such dividends applied toward payment of the principal and interest on the loan.

In order to aid the Company's dealers in acquiring and installing PACE and PAINTMAKER computer systems purchased from the Company, the Board of Directors of the Company has also authorized programs under which the Company will finance, for qualified dealers, (but not to exceed 80% of the cost of any system) in the case of a PAINTMAKER computer, within the range of \$1,000 to \$15,000 repayable over a period of three (3) years, and in the case of a PACE computer, within the range of \$5,000 to \$50,000 repayable over a period of five (5) years for such purpose. Dealers who obtain financing from the Company for these purposes direct the Company, during the financing term, to first apply toward the principal and interest due on such loans, the patronage dividends which would otherwise be payable in the form of patronage refund certificates for each year, and then to apply the patronage dividends which would otherwise be payable for the same year in the form of the Company's Class C stock.

The aforementioned signage and computer financing programs may be revised or discontinued by the Board at any time.

Federal Income Tax Treatment of Patronage Dividends

Both the shares of Class C Non-voting Stock and the patronage refund certificates used by the Company to pay patronage dividends that accrue to its eligible and qualifying dealers constitute "qualified written notices of allocation" within the meaning of that term as used in Sections 1381 through 1388 of the U.S. Internal Revenue Code, which specifically provide for the income tax treatment of cooperatives and their patrons and which have been in effect since 1963. The stated dollar amounts of such qualified written notices of allocation must be taken into the gross income of each of the recipients thereof for the taxable years in which they are received, notwithstanding the fact that stated dollar amounts may not be received in such taxable years.

In order for the Company to receive a deduction from its gross income for federal income tax purposes for the amount of any patronage dividends paid by it to a patron (that is, to one of its eligible and qualifying dealers) in the form of qualified written notices of allocation, it is necessary that the Company pay (or apply against indebtedness owing to the Company by such patron in accordance with Section 7 of Article XXIV of the Company's By-laws) not less than 20% of the total patronage dividends distributable to such patron in cash and that the patron consent to having the written notices of allocation, at their stated dollar amounts, included in his gross income for the taxable year in which they are received by him. It is also required under the Code that any patronage dividend distributions deducted by the Company on its federal income tax return with respect to business done by it with patrons during the year for which such deduction is taken must be made to the Company's patrons within 8 months after the end of such year.

Dealers who have become "members" of the Company by owning 1 share of Class A Voting Stock are deemed under the U.S. Internal Revenue Code to have consented to take any written notices of allocation distributed to them into their gross income by their act of obtaining or retaining membership in the Company and by having received from the Company a written notification of the By-law provision providing that membership in the Company constitutes such consent. In accordance with another provision in the Internal Revenue Code, nonmember dealers who have subscribed for shares of the Company's stock will also be deemed to have consented, by virtue of the consent provisions included in their Subscription Agreements, to take any written notices of allocation distributed to them

into their gross income.

A dealer receiving a patronage refund certificate as part of the dealer's patronage dividends in accordance with the last clause of Paragraph 3 of the patronage dividend distribution plans previously described under the subheading "Forms of Patronage Dividend Distributions" in this Item 1, may be deemed to have received interest income in the form of an original issue discount to the extent of any excess of the face amount of the certificate over the present value of the stated principal and interest payments to be made by the Company under the terms of the certificate. Such income would be taxable to the dealer ratably over the term of the certificate under Section 7872(b) (2) of the U.S. Internal Revenue Code. The present value for this purpose is to be determined by using a discount rate equal to the applicable Federal rate in effect as of the day of issuance of the certificate, compounded semi-annually.

The Company will be required to withhold federal income tax on the patronage dividend distribution which is made to a payee who has not furnished his taxpayer identification number to the Company or as to whom the Company has notice of the fact that the number furnished to it is incorrect. A cooperative organization may also be required to withhold on the cash portion of each patronage dividend distribution made to a payee who becomes a member of the cooperative if the payee fails to certify to the cooperative that he is not subject to backup withholding. It is the opinion of counsel for the Company that this provision is not applicable to any patronage dividend distribution to a payee unless 50% or more of the total distribution is made in cash. Since all of the Company's patronage dividends for a given year are distributed at the same time and the Company's currently effective patronage dividend plan does not permit any store which is a member of the Company to receive more than 45% of its patronage dividends for the year in the form of cash, it is said counsel's further opinion that such a certification failure would ordinarily have no effect on the Company or any of its dealers.

Patronage dividends distributed by a cooperative organization to its patrons who are located in foreign countries or certain U.S. possessions have been held to constitute fixed or determinable annual or periodic income on which such patrons are required to pay a tax of 30% of the amount received in accordance with the provisions of Sections 871(a) (1) (A) and 881(a) (1) of the Internal Revenue Code, as do patronage dividends distributed to patrons which are incorporated in Puerto Rico or who reside in Puerto Rico but have not become citizens of the United States. With respect to its dealers who are subject to such 30% tax, the Company is also obligated to withhold from their patronage dividends and pay over to the U.S. Internal Revenue Service an amount equal to the tax. The foregoing provisions do not apply to a corporation organized in Guam, American Samoa, the Northern Mariana Islands, or the U.S. Virgin Islands if less than 25% of its stock is owned by foreign persons and at least 65% of its gross income for the last three years has been effectively connected with the conduct of a trade or business in such possession or in the United States.

The 20% minimum portion of the patronage dividends to be paid in cash to a patron with respect to whom the Company is neither required to withhold 30% of his total patronage dividend distribution nor permitted to apply such minimum portion against indebtedness owing to it by him may be insufficient depending upon the income tax bracket of each individual patron, to provide funds for the full payment of the federal income tax for which such patron will be liable as a result of the receipt of the total patronage dividends distributed to him during the year, including cash, patronage refund certificates and/or Class C Non-voting Stock.

In the opinion of the Company's management, payment in cash of not less than 20% of the total patronage dividends distributable each year to the Company's eligible and qualifying dealers will not have a material adverse effect on the operations of the Company or its ability to obtain adequate working capital for the normal requirements of its business.

Membership Agreement

In addition to signing a Subscription Agreement for the purchase of shares of the Company's stock, each retail dealer who applies to become an

Ace dealer (excluding the firms which are "International Retail Merchants" as discussed below under the subheading "International Retail Merchants" in this Item 1) must sign the Company's customary Membership Agreement. A payment of \$400 must accompany the signed Membership Agreement to defray the Company's estimated costs of processing the membership application. If the application is accepted, copies of both the Membership Agreement and the Stock Subscription Agreement, signed on behalf of the Company to evidence its acceptance, are forwarded to the dealer. No royalties are payable at any time by a dealer for an outlet which the Company accepts for affiliation into its dealer network. Membership may be terminated upon various notice periods and for various reasons (including voluntary termination by either party) as prescribed in the membership agreement, except to the extent that special laws or regulations applicable to specific locations may limit the Company's right to terminate memberships, or may prescribe greater periods of notice under particular circumstances.

International Retail Merchants

In 1989, the Company's Board of Directors authorized the Company to affiliate International Retail Merchants, who operate retail businesses outside the United States, its territories and possessions. International Retail Merchants do not sign the Company's Regular Membership Agreement, but may, depending on the circumstances, be granted a license to use certain of the Company's trademarks and service marks. They do not sign stock subscription agreements or become shareholders of the Company, nor do they receive distributions of patronage dividends. As of December 31, 1994, 1993 and 1992 International Retail Merchant volume with the Company accounts for less than 4% of the Company's total sales in each such year.

Item 2. Properties

The Company's general offices are located at 2200 Kensington Court, Oak Brook, Illinois 60521. Information with respect to the Company's principal properties follows:

<TABLE>

<CAPTION>

Location	Square Feet of facility (Land in Acres)	Owned or Leased	Lease Expiration Date
General Offices:			
<S>	<C>	<C>	<C>
Oak Brook, Illinois	206,030	Leased	September 30, 2009
Oak Brook, Illinois (1)	70,508	Owned	
Distribution Warehouses:			
Lincoln, Nebraska	346,000	Leased	December 31, 2006
Arlington, Texas	313,000	Leased	July 31, 1996
Perrysburg, Ohio	396,000	Leased	November 1, 2004
Tampa, Florida	391,760	Owned	
Harmans, Maryland	277,000	Owned	
Yakima, Washington	502,400	Owned	
Maumelle, Arkansas	585,500	Owned	
LaCrosse, Wisconsin	363,000	Owned	
Bloomfield, Connecticut	449,820	Owned	
Huntersville, North Carolina	354,000	Owned	
Rocklin, California	470,000	Owned	
Gainesville, Georgia	478,000	Owned	
Prescott Valley, Arizona	633,000	Owned	
Princeton, Illinois	1,080,000	Owned	
Carol Stream, Illinois (2)	250,000	Leased	September 30, 1999
Chicago, Illinois (3)	18,168	Leased	May 31, 1997

Print Shop Facility:

Downers Grove, Illinois	41,000	Leased	January 31, 1998
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Paint Manufacturing Facility:

Matteson, Illinois	356,000	Owned	
Chicago Heights, Illinois (4)	194,000	Owned	

Other Property (Land):		
Aurora, Illinois	72 acres	Owned
LaCrosse, Wisconsin (5)	3 acres	Owned
Colorado Springs, Colorado (6)	42 acres	Owned

</TABLE>

- (1) Includes 35,254 square feet leased to tenant until July 31, 1996. The subject property is adjacent to the Company's general offices.
- (2) This facility was leased by the Company in October, 1994, for use as a bulk merchandise redistribution center.
- (3) This facility was leased by the Company in June, 1994 for use as a freight consolidation center.
- (4) This facility was purchased by the Company in December, 1994 and is currently being remodeled. The Company anticipates that production will commence the second quarter of 1995.
- (5) This land is adjacent to the Company's LaCrosse, Wisconsin warehouse.
- (6) Land purchased for Colorado Distribution Center to be constructed in 1995/1996.

The Company also leases a fleet of transportation equipment for the primary purpose of delivering merchandise from the Company's warehouses to its dealers.

Item 3. Legal Proceedings

There are no material pending legal proceedings which either individually or in the aggregate involve claims for damages that exceed 10% of the current assets of the Company and its subsidiaries on a consolidated basis.

Item 4. Submission To A Vote Of Security Holders

None.

PART II

Item 5. Market For The Registrant's Common Equity And Related Stockholder Matters

There is no existing market for the stock of the Company and there is no expectation that any market will develop. The Company is organized and operates as a cooperative corporation, and its stock is owned exclusively by retailers of hardware and related merchandise who are members of the Company.

The number of holders of record as of February 28, 1995 of each class of stock of the Company is as follows:

Title of Class	Number of Record Holders
Class A stock, \$1,000 par value	3,901
Class B stock, \$1,000 par value	803
Class C stock, \$100 par value	4,770

Dividends, other than patronage dividends are prohibited by the Company's Articles of Incorporation and By-laws. See the discussion of patronage dividends under Item 1. Business.

Item 6. Selected Financial Data

<TABLE>

SELECTED FINANCIAL DATA

Income Statement Data:

<CAPTION>	Year Ended December 31,				
	1994	1993	1992	1991	1990
			(000's omitted)		
<S>	<C>	<C>	<C>	<C>	<C>
Net sales	\$2,326,115	\$2,017,763	\$1,870,625	\$1,704,203	\$1,625,029

Cost of sales	2,158,896	1,867,326	1,723,017	1,569,871	1,497,147
Gross profit	167,219	150,437	147,608	134,332	127,882
Total expenses	102,697	93,345	86,841	75,175	67,470
Net earnings	\$ 64,522	\$ 57,092	\$ 60,767	\$ 59,157	\$ 60,412
Patronage dividends (Note A, B, 5 and 8)	\$ 64,520	\$ 59,023	\$ 63,207	\$ 57,729	\$ 57,519

</TABLE>

<TABLE>

Balance Sheet Data:

Year Ended December 31,

<CAPTION>

	1994	1993	1992	1991	1990
			(000's omitted)		
<S>	<C>	<C>	<C>	<C>	<C>
Total assets	\$725,481	\$667,488	\$594,676	\$540,953	\$479,202
Working capital	143,979	133,287	103,952	105,899	92,376
Long-term debt	64,287	71,286	51,696	38,737	22,521
Patronage refund certificates payable, long-term	63,666	56,270	55,389	58,559	52,134
Member dealers' equity	199,827	186,028	175,681	164,411	154,563

</TABLE>

(A) The Company operates as a cooperative organization, and pays patronage dividends to member dealers on earnings derived from business done with such dealers. It is the practice of the Company to distribute substantially all patronage sourced earnings in the form of patronage dividends.

(B) The form in which patronage dividends are to be distributed can only be determined at the end of each year when the amount distributable to each of the member dealers is known. For the five years ended December 31, 1994, patronage dividends were payable as follows:

<TABLE>

<CAPTION>

	1994	1993	1992	1991	1990
			(000's omitted)		
<S>	<C>	<C>	<C>	<C>	<C>
In cash	\$27,302	\$25,766	\$27,538	\$26,864	\$26,462
In patronage refund certificates payable	9,920	12,728	14,598	15,176	13,597
In Class C Stock	21,766	19,064	20,301	14,841	16,322
In patronage financing deductions	5,532	1,465	770	848	1,138
Total patronage dividends	\$64,520	\$59,023	\$63,207	\$57,729	\$57,519

</TABLE>

(C) Numbered notes refer to Notes to Financial Statements, beginning on page F-8.

(5) & (8) Refers to Notes (5) and (8) of the financial statements included on pages F-10, F-11, F-12 and F-13 of this Form 10-K.

Item 7. Management's Discussion And Analysis Of Financial Condition And Results Of Operations

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

Liquidity and Capital Resources

The Company's ability to generate cash adequate to meet its needs ("liquidity") results from internally generated funds, short-term lines of credit and long-term financings (see Notes 3 and 4 to the financial statements). These sources have been sufficient to finance the Company's seasonal and other working capital requirements and its capital expenditure programs.

The Company's long and short-term liquidity is dependent on retail growth

as described under the "Company's Business". Nothing in the Company's plans as discussed under the "Company's Business" has lead or is expected to lead to any material change in pricing, margins or product focus or is expected to materially impact the results or operations or liquidity of the Company. The Company's long-term strategic plan is only for a renewal focus on supporting retail growth. Retail growth provides equity growth for the Company. Recognizing the need for equity growth in order to properly capitalize the Company, the patronage stock formula for years beginning in 1995 was changed. See "Forms of Patronage Dividend Distributions." Also, beginning in 1994, patronage dividend distributions are made on the basis of the lesser of book or taxable income. The Company's working capital (as defined by Current Assets less Current Liabilities) has shown steady increases since 1992. Additionally, to help ensure adequate accessibility to cash, the Company entered into a \$100 million committed revolving credit agreement in 1994. The Company believes that these changes and the retail growth of the membership will provide adequate liquidity for the long-term.

Additionally, in the second quarter of 1994, the Company established a committed, unsecured revolving credit facility for \$100 million with a group of banks. The Company had unused unsecured lines of credit of \$120.0 million at December 31, 1994. Any borrowings under these lines of credit would bear interest at the prime rate or less. Long-term financings are arranged as determined necessary to meet the Company's capital or other requirements, with principal amount, timing and form dependent on prevailing debt markets and general economic conditions. The Company's credit facilities provide that certain ratios be maintained with the only material covenant related to fixed charge coverage. The Company is in compliance with all debt covenants.

Capital expenditures for new and improved facilities were \$28.3, \$16.3 and \$34.6 million in 1994, 1993 and 1992, respectively. During 1994, the Company financed the \$28.3 million of capital expenditures out of current and accumulated internally generated funds, and short-term borrowings. 1995 capital expenditures are anticipated to be approximately \$44.3 million primarily for a new distribution facility and improvements to existing facilities.

As a cooperative, the Company distributes substantially all of its patronage source earnings to its members in the form of patronage dividends, which are deductible for income tax purposes (see headings "Patronage Dividend Determinations And Allocations" and "Federal Tax Treatment of Patronage Dividends"). Prior to 1994, patronage dividends were distributed on the basis of taxable income. Accordingly, patronage dividends can exceed net income or be less than net income due to the timing of certain items for income tax purposes. The Board of Directors does have the authority to determine reasonable reserves for the purpose of ensuring the welfare of the Company, but it has been the practice of the Company to distribute substantially all patronage sourced earnings in the form of patronage dividends. Non-patronage sourced earnings (including international earnings) have been minimal in all years presented except for capital gains related to the sale and leaseback of two distribution centers in 1990 and 1991 which resulted in nonpatronage sourced income not available for distribution as patronage dividends.

No adverse trends in revenue or net income have occurred since the end of the Company's last reported financial period. The Company expects that existing and new internally generated funds, along with established lines of credit and long-term financings, will continue to be sufficient to finance the Company's patronage dividend and capital expenditure programs.

Operations-1994 Compared to 1993

Net sales increased 15.3% in 1994 primarily due to increases in volume from existing dealers (12.1% increase) and increased International sales. Sales of basic hardware and paint merchandise (including warehouse, bulletin, and direct shipments) increased 13.5%. Increased advertising activity fueled strong 1994 promotional increases, particularly in the warehouse sales categories. Lumber and building material sales experienced higher percentage increases in 1994 as sales efforts were accelerated. Net dealer outlets increased in 1994 as set forth on page 1 partially reversing previous year declines. Targeted sales efforts on new store development and conversions to the Ace program and increased emphasis on dealer retail success resulted in positive 1994 dealer growth.

Gross profit increased \$16.8 million or 11.2% vs. 1993 due primarily to the strong sales results in the basic sales categories and strong manufacturing profits. As a percent of sales, however, gross profit declined due to continued growth of competitively priced and promotional

items within the overall sales mix. Upfront rebates through reduced handling charges and low upfront pricing programs and discounts have accelerated and reduced gross profit as a percent of sales. The impact of LIFO inventory accounting on gross profit and results of operations was immaterial in both 1994 and 1993.

Warehouse and distribution expenses decreased by \$2.3 million or 7.2%, and as a percent of sales due to increased traffic revenues and reduced building and operating costs due to the replacement of a facility in early 1993.

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Selling, general, and administration expenses increased by \$9.1 million or 16.8% and as a percent of sales due to reduced net advertising income, increased personnel costs for field retail support and increased marketing costs. Increases within these expense categories are directly related to retail support of Ace dealers.

Paint Division sales increased 24% to \$84.9 million due to strong dealer support and growing recognition of Ace Paint as a quality private label brand. Paint is the only product manufactured by the Company. Manufacturing margins are characteristically higher than distribution margins due to the inherent risks and capital invested in the manufacturing process. As a separate division of the Company, the Paint Division produced net manufacturing profits of \$6.7 million in 1994 vs. \$5.1 million in 1993. Price increases did not occur in 1994 or contribute to the sales or income increase. Rather, a drop in raw material prices and the increase in production volume which improved absorption of fixed overhead costs were the major factors leading to increased manufacturing profits. As discussed on page 8, patronage dividends are calculated separately for paint sales and increased 8.22% in 1994 from 7.94% in 1993.

Interest expense increased \$2.2 million in 1994 due to increased borrowing levels to fund the sales growth and increased interest rates. The use of both short-term borrowings and long-term financing is expected to continue to fund planned capital expenditures (see liquidity and capital resources and Notes 3 and 4 to the financial statements).

Other income increased \$807,000 or 27.7% in 1994 due to increased interest income related to dealer financing programs and 1993 losses on asset disposals at a replaced facility which did not re-occur in 1994.

Operations-1993 Compared to 1992

Net sales increased 7.9% in 1993 primarily due to increases in volume from existing dealers. Sales of basic hardware and paint merchandise (including warehouse, bulletin, and direct shipments) increased 6.8%. Lumber and building material sales experienced a higher percentage increase in 1993. Net dealer outlets decreased as set forth on page 1 as a result of increased competition and more sales and marketing emphasis with existing dealers rather than new store development.

Gross profit increased \$2.8 million or 1.9% vs. 1992 due primarily to higher net merchandise discounts and allowances. Gross profit decreased as a percent of sales, however, due to reduced handling charges on competitively priced items and shifts in the Company's sales mix.

Warehouse and distribution expenses decreased by \$641,000 or 2.0% due to decreased building rental and facility costs and increased levels of warehousing costs absorbed into cost of sales, partially offset by increased personnel and equipment costs and traffic freight subsidies.

Selling, general, and administration expenses increased by \$5.9 million or 12.2% due to higher personnel costs and marketing expenses partially offset by higher advertising and retail support income.

Interest expense increased \$1.4 million in 1993 despite lower interest rates due to increased borrowing levels resulting from the financing of planned capital expenditures and increased inventory levels.

Inflation and Changes in Prices

The Company's business is not generally governed by contracts that establish prices substantially in advance of the receipt of goods or services. As vendors increase their prices for merchandise supplied to the Company, the Company increases the price to its dealers in an equal amount plus the normal handling charge on such amounts. In the past, these increases have provided adequate gross profit to offset the impact of inflation on operating expenses.

Item 8. Financial Statements And Supplementary Data

Financial statements and financial statement schedules covered by the report of the Company's certified public accountants are listed on Page F-1.

Item 9. Changes In And Disagreements With Accountants On Accounting And Financial Disclosures

None.

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PART III

Item 10. Directors And Executive Officers Of The Company

The directors and the executive officers of the Company are:

Name	Age	Position(s) Held and Business Experience
Jennifer C. Anderson	44	Director since June 6, 1994; term expires 1997; President of Davis Lumber and Ace Hardware, Inc., Davis, California.
Michael C. Bodzewski	45	Vice President-Merchandising since June, 1990; General Merchandise Manager since April, 1988.
Lawrence R. Bowman	48	Director since February 4, 1991; term expires 1995; Vice President of Owenhouse Hardware Co., Inc., Bozeman, Montana.
David F. Hodnik	47	President and Chief Operating Officer since January 1, 1995; Executive Vice President and Chief Operating Officer since January, 1994; Executive Vice President and Treasurer since January, 1991; Senior Vice President and Treasurer since January, 1988; Vice President-Finance and Management Information Systems and Treasurer since September, 1986; Vice President-Finance and Treasurer from December, 1982.
Paul M. Ingevaldson	49	Vice President-Corporate Strategy and International Business since September, 1992; Vice President-Retail Support Services since August, 1989; Vice President-Western Region since September 1, 1988; Vice President-Distribution since September, 1986; Vice President-Management Information Systems from October, 1985; Director of Data Processing from October, 1982.
Mark Jeronimus	46	Director since June 3, 1991; term expires 1997; President of Duluth Hardware, Inc., Duluth, Minnesota.
Howard J. Jung	47	Director since June 1, 1987; term expires 1996; Vice President of

Ace Hardware & Home Center, Inc.,
Raleigh, North Carolina.

Rita D. Kahle	38	Vice President-Finance since January, 1994; Vice President-Controller since January, 1992; Controller from July, 1988.
John E. Kingrey	51	Director since May 17, 1992; term expires 1996; President of WK&K Corp., Wimberley, Texas.
Richard E. Laskowski	53	Chairman of the Board since February 18, 1992 and Director since June 1, 1987; term expires 1995; President of Ace Hardware Home Center of Round Lake, Inc., Round Lake, Illinois.
David W. League	55	Vice President-General Counsel and Secretary since June, 1990; General Counsel and Secretary since January, 1990; General Counsel since January, 1989.

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Name	Age	Position(s) Held and Business Experience
William A. Loftus	56	Senior Vice President-Retail Operations and Marketing since October, 1994; Senior Vice President-Marketing and Advertising since September, 1992; Senior Vice President since January 1, 1991; Vice President-Retail Support Operations since August, 1989; Vice President-Eastern Region since September 1, 1988; Vice President-Sales since October, 1983; National Sales Manager from October, 1976.
David F. Myer	49	Vice President-Retail Support and New Business since October, 1994; Vice President-Retail Support since August, 1992; Vice President-Distribution since July, 1989.
Fred J. Neer	55	Vice President-Human Resources since April, 1989; Director of Human Resources from April, 1986.
Ray W. Osborne	58	Director since June 6, 1988; term expires 1997; President of Cook & Sons Ace Hardware Company, Inc., Albertville, Alabama.
Roger E. Peterson	57	Chief Executive Officer (CEO) since January 1, 1995; President and Chief Executive Officer (CEO) since December, 1989; President since August, 1986; Executive Vice President from March, 1985; Vice President-Operations from December, 1982.
Donald L. Schuman	56	Vice President-Information Systems since June, 1990; Director-Information Systems since January, 1987.
Jon R. Weiss	59	Director since June 4, 1990; term expires 1996; President of John W. Weiss Hardware Company, Glenview, Illinois.
Don S. Williams	53	Director since June 6, 1988; term

expires 1997; President of Williams Lumber, Inc., Rhinebeck, New York.

James R. Williams 47 Director since June 5, 1989; term expires 1995; Vice President of Williams Ace Hardware, Inc., Wichita, Kansas.

The By-laws of the Company provide that its Board of Directors shall be comprised of such number of persons, not less than 9 and not greater than 12, as shall be fixed from time to time by the Board of Directors. A minimum of 9 of the directors shall be dealer directors. A maximum of two of the directors may be non-dealer directors. A person shall be eligible for election or appointment as a non-dealer director without regard to whether or not such person is the owner of a retail business organization which is a stockholder of Ace Hardware Corporation, or an executive officer, general partner or general manager of such a retail business organization. The By-laws also provide for three classes of directors who are to be elected for staggered 3-year terms.

The By-laws provide that no person is eligible to serve as a dealer director unless such person is either the owner of a retail business organization holding stock in the Company or an executive officer, general partner or general manager of such a retail business organization. Regional dealer directors are elected from geographic regions of the United States established by the Board. If the Board determines that all regions have representation by regional dealer directors and the maximum number of directors would not thereby be exceeded, then dealer directors at large may also be elected.

In accordance with the applicable procedure established by the By-laws, the following directors have been selected as nominees for reelection at the annual stockholders meeting to be held on June 5, 1995, as directors of the classes, from the regions, and for terms as indicated below:

Nominee	Class	Region	Term
Richard E. Laskowski	Third	4	3 years
James R. Williams	Third	5	3 years
Lawrence R. Bowman	Third	7	3 years

The person named below has been selected as the nominee for election to the Board for the first time at the 1995 annual meeting as a non-dealer director of the class, and for the term indicated.

Nominee	Age	Class	Region	Term
Roger E. Peterson	57	Third	None	3 years

Reference should be made to Article IV of the By-laws for information concerning the qualifications required for membership on the Board of Directors, the terms of directors, the limitations on the total period of time for which a director may hold office, the procedure established for the designation of Nominating Committees to select certain persons as nominees for election to the Board of Directors, and the procedure for filling vacancies on the Board for the remaining portion of unexpired terms.

None of the events described under Item 401(f) of Regulation S-K occurred during the past 5 years with respect to any director of the Registrant, any nominee for membership on the Board of Directors of the Registrant or any executive or staff officer of the Registrant.

Item 11. Executive Compensation

The following information is set forth with respect to the cash compensation paid by the Company to each of the five highest paid executive officers of the Company whose cash compensation exceeded

\$100,000, for services rendered by them in all capacities to the Company and its subsidiaries during the fiscal year ended December 31, 1994 and the two previous fiscal years:

<TABLE>

SUMMARY COMPENSATION TABLE

<CAPTION>	Name and Principal Position	Annual Compensation			Long-Term Compensation		
		Year	(1) Salary (\$)	(1) Bonus (\$)	(2) Other Annual Compen- sation (\$)	(3) Long-Term Payouts (\$)	(4) All Other Compen- sation (\$)
<S>		<C>	<C>	<C>	<C>	<C>	<C>
	Roger E. Peterson Chief Executive Officer (CEO)	1994	\$800,000	\$125,000	\$12,907	-	\$147,159
		1993	670,000	100,000	19,001	-	139,598
		1992	635,000	-	17,174	-	115,758
	David F. Hodnik President and Chief Operating Officer (COO)	1994	350,000	61,250	17,561	15,583	77,782
		1993	328,000	50,840	14,794	15,500	75,210
		1992	312,000	49,920	13,929	-	66,943
	William A. Loftus Senior Vice President-Retail Operations and Marketing	1994	260,000	45,500	10,163	12,000	61,308
		1993	250,000	37,500	32,881	12,000	61,560
		1992	240,000	24,000	16,447	-	51,918
	Paul M. Ingevaldson Vice President- Corporate Strategy and International Business	1994	232,000	41,760	7,190	10,583	59,111
		1993	222,000	31,080	23,915	10,700	53,457
		1992	212,000	30,740	9,584	-	46,522
	David F. Myer Vice President- Retail Support and New Business	1994	170,000	28,050	11,021	6,896	39,690
		1993	150,000	15,750	7,475	6,800	35,579
		1992	135,250	18,259	8,209	-	32,030

</TABLE>

(1) The Incentive Compensation Plan covers each of the executive officers (except Mr. Peterson). The bonus amounts awarded to participants in the Plan are determined in accordance with achievement of individual performance based objectives and achievement of corporate goals. For 1991 to 1993, the maximum short-term incentive award for Messrs. Hodnik, Loftus and Ingevaldson was 18% of their respective annual salaries and for other executive officers was 15% of their annual salary. For 1994, and after, the maximum short-term incentive award for each executive officer is 20% of their respective salary. The short-term bonus award becomes payable to each participant as early as practicable at or after the end of the fiscal year. The bonus amounts for Mr. Peterson were special awards as described in the Compensation Committee Report.

(2) The Company provides automobiles and prior to 1993 provided club memberships to certain of its executive officers. The Company requires them to maintain records with respect to any business automobile use. Such officers pay, both directly and by reimbursement to the Company, personal automobile expenses and personal charges at clubs. The compensation table set forth above includes the value of these items and such value for any officer did not exceed the lesser of \$25,000 or 10% of the compensation reported for each in said table.

(3) Includes the long-term incentive award under the Incentive Compensation Plan paid in 1994. The long-term executive award is based on corporate performance over a three year time frame (beginning with the period 1990 to 1992). For the 1993 Plan, payable in 1994, the maximum long-term incentive award for Messrs. Hodnik, Loftus, Ingevaldson, and Myer and other executive officers was 8.7% of their respective average 3 year annual salaries. The long term incentive award is determined and becomes payable to each participant as early as practicable each year if the participant is still employed by the Company on the preceding 31st of December.

In 1994, the incentive plan was revised and a new long term Officer Incentive Plan was adopted. The 1994 value added long-term Officer incentive plan is based upon corporate performance over a three year period with emphasis on total shareholder return through maximizing both year-end patronage dividends and upfront dividends (throughout the year) through pricing programs and discounts. This plan maintains the commitment to long-term performance and shareholder return in a cooperative environment. One third of the total long-term incentive award is subject to a one year vesting provision. Total awards granted for 1994, payable in 1995, were \$105,870, \$80,204, \$71,221 and \$48,684 for Messrs. Hodnik, Loftus, Ingevaldson and Myer, respectively.

Effective January 1, 1995, a Long Term Incentive Compensation Deferral Option Plan was adopted. Executive officers may elect to defer a portion (20% to 100%, in 20% increments) of the annual award granted. Participants' compensation deferrals are credited with a specified rate of interest to provide a means to accumulate supplemental retirement benefits. Deferred benefits are payable over a period of 5 to 20 years. Annual elections are required for the upcoming deferral year by December of the preceding year. Of the total 1994 awards, amounts deferred were \$84,696, \$64,163, \$71,221 and \$32,456 for Messrs. Hodnik, Loftus, Ingevaldson and Myer, respectively.

- (4) Includes compensation for the Executive Supplemental Benefit Plan (ESBP), contributions to the Company's Profit Sharing Plan which has been in existence since January 1, 1953, and contributions to the Company's Retirement Benefits Replacement Plan.

The Board of Directors adopted the Executive Supplemental Benefit Plan (ESBP) in 1991. ESBP provides supplemental life insurance through a universal life insurance policy, supplemental long-term disability and supplemental retirement benefits to the executive officers. Under the supplemental retirement benefits portion of ESBP a formula equal to .02 of 1% of the total corporate annual Patronage Dividend times the number of executive officers participating determines the total annual supplemental retirement benefits under ESBP. This total sum for all executive officers allocated to the supplemental retirement benefits portion of ESBP cannot exceed \$200,000 in any year. The sum is allocated to the executive officers and placed in the cash value portion of each participant's variable annuity insurance policy as soon as practicable in each subsequent year. During the year 1994, total contributions were \$13,414 for Messrs. Peterson, Hodnik, Loftus and Ingevaldson and \$10,731 for Mr. Myer.

In 1994, the supplemental retirement benefits portion of the ESBP was replaced with the Long Term Incentive Compensation and Deferral Option Plan, as described above. The Company funds only the base premium to keep the supplemental universal life insurance policy in force but does not contribute to supplemental retirement benefits through this vehicle. Participants may elect to deposit a portion (up to one third) of the long term incentive award into the variable annuity insurance policy in their name or may elect to defer this portion under the Deferral Option Plan.

All active employees are eligible to participate in the Company's profit sharing plan after one year of service. Those active employees covered by a collective bargaining agreement regarding retirement benefits, which were the subject of good faith bargaining, are not eligible if such agreement does not include them in the plan. For the year 1994, the Company contributed 10.9% of each participant's eligible compensation to the Plan. During the year 1994, \$16,350 was expensed by the Company pursuant to the Plan for Messrs. Peterson, Hodnik, Loftus, Ingevaldson and Myer.

The Company has also established a Retirement Benefits Replacement Plan covering all executive officers of the Company. This is an unfunded Plan under which the participants therein are eligible to receive retirement benefits equal to the amounts by which the benefits they would otherwise have been entitled to receive under the Company's Profit Sharing Plan may be reduced by reason of the limitations on contributions and benefits imposed by any current or future provisions of the U.S. Internal Revenue Code or other federal legislation. During the year 1994, amounts expensed by the Company pursuant to the Plan were \$113,078 for Mr. Peterson, \$42,535 for Mr. Hodnik, \$26,074 for Mr. Loftus, \$25,380 for Mr. Ingevaldson and \$9,465 for Mr. Myer.

- (5) As a cooperative whereby all stockholders are member dealers, the

Company does not grant or issue stock awards of any kind.

Messrs. Hodnik, Loftus, and Ingevaldson are employed under contracts, each dated October, 1994 for respective terms of two years, terminating December 31, 1996. Mr Myer is employed under a contract dated December 15, 1993 for a two year term terminating December 31, 1995. The contracts provide for annual compensation effective January 1, 1995 of \$450,000, \$275,000, \$247,000, and \$187,000 respectively or such increased amount, if any, as shall be approved by the Board of Directors.

The Company also maintains a Pension Plan which has been in existence since December 31, 1970. All active employees are eligible to participate in this Plan on the first January 1 that they are working for the Company. Those active employees covered by a collective bargaining agreement regarding retirement benefits, which were the subject of good faith bargaining are not eligible if such agreement does not include them in the plan. The Plan provides benefits at retirement at or after age 65 determined under a formula which takes into account 60% of a participant's average base pay (including overtime) during the 5 highest consecutive calendar years of employment and years of service prior to age 65, and under which an offset is applied for the straight life annuity equivalent of the vested portion of the participant in the amount of benefits provided for them by the Company under the Profit Sharing Plan.

Examples of yearly benefits provided by the Pension Plan (prior to reduction by the Profit Sharing Plan offset) are as follows:

Remuneration	Years of Service				
	10	15	20	25	30 or more
\$150,000	30,000	45,000	60,000	75,000	90,000
\$100,000	20,000	30,000	40,000	50,000	60,000
\$ 50,000	10,000	15,000	20,000	25,000	30,000

The amounts shown above represent straight life annuity amounts. Maximum benefits from the Pension Plan are attained after 30 years of service and attainment of age 65. The compensation covered by the Pension Plan consists of base compensation (exclusive of bonuses and non-recurring salary or wage payments) and shall not exceed \$150,000 of such total remuneration paid to a participant during any plan year. Remuneration and yearly benefits under the Plan are limited, and subject to adjustment, under Sections 415(d) and 401(a)17 of the U.S. Internal Revenue Code. The amount of covered compensation under the Pension plan, therefore is \$150,000 for each Executive Officer named in the compensation table. The present credited years of service under the Pension Plan for the currently employed executive officers named in the compensation table are as follows:

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Roger E. Peterson-18 years; David F. Hodnik-22 years; William A. Loftus-18 years; Paul M. Ingevaldson-15 years; David F. Myer-13 years.

Compensation Committee Report

The corporation's Executive Compensation philosophy is one that supports the Company's fundamental business strategies. We stress long term measured results, focus on teamwork, accepting prudent risks, and are strongly committed to fulfilling dealer/consumer needs.

Our compensation program reflects a policy of competitive performance based pay. Our competitors for Human Resources include publicly owned for profit retail corporations, privately owned for profit retail enterprises, and other national cooperatives. Each of these comparative groupings has quite a different compensation practice/philosophy. An annual review is performed of executive cash compensation at competitor enterprises. Our orientation is to be cognizant of their respective practices and pay levels, but to give greater emphasis to that which supports the needs of our dealer network.

In 1994, the Compensation Committee changed the compensation mix to one which stresses the provision of more significant performance based incentives, particularly long term. 1994 salary increases for executive officers, excluding Mr. Peterson, averaged 8.8% per eligible executive. Annual and long term incentive opportunities were increased beginning in 1994, with substantive changes in long term performance criteria. Individual, isolated criteria to achieve results have been eliminated due

to their emphasis on short-term decisions. Long-term performance is evaluated heavily on a measurement of total shareholder return including both year-end patronage dividends and upfront dividends through low-upfront pricing programs and discounts. This criteria maximizes total return to our membership.

As it relates to the President/CEO compensation, the Committee in the past relied on providing the President/CEO with a base salary without either annual or long term incentives. The primary rationale for this was to allow the President/CEO to make objective recommendations pertaining to incentive eligible officers without the incumbrance of a personal stake associated with the same performance criteria. In connection with the pending retirement of the CEO in May, 1995 and the election of a new President effective January 1, 1995, this has changed so as to ensure the commitment of the President position to the longer term interest of our dealer network. Effective in 1995, the President's compensation includes a base salary and a long-term incentive award only (no short-term award) so as to maintain the commitment to long-term performance and shareholder return.

For 1994 and 1993, special incentive awards of \$125,000 and \$100,000 were granted to the CEO. This was warranted due to his exclusion from all previous incentive awards, exceptional Company results during these years and Mr. Peterson's long-term contribution to the success of Ace and its retailers.

The Committee reviews the executive benefits provided all senior executives. Country club memberships previously granted to some officers have been eliminated, except for the President.

Compensation of Directors

Effective January 1, 1995, and January 1, 1994, each member of the Board of Directors receives a monthly fee of \$2,650 and \$2,500, respectively, for their services. Effective as of the foregoing dates, Mr. Laskowski is paid a total annual fee of \$110,000 and \$100,000 per year, respectively, in his capacity as Chairman of the Board.

In 1994, the previous Deferred Director Fee Plan was amended, restated and retitled the Directors' Deferral Option Plan. Like the Officers' Long Term Incentive Compensation Deferral Option Plan, under this Directors' Plan, directors may elect to defer a portion (5% to 100%, in 5% increments)

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of their annual director's fee. Deferred benefits are payable over a period of 5 to 20 years, as elected. Annual elections are required for the upcoming deferral year by December of the preceding year.

Each member of the Board is also reimbursed for the amount of travel and lodging expenses incurred in attending meetings of the Board and of the Committees of the Board. The expenses incurred by them in attending the semi-annual conventions and exhibits which the Company sponsors are also paid by the Company. Each member of the Board is also paid \$200.00 per diem compensation for special committee meetings and nominating committee regional trips attended.

Item 12. Security Ownership Of Certain Beneficial Owners And Management

With the exception of Mr. Laskowski, no shares of the Company's stock were held by any of its officers. No person owns of record or is known by the Company to own beneficially more than five percent of the outstanding voting securities of the Company.

The following table sets forth the shares of Class B Stock and Class C Stock of the Company held beneficially, directly or indirectly, by each director owning such shares, individually itemized, and by all officers and directors as a group, as of February 15, 1995:

<TABLE>

<CAPTION>

<S>	Class B Stock Owned		Class C Stock Owned	
	Number of Shares	Percent of Class	Number of Shares	Percent of Class
<S>	<C>	<C>	<C>	<C>
Jennifer C. Anderson	4	0.118%	2,037	0.134%
Lawrence R. Bowman	4	0.118%	1,176	0.077%
Mark Jeronimus	-	-	730	0.048%
Howard J. Jung	-	-	3,261	0.214%
John E. Kingrey	4	0.118%	680	0.045%

Richard E. Laskowski	4	0.118%	10,213	0.670%
Ray W. Osborne	4	0.118%	705	0.046%
Jon R. Weiss	4	0.118%	2,037	0.134%
Don S. Williams	-	-	2,529	0.166%
James R. Williams	4	0.118%	671	0.044%

All above directors and officers as a group	28	0.826%	24,039	1.578%
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</TABLE>

There are no known contractual arrangements nor any pledge of securities of the Company which may at a subsequent date result in a change in control of the Company.

Item 13. Certain Relationships And Related Transactions

No director, executive officer, security holder who is known to the Registrant to own of record or beneficially more than five percent of any class of the Registrant's voting securities, or any member of the immediate family of any of the foregoing persons, had during the last fiscal year or is currently proposed to have any material interest, direct or indirect, in any transaction in which the amount involved exceeds \$60,000 and to which the Registrant was or is to be a party, except that each of the directors purchased merchandise and services from the Registrant in the ordinary course of business on behalf of the retail hardware businesses in which they have ownership interests. None of such persons received benefits not shared by other hardware retailers supplied by the Registrant.

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No director has had any business relationship which is required to be disclosed pursuant to Item 404(b) of Regulation S-K of the Securities and Exchange Commission, during the Registrant's last fiscal year. Mr. Peterson, who is a director nominee, and has announced his retirement as CEO of the Company effective May 31, 1995 is subject to an agreement through May 31, 2000 providing for non competition within the industry, participation in designated Company functions and total remuneration of \$150,000 per year over the 5 year term.

No director, director nominee, executive officer, any member of the immediate family of any of the foregoing, or any corporation or organization of which any of the foregoing is an executive officer, partner, or, directly or indirectly, the beneficial owner of ten percent or more of any class of equity securities, or any trust or other estate in which any of the foregoing has a substantial beneficial interest or as to which such person serves as a trustee or in a similar capacity, has been indebted to the Registrant or its subsidiaries at any time since the beginning of the Registrant's last fiscal year in an amount in excess of \$60,000, except for indebtedness incurred in connection with purchases of merchandise and services made from the Registrant in the ordinary course of business by the retail hardware businesses in which the directors have ownership interest.

PART IV

Item 14. Exhibits, Financial Statement Schedules And Reports On Form 8-K.

(a) 1. Financial Statements

The financial statements listed in the accompanying index (page F-1) to the financial statements are filed as part of this annual report.

2. Financial Statement Schedules

The financial statement schedules listed in the accompanying index (page F-1) to the financial statements are filed as part of this annual report.

3. Exhibits

The exhibits listed on the accompanying index to exhibits (pages E-1 through E-6) are filed as part of this annual report.

(b) Reports on Form 8-K

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Annual Report to be signed on its behalf by the undersigned, thereunto duly authorized.

ACE HARDWARE CORPORATION

By RICHARD E. LASKOWSKI
Richard E. Laskowski
Chairman of the Board and Director

DATED: May 10, 1995

Pursuant to the requirements of the Securities Exchange Act of 1934, this Annual Report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signature	Title	Date
RICHARD E. LASKOWSKI Richard E. Laskowski	Chairman of the Board and Director	May 10, 1995
ROGER E. PETERSON Roger E. Peterson	Chief Executive Officer	May 10, 1995
DAVID F. HODNIK David F. Hodnik	President and Chief Operating Officer	May 10, 1995
RITA D. KAHLE Rita D. Kahle	Vice President-Finance (Principal Financial and Accounting Officer)	May 10, 1995

Jennifer C. Anderson,
Lawrence R. Bowman, Mark
Jeronimus, Howard J. Jung,
John E. Kingrey, Ray W.
Osborne, Don S. Williams,
Jon R. Weiss and
James R. Williams

Directors

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May 10, 1995

Item 14(a). Index To Financial Statements And Financial Statement Schedules

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All other schedules have been omitted because the required information is not present or is not present in amounts sufficient to require submission of the schedule or the required information is included in the financial statements or the notes thereto.

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Ace Hardware Corporation:

We have audited the balance sheets of Ace Hardware Corporation as of December 31, 1994 and 1993, and the related statements of earnings, member dealers' equity, and cash flows for each of the years in the three-year period ended December 31, 1994. In connection with our audits of the financial statements, we also have audited the financial statement schedule as listed in the accompanying index. These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedule 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 financial position of Ace Hardware Corporation at December 31, 1994 and 1993, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 1994 in conformity with generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

KPMG PEAT MARWICK LLP

Chicago, Illinois
January 31, 1995

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<TABLE>

ACE HARDWARE CORPORATION
BALANCE SHEET
December 31, 1994 and 1993

ASSETS

<CAPTION>

	1994	1993
	(000's omitted)	
<S>		
Current assets:	<C>	<C>
Cash and Cash Equivalents	\$ 4,868	\$ 4,142
Receivables:		
Dealers	228,584	183,493
Others	32,377	29,831
	260,961	213,324
Less Allowance for doubtful receivables	(1,350)	(720)
Net receivables	259,611	212,604
Inventories (Note 2)	270,391	263,576
Prepaid expenses and other current assets	6,810	6,869
Total current assets	541,680	487,191
Property and equipment (Notes 4 and 9):		
Land	14,219	13,673
Buildings and improvements	135,252	131,794
Warehouse equipment	48,947	47,146
Office equipment	53,965	48,842
Manufacturing equipment	12,165	12,012
Transportation equipment	14,557	12,508
Leasehold improvements	10,925	6,553
Construction in progress	7,561	2,319
	297,591	274,847
Less accumulated depreciation and amortization	(120,493)	(108,710)
Net property and equipment	177,098	166,137
Other assets	6,703	14,160
	\$ 725,481	\$ 667,488

See accompanying notes to financial statements.

</TABLE>

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<TABLE>

ACE HARDWARE CORPORATION
BALANCE SHEETS
December 31, 1994 and 1993

LIABILITIES AND MEMBER DEALERS' EQUITY

<CAPTION>

	1994	1993
	(000's omitted)	
<S>		
Current Liabilities:	<C>	<C>
Current installments of long-term debt (Note 4)	\$ 7,369	\$ 10,707
Short-term borrowings (Note 3)	30,000	38,500
Accounts payable	293,088	234,190
Patronage dividends payable in cash (Note 5)	27,302	25,766
Patronage refund certificates payable (Note 5)	1,315	11,059
Accrued expenses	38,627	33,682
Total current liabilities	397,701	353,904
Long-term debt (Note 4)	64,287	71,286
Patronage refund certificates payable (Note 5)	63,666	56,270
Member dealers' equity (Notes 5 and 8):		
Class A Stock of \$1,000 par value	3,924	3,946
Class B Stock of \$1,000 par value	6,499	6,499
Class C Stock of \$100 par value	164,666	153,155
Class C Stock of \$100 par value, issuable to dealers for patronage dividends	21,766	19,064
Additional stock subscribed, net	555	613
Retained earnings	5,624	5,622
Contributed capital	3,295	3,295
	206,329	192,194
Less: Treasury stock, at cost	(6,502)	(6,166)
Total member dealers' equity	199,827	186,028
Commitments (Notes 6 and 9)	--	--
	\$ 725,481	\$ 667,488

See accompanying notes to financial statements.

</TABLE>

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<TABLE>

ACE HARDWARE CORPORATION

STATEMENTS OF EARNINGS

<CAPTION>

	Year Ended December 31,		
	1994	1993	1992
	(000's omitted)		
<S>	<C>	<C>	<C>
Net sales	\$ 2,326,115	\$ 2,017,763	\$ 1,870,625
Cost of sales	2,158,896	1,867,326	1,723,017
Gross Profit	167,219	150,437	147,608

Operating expenses:

Warehouse and distribution	29,379	31,650	32,291
Selling, general and administration	63,515	54,378	48,451
Total operating expenses	92,894	86,028	80,742
Operating income	74,325	64,409	66,866
Interest expense (Note 11)	(12,035)	(9,798)	(8,380)
Other income, net (Note 11)	3,716	2,909	2,852
Income taxes (Note 7)	(1,484)	(428)	(571)
Net earnings	64,522	57,092	60,767

Retained earnings at beginning of year	5,622	7,553	9,993
Net earnings	64,522	57,092	60,767
Patronage Dividends (Notes 5 and 8)	(64,520)	(59,023)	(63,207)
Retained earnings at end of year	\$ 5,624	\$ 5,622	\$ 7,553

See accompanying notes to financial statements.

</TABLE>

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<TABLE>

ACE HARDWARE CORPORATION

STATEMENTS OF MEMBER DEALERS' EQUITY

Three Years Ended December 31, 1994

(000's omitted)

<CAPTION>

	Class A Stock	Class B Stock	Class C Stock	Class C Stock Issuable to Dealers for Patronage Dividends	Additional Stock Subscribed*
<S>	<C>	<C>	<C>	<C>	<C>
Balance at December 31, 1991	\$ 4,165	\$ 6,499	\$ 130,083	\$ 14,841	\$ 1,069
Net earnings	--	--	--	--	--
Net payments on subscriptions	--	--	--	--	1,302
Stock issued	224	--	16,191	(14,841)	(1,574)
Stock repurchased	--	--	--	--	--
Stock retired	(329)	--	(7,260)	--	--
Stock issuable as patronage dividends	--	--	--	20,301	--
Patronage dividends payable	--	--	--	--	--
Balance at December 31, 1992	\$ 4,060	\$ 6,499	\$ 139,014	\$ 20,301	\$ 797
Net earnings	--	--	--	--	--
Net payments on subscriptions	--	--	--	--	1,049
Stock issued	157	--	21,377	(20,301)	(1,233)

Stock repurchased	--	--	--	--	--
Stock retired	(271)	--	(7,236)	--	--
Stock issuable as patronage dividends	--	--	--	19,064	--
Patronage dividends payable	--	--	--	--	--
Balance at December 31, 1993	\$ 3,946	\$ 6,499	\$ 153,155	\$ 19,064	\$ 613
Net earnings	--	--	--	--	--
Net payments on subscriptions	--	--	--	--	1,394
Patronage financing deductions	--	--	--	(1,086)	--
Stock issued	218	--	19,212	(17,978)	(1,452)
Stock repurchased	--	--	--	--	--
Stock retired	(240)	--	(7,701)	--	--
Stock issuable as patronage dividends	--	--	--	21,766	--
Patronage dividends payable	--	--	--	--	--
Balance at December 31, 1994	\$ 3,924	\$ 6,499	\$ 164,666	\$ 21,766	\$ 555

</TABLE>

(Table Continued on following page)

<TABLE>

* Additional stock subscribed is comprised of the following amounts at December 31, 1992, 1993 and 1994:

<CAPTION>

	1992	1993	1994
<S>	<C>	<C>	<C>
Class A Stock	\$ 185	\$ 223	\$ 291
Class B Stock	--	--	--
Class C Stock	2,184	1,952	2,180
	2,369	2,175	2,471
Less unpaid portion	1,572	1,562	1,916
	\$ 797	\$ 613	\$ 555

</TABLE>

<TABLE>

<CAPTION>

	Retained Earnings	Contributed Capital	Treasury Stock	Total
<S>	<C>	<C>	<C>	<C>
Balance at December 31, 1991	\$ 9,993	\$ 3,295	\$ (5,534)	\$ 164,411
Net earnings	60,767	--	--	60,767
Net payments on subscriptions	--	--	--	1,302
Stock issued	--	--	--	--
Stock repurchased	--	--	(7,893)	(7,893)
Stock retired	--	--	7,589	--
Stock issuable as patronage dividends	--	--	--	20,301
Patronage dividends payable	(63,207)	--	--	(63,207)
Balance at December 31, 1992	\$ 7,553	\$ 3,295	\$ (5,838)	\$ 175,681
Net earnings	57,092	--	--	57,092
Net payments on subscriptions	--	--	--	1,049
Stock issued	--	--	--	--
Stock repurchased	--	--	(7,835)	(7,835)
Stock retired	--	--	7,507	--
Stock issuable as patronage dividends	--	--	--	19,064
Patronage dividends payable	(59,023)	--	--	(59,023)

Balance at December 31, 1993	\$ 5,622	\$ 3,295	\$ (6,166)	\$ 186,028
Net earnings	64,522	--	--	64,522
Net payments on subscriptions	--	--	--	1,394
Net payments on patronage financing programs	--	--	--	(1,086)
Stock issued	--	--	--	--
Stock repurchased	--	--	(8,277)	(8,277)
Stock retired	--	--	7,941	--
Stock issuable as patronage dividends	--	--	--	21,766
Patronage dividends payable	(64,520)	--	--	(64,520)
Balance at December 31, 1994	\$ 5,624	\$ 3,295	\$ (6,502)	\$ 199,827

See accompanying notes to financial statements.

</TABLE>

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<TABLE>

ACE HARDWARE CORPORATION

STATEMENTS OF CASH FLOWS

	Year Ended December 31,		
	1994	1993	1992
Operating Activities:		(000's omitted)	
<S>	<C>	<C>	<C>
Net earnings	\$ 64,522	\$ 57,092	\$ 60,767
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation	16,954	16,156	14,817
Loss on sale of property and equipment	175	460	507
Increase in accounts receivable, net	(47,007)	(18,880)	(32,783)
Increase in inventories	(6,815)	(50,099)	(2,091)
(Increase) Decrease in prepaids and other current assets	59	(352)	(632)
Increase (Decrease) in accounts payable and accrued expenses	63,843	58,087	(2,237)
Net Cash Provided by Operating Activities	91,731	62,464	38,348
Investing Activities:			
Purchase of property, plant and equipment	(28,277)	(16,346)	(34,582)
Proceeds from sale of property and equipment	187	238	83
(Increase) Decrease in other assets	7,457	(1,991)	(3,831)
Net Cash Used in Investing Activities	(20,633)	(18,099)	(38,330)
Financing Activities:			
(Payments of) Proceeds from short-term borrowings	(8,500)	(17,500)	34,000
Proceeds from Notes Payable	--	30,000	20,000

Principal payments on long-term debt	(10,337)	(1,092)	(16,170)
Payment of cash portion of patronage dividend	(25,766)	(27,538)	(26,864)
Payments of Patronage refund certificates and patronage financing deductions	(18,886)	(19,451)	(9,182)
Proceeds from sale of common stock	1,394	1,049	1,302
Repurchase of common stock	(8,277)	(7,835)	(7,893)
Net Cash Used by Financing Activities	(70,372)	(42,367)	(4,807)
Increase (Decrease) in Cash and Cash Equivalents	726	1,998	(4,789)
Cash and Cash Equivalents at beginning of year	4,142	2,144	6,933
Cash and Cash Equivalents at end of year	\$ 4,868	\$ 4,142	\$ 2,144

See accompanying notes to financial statements.

</TABLE>

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ACE HARDWARE CORPORATION

NOTES TO FINANCIAL STATEMENTS

(1) Summary of Significant Accounting Policies

(a) The Company and Its Business

The Company operates as a wholesaler of hardware and related products, and manufactures paint products. As a dealer-owned cooperative, the Company distributes substantially all of its patronage sourced earnings in the form of patronage dividends to its member dealers based on their volume of merchandise purchases.

(b) Cash Equivalents

The Company considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

(c) Receivables

Receivables from dealers include amounts due from the sale of merchandise and special equipment used in the operations of dealers' businesses. Other receivables are principally amounts due from suppliers for promotional and advertising allowances.

(d) Inventories

Inventories are valued at the lower of cost or net realizable value. Cost is determined using the last-in, first-out method on substantially all inventories.

(e) Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and amortization. Expenditures for maintenance, repairs and renewals of relatively minor items generally are charged to earnings. Significant improvements or renewals are capitalized.

Depreciation expense is computed on both straight-line and accelerated methods based on estimated useful lives as follows:

	Useful Life Years	Principal Depreciation Method
Buildings and improvements	10-40	Straight line
Warehouse equipment	5-10	Sum of years
Office equipment	3-10	Various
Manufacturing equipment	3-20	Straight line
Transportation equipment	3-7	Straight line

Leasehold improvements are generally amortized on a straight-line basis over the term of the respective leases.

(f) Retirement Plans

The Company has retirement plans covering substantially all non-union employees. Costs with respect to the noncontributory pension plans are

determined actuarially and consist of current costs and amounts to amortize prior service costs and unrecognized gains and losses. The Company contribution under the profit sharing plan is determined annually by the Board of Directors.

(g) Reclassifications

Certain financial statement reclassifications have been made to prior year amounts to conform to comparable classifications followed in 1994.

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ACE HARDWARE CORPORATION

NOTES TO FINANCIAL STATEMENTS--(Continued)

(2) Inventories

Inventories consist primarily of merchandise inventories. Substantially all of the Company's inventory is valued on the last-in, first-out (LIFO) method; the excess of replacement cost over the LIFO value of inventory was approximately \$65,052,000 and \$63,615,000 at December 31, 1994 and 1993, respectively. Indirect costs, consisting primarily of warehousing costs, are absorbed as inventory costs rather than period costs.

(3) Short-Term Borrowings

Short-term borrowings were utilized during 1994 and 1993. The maximum amount outstanding at any month-end during the period was \$115,500,000 in 1994 and \$91,000,000 in 1993. The interest rate effective as of December 31, 1994 and 1993 was 6.5% and 3.6%, respectively. Short term borrowings outstanding as of December 31, 1994 and 1993 were \$30,000,000 and \$38,500,000, respectively. At December 31, 1994 the Company has available a revolving credit facility with a group of banks providing for \$100 million in committed lines and \$50 million in uncommitted lines. The aggregate unused line of credit available at December 31, 1994 and 1993 was \$120,000,000 and \$69,000,000, respectively. At December 31, 1994, the Company had no compensating balance requirements. Aggregate compensating balances (not legally restricted) at December 31, 1993 were \$600,000.

(4) Long-Term Debt

Long-term debt is comprised of the following:

<TABLE>

	December 31,	
	1994	1993
	(000's omitted)	
	<C>	<C>
Industrial Development Revenue and Variable Rate Bonds:		
\$125,000 payable quarterly through December 1, 1996 with interest at 65% of the prime rate	\$ 1,000	\$ 1,500
\$8,250,000 due on February 1, 1994 with interest payable monthly beginning September 1, 1988 at variable rates ranging from 1.95% to 4.95%	--	8,250
Notes Payable:		
\$20,000,000 due in quarterly installments of \$540,500 commencing July 1, 1994 with interest payable quarterly beginning January 1, 1992 at a fixed rate of 8.74%	18,919	20,000
\$20,000,000 due in quarterly installments of \$952,400 commencing January 1, 1995 with interest payable quarterly beginning October 1, 1992 at a fixed rate of 6.89%	20,000	20,000
\$30,000,000 due in semi-annual installments of \$2,000,000 commencing June 22, 2001 with interest payable quarterly beginning December 22, 1993 at a fixed rate of 6.47%	30,000	30,000
Liability under capitalized leases (see Note 9)	726	1,197
Installment notes with maturities through 1998 with various interest rates	1,011	1,046
Less current installments	71,656	81,993
	7,369	10,707
	\$64,287	\$71,286

</TABLE>

ACE HARDWARE CORPORATION

NOTES TO FINANCIAL STATEMENTS-(Continued)

Prime interest rates in effect ranged from 6.0% to 8.5% in 1994 and were 6.0% in 1993.

Aggregate maturities of long-term debt are \$7,369,000, \$7,060,000, \$6,131,000, \$6,064,000 and \$5,972,000 in 1995 through 1999, respectively.

The fair value of the Company's debt based upon discounting of future cash flows does not materially vary from the carrying value of such debt as of December 31, 1994.

(5) Patronage Dividends and Refund Certificates Payable

The Company operates as a cooperative organization and has paid or will pay patronage dividends to member dealers on the portion of earnings derived from business done with such dealers. Patronage dividends are allocated in proportion to the volume of purchases by member dealers during the period. The amount of patronage dividends to be remitted in cash depends upon the level of dividends earned by each member outlet, varying from 20% on the total dividends under \$5,000 and increasing by 5% on total dividends for each subsequent \$2,500 earned to a maximum of 40% on total dividends exceeding \$12,500. All amounts exceeding the cash portions will be distributed in the form of Class C \$100 par value stock, to a maximum based upon the current year's purchase volume or \$20,000 whichever is greater, and thereafter in a combination of additional cash and patronage refund certificates having maturity dates and bearing interest as determined by the Board of Directors. A portion of the dealer's annual patronage dividends distributed under the above plan in a form other than cash can be applied toward payment of principal and interest on any balances outstanding for approved exterior signage and computer equipment financing.

The patronage dividend composition for 1994, 1993 and 1992 follows:

	Cash Portion	Subordinated Refund Certificates	Class C Stock (000's omitted)	Patronage Financing Deductions	Total Patronage Dividend
<S>	<C>	<C>	<C>	<C>	<C>
1994	\$27,302	\$ 9,920	\$21,766	\$5,532	\$64,520
1993	25,766	12,728	19,064	1,465	59,023
1992	27,538	14,598	20,301	770	63,207

</TABLE>

Patronage dividends are allocated on a calendar year basis with issuance in the following year.

The patronage refund certificates outstanding at December 31, 1994 are payable as follows:

	January 1,	Amount (000's omitted)	Interest Rate
<S>		<C>	<C>
1995		\$ 1,315	7.0%
1996		12,868	7.0
1997		14,570	6.25
1998		14,227	6.0
1999		12,081	6.0
2000		9,920	7.0

</TABLE>

ACE HARDWARE CORPORATION

NOTES TO FINANCIAL STATEMENTS-(Continued)

On January 1, 1994 the Company prepaid a portion of the patronage refund certificates payable on January 1, 1995 and accordingly, these certificates are classified as current liabilities in the December 31, 1993 balance sheet. The remaining patronage refund certificates payable on January 1, 1995 will be paid in January 1995.

(6) Retirement Plans

The Company has defined benefit pension plans covering substantially all non-union employees. Benefits are based on years of service, highest average compensation (as defined) and the related profit sharing and primary social security benefit. Contributions to the plan are based on the Entry Age Normal, Frozen Initial Liability actuarial funding method and are limited to amounts that are currently deductible for tax reporting purposes. As of December 31, 1994, plan assets were held primarily in group annuity and guaranteed interest contracts, equities and mutual funds.

Pension income for the years 1994, 1993 and 1992 included the following components:

<TABLE>

<CAPTION>

	1994	1993	1992
		(000's omitted)	
<S>	<C>	<C>	<C>
Service cost - benefits earned during the period	\$ 323	\$ 292	\$ 338
Interest cost on projected benefit obligation	805	752	722
Actual return on plan assets	(121)	(1,104)	(975)
Net amortization and deferral	(1,073)	(169)	(313)
Net periodic pension income	\$ (66)	\$ (229)	\$ (228)

</TABLE>

The following table sets forth the funded status of the plans and amounts recognized in the Company's Balance Sheet at December 31, 1994 and 1993 (September 30th measurement date):

<TABLE>

<CAPTION>

	1994	1993
	(000's omitted)	
<S>	<C>	<C>
Accumulated benefit obligation, including vested benefits of \$10,919,000 and \$8,500,000	\$11,384	\$ 9,515
Plan assets at fair value	\$13,654	\$14,023
Projected benefit obligation for service rendered to date	12,364	10,897
Plan assets in excess of projected benefit obligation	\$ 1,290	\$ 3,126
Unrecognized net (gain) loss from past experience different from that assumed and effects of changes in assumptions	3,361	1,544
Remaining unrecognized net asset being amortized over participants average remaining service period	(1,983)	(2,148)
Prepaid pension cost included in other assets	\$ 2,668	\$ 2,522

</TABLE>

The weighted average discount rate used in determining the actuarial present value of the projected benefit obligation was 7.0% in 1994 and 7.5% in 1993. The related expected long-term rate of return was 8.0% in 1994 and 8.5% in 1993. The rate of increase in future compensation was projected using actuarial salary tables plus 1% in 1994 and using a rate of 6% in 1993.

The Company also participates in several multi-employer plans covering union employees. Amounts charged to expense and contributed to the plans totaled approximately \$282,000, \$275,000, and \$426,000 in 1994, 1993 and 1992, respectively.

The Company's profit sharing plan contribution for the years ended 1994, 1993, and 1992 was approximately \$9,381,000, \$8,690,000 and \$7,374,000, respectively.

The Company has no significant post-retirement benefit liabilities as defined under Financial Accounting Standard No. 106.

(7) Income Taxes

As a cooperative, the Company distributes substantially all of its patronage sourced earnings to its members in the form of patronage dividends. The 1994, 1993 and 1992 provisions for federal income taxes were \$924,000, \$141,000 and \$162,000, respectively, and for state income taxes were \$560,000, \$287,000 and \$409,000, respectively.

The Company made tax payments of \$1,428,000, \$357,000, and \$728,000 during 1994, 1993 and 1992, respectively.

(8) Member Dealers' Equity

The Company's founders for many years contemplated that the ownership of the Company would eventually be with the Company's member dealers. Prior to November 30, 1976, dealers deposited monies to the Ace Dealer's Perpetuation Fund for the purpose of accumulating funds for the purchase of stock when such ownership became available. The Company registered its stock with the Securities and Exchange Commission on October 1, 1976 and existing dealers who subscribed for stock applied their deposits toward payment of such shares. The small number of dealers who did not subscribe for shares had their respective deposits refunded during 1977.

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ACE HARDWARE CORPORATION

NOTES TO FINANCIAL STATEMENTS-(Continued)

The Company's classes of stock are described below:

<TABLE>

<CAPTION>

<S>	Number of Shares at December 31,	
	1994 <C>	1993 <C>
Class A Stock, voting, redeemable at par value --		
Authorized	10,000	10,000
Issued and outstanding	3,924	3,946
Class B Stock, nonvoting, redeemable at not less than twice par value --		
Authorized	6,500	6,500
Issued	6,499	6,499
Outstanding	3,248	3,416
Treasury stock	3,251	3,083
Class C Stock, nonvoting, redeemable at not less than par value --		
Authorized	2,000,000	2,000,000
Issued and outstanding	1,646,656	1,531,549
Issuable as patronage dividends	217,658	190,635
Additional Stock Subscribed:		
Class A Stock	291	223
Class B Stock	--	--
Class C Stock	21,800	19,520

</TABLE>

At December 31, 1994 and 1993 there were no common shares reserved for options, warrants, conversions or other rights; nor were any options granted or exercised during the two years then ended.

Member dealers may subscribe for the Company's stock in various prescribed combinations. Only one share of Class A Stock may be owned by a dealer with respect to the first member retail outlet controlled by such dealer. Only

four shares of Class B Stock may be owned by a dealer with respect to each retail outlet controlled by such dealer, but only if such outlet was a member of the Company on or before February 20, 1974. An appropriate number of shares of Class C Stock must be included in any subscription by a dealer in an amount to provide that such dealer has a par value of all shares subscribed for equal to \$5,000 for each retail outlet. Unregistered shares of Class C Stock are also issued to dealers in connection with patronage dividends. No dividends can be declared on any shares of any class of the Company's Stock.

Upon termination of the Company's membership agreement with any retail outlet, all shares of stock of the Company, held by the dealer owning or controlling such outlet, must be sold back to the Company, unless a transfer of such shares is made to another party accepted by the Company as a member dealer with respect to the same outlet.

A Class A share is issued to a member dealer only when the share subscribed has been fully paid. Class B and Class C shares are only issued when all such shares subscribed with respect to a retail outlet have been fully paid. Additional Stock Subscribed in the accompanying statements represents the par value of shares subscribed, reduced by the unpaid portion.

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ACE HARDWARE CORPORATION

NOTES TO FINANCIAL STATEMENTS-(Continued)

All shares of stock are currently issued and repurchased at par value, except for Class B Stock which is repurchased at twice its par value, or \$2,000 per share. Upon retirement of Class B shares held in treasury, the excess of redemption price over par is allocated equally between contributed capital and retained earnings.

Transactions during 1993 and 1994 affecting treasury shares follow:

<TABLE>

<CAPTION>

	Shares Held in Treasury		
	Class A	Class B	Class C
	<C>	<C>	<C>
Balance at December 31, 1992	--	2,919	--
Stock issued	--	--	--
Stock repurchased	271	164	72,359
Stock retired	(271)	--	(72,359)
Balance at December 31, 1993	--	3,083	--
Stock issued	--	--	--
Stock repurchased	240	168	77,013
Stock retired	(240)	--	(77,013)
Balance at December 31, 1994	--	3,251	--

</TABLE>

(9) Commitments

Leased property under capital leases is included under "Property and Equipment" in the balance sheets as follows:

<TABLE>

<CAPTION>

	December 31,	
	1994	1993
	<C>	<C>
	(000's omitted)	
Buildings and improvements	\$ 3,422	\$ 3,422
Data processing equipment	723	723
Less: Accumulated depreciation and amortization	(3,609)	(3,291)
	\$ 536	\$ 854

</TABLE>

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NOTES TO FINANCIAL STATEMENTS-(Continued)

The Company rents buildings and warehouse, office and certain other equipment under operating and capital leases. At December 31, 1994 annual minimum rental commitments under leases that have initial or remaining noncancelable terms in excess of one year were as follows:

Year Ending December 31,	Capital Leases	Operating Leases
	(000's omitted)	
1995	\$502	\$ 9,421
1996	271	7,746
1997	--	5,768
1998	--	4,502
1999	--	3,448
Thereafter	--	24,780
Total minimum lease payments	\$773	\$55,665
Less amount representing interest	47	
Present value of total minimum lease payments	\$726	

All leases expire prior to 2010. Under certain leases, the Company pays real estate taxes, insurance and maintenance expenses in addition to rental expense. Management expects that in the normal course of business, leases that expire will be renewed or replaced by other leases. Rent expense was approximately \$21,814,000, \$21,444,000 and \$21,073,000 in 1994, 1993 and 1992, respectively. Rent expense includes \$4,382,000, \$4,282,000 and \$3,706,000 in contingent rentals paid in 1994, 1993 and 1992, respectively, primarily for transportation equipment mileage.

(10) Supplementary Income Statement Information

Gross media expense, prior to income offsets from dealers and suppliers, amounting to \$52,185,000, \$48,293,000 and \$47,813,000 were charged to operations in 1994, 1993, and 1992, respectively.

(11) Interest Expense and Other Income, Net

Capitalized interest totaled \$213,000, \$29,000 and \$836,000 in 1994, 1993 and 1992, respectively. Interest paid was \$13,518,000, \$10,670,000 and \$9,149,000 in 1994, 1993 and 1992, respectively.

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<TABLE>

Schedule II

ACE HARDWARE CORPORATION

VALUATION AND QUALIFYING ACCOUNTS-
ALLOWANCE FOR DOUBTFUL ACCOUNTS

(000's omitted)

<CAPTION>

Description	Balance at Beginning of Period	Provision for Losses Charged to Income	Collections on Receivables Previously Written Off	Uncollectible Accounts Written Off	Balance At End Of Period
<S>	<C>	<C>	<C>	<C>	
1992	\$660	1,387	20	(1,367)	\$ 700
1993	\$700	1,412	46	(1,438)	\$ 720
1994	\$720	1,243	26	(639)	\$1,350

</TABLE>

INDEX TO EXHIBITS

Exhibits
Incorporated
by Reference

- 2 Not Applicable
- 3-A Restated Certificate of Incorporation of the Registrant dated September 18, 1974 filed as Exhibit 3-A to the Registrant's Form S-1 Registration Statement (Registration No. 2-55860) on March 30, 1976 and incorporated herein by reference.
- 3-B By-laws of the Registrant as amended on September 20, 1994 included as Appendix A to the Prospectus constituting a part of the Registrant's Form S-2 Registration Statement filed on or about March 23, 1995 and incorporated herein by reference.
- 3-C Certificate of Amendment to the restated Certificate of Incorporation of the Registrant dated May 19, 1976 filed as Exhibit 3-D to Amendment No. 1 to the Registrant's Form S-1 Registration Statement (Registration No. 2-55860) on June 10, 1976 and incorporated herein by reference.
- 3-D Certificate of Amendment to the restated Certificate of Incorporation of the Registrant dated May 21, 1979 filed as Exhibit 3-F to Amendment No. 1 to the Registrant's Form S-1 Registration Statement (Registration No. 2-63880) on May 23, 1979 and incorporated herein by reference.
- 3-E Certificate of Amendment to the restated Certificate of Incorporation of the Registrant dated June 7, 1982 filed as Exhibit 3-G to the Registrant's Form S-1 Registration Statement (Registration No. 2-82460) on March 16, 1983 and incorporated herein by reference.
- 3-F Certificate of Amendment to the restated Certificate of Incorporation of the Registrant dated June 5, 1987 filed as Exhibit 3-F to the Registrant's Form S-1 Registration Statement (Registration No. 33-4299) on March 29, 1988 and incorporated by reference.
- 3-G Certificate of Amendment to the restated Certificate of Incorporation of the Registrant dated June 16, 1989 filed as Exhibit 4-G to Post Effective Amendment No. 1 to the Registrant's S-2 Registration Statement filed on or about March 20, 1990 and incorporated by reference.
- 4-A Specimen copy of Class B stock certificate as revised as of November, 1984, filed as Exhibit 4-A to Post-Effective Amendment No. 2 to the Registrant's Form S-1 Registration Statement (Registration No. 2-82460) on March 15, 1985 and incorporated herein by reference.
- 4-B Specimen copy of Patronage Refund Certificate as revised in 1988 filed as Exhibit 4-B to Post-Effective Amendment No. 2 to the Registrant's Form S-1 Registration Statement (Registration No. 33-4299) on March 29, 1988 and incorporated herein by reference.

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Exhibits
Incorporated
by Reference

- 4-C Specimen copy of Class A stock certificate as revised in 1987 filed as Exhibit 4-C to Post-Effective Amendment No. 2 to the Registrant's Form S-1 Registration Statement (Registration No. 33-4299) on March 29, 1988 and

incorporated herein by reference.

- 4-D Specimen copy of Class C stock certificate filed as Exhibit 4-I to the Registrant's Form S-1 Registration Statement (Registration No. 2-82460) on March 16, 1983 and incorporated herein by reference.
- 4-E Copy of current standard form of Subscription for Capital Stock Agreement to be used for dealers to subscribe for shares of the Registrant's stock in conjunction with new membership agreements submitted to the Registrant filed as Exhibit 4-L to Post-Effective Amendment No. 2 to the Registrant's Form S-2 Registration Statement (Registration No. 33-46449) on or about March 23, 1994 and incorporated herein by reference.
- 4-F Copy of plan for the distribution of patronage dividends with respect to purchases of merchandise made from the Registrant on or after January 1, 1995 adopted by the Board of Directors of the Registrant on July 26, 1994 filed as Exhibit 4-M to the Registrant's Form S-2 Registration Statement on or about March 23, 1995 and incorporated herein by reference.
- 4-G Copy of plan for the distribution of patronage dividends with respect to purchases of merchandise made from the Registrant on or after January 1, 1993 through December 31, 1994, adopted by the Board of Directors of the Registrant on December 8, 1992, filed as Exhibit 4-M to Post-Effective Amendment No. 2 to the Registrant's Form S-2 Registration Statement (Registration No. 33-46449) on or about March 23, 1994 and incorporated herein by reference.
- 9 No Exhibit
- 10-A Copy of Retirement Benefits Replacement Plan of the Registrant, restated as of January 1, 1989, filed as Exhibit 10-A to Post-Effective Amendment No. 2 to the Registrant's Form S-2 Registration Statement (Registration No. 33-46449) on or about March 23, 1994 and incorporated herein by reference.
- 10-B Copy of resolutions amending the 1990 Incentive Compensation Plans for Executives and establishing the Executive Supplemental Benefit Plans of the Registrant adopted by its Board of Directors on December 11, 1990 and filed as Exhibit 10-G to Post Effective Amendment No. 2 to the Registrant's Form S-2 Registration Statement (Registration No. 33-27790) on March 20, 1991 and incorporated herein by reference.
- 10-C Copy of amendment to the Executive Supplemental Benefits Plan of the Registrant adopted by its Board of Directors on July 30, 1991 filed as Exhibit 10-E to the Registrant's Form S-2 Registration Statement (Registration No. 33-46449) on March 23, 1992 and incorporated herein by reference.
- 10-D Copy of amendment to the Executive Supplemental Benefits Plan of the Registrant adopted by its Board of Directors on December 9, 1991 filed as Exhibit 10-F to the Registrant's Form S-2 Registration Statement (Registration No. 33-46449) on March 23, 1992 and incorporated herein by reference.

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Exhibits
Incorporated
by Reference

- 10-E Copy of the "Ace Hardware Corporation Officer's (sic) Incentive Compensation Plan" as amended and restated effective January 1, 1994, filed as Exhibit 10-G to Post-Effective Amendment No. 2 to the Registrant's Form S-2 Registration Statement (Registration No. 33-46449) on or about March 23, 1994 and incorporated herein by reference.
- 10-F Copy of Employment Agreement dated October 4, 1994 between Ace Hardware Corporation and Paul M. Ingevaldson filed as

Exhibit 10-F to the Registrant's Form S-2 Registration Statement on or about March 23, 1995 and incorporated herein by reference.

- 10-G Copy of Employment Agreement dated October 4, 1994 between Ace Hardware Corporation and David F. Hodnik filed as Exhibit 10-G to the Registrant's Form S-2 Registration Statement on or about March 23, 1995 and incorporated herein by reference.
- 10-H Copy of Employment Agreement dated October 12, 1994 between Ace Hardware Corporation and William A. Loftus filed as Exhibit 10-H to the Registrant's Form S-2 Registration Statement on or about March 23, 1995 and incorporated herein by reference.
- 10-I Copy of Employment Agreement effective January 1, 1993 between Ace Hardware Corporation and Roger E. Peterson filed as Exhibit 10-K to Post Effective Amendment No. 1 to the Registrant's Form S-2 Registration Statement (Registration No. 33-46449) on March 22, 1993 and incorporated herein by reference.
- 10-J Copy of Employment Agreement effective January 1, 1993 between Ace Hardware Corporation and Paul Ingevaldson filed as Exhibit 10-I to Post Effective Amendment No. 1 to the Registrant's Form S-2 Registration Statement (Registration No. 33-46449) on March 22, 1993 and incorporated herein by reference.
- 10-K Copy of Employment Agreement effective January 1, 1993 between Ace Hardware Corporation and David F. Hodnik filed as Exhibit 10-J to Post Effective Amendment No. 1 to the Registrant's Form S-2 Registration Statement (Registration No. 33-46449) on March 22, 1993 and incorporated herein by reference.
- 10-L Copy of Employment Agreement effective January 1, 1993 between Ace Hardware Corporation and William A. Loftus filed as Exhibit 10-L to Post Effective Amendment No. 1 to the Registrant's Form S-2 Registration Statement (Registration No. 33-46449) on or about March 22, 1993 and incorporated herein by reference.
- 10-M Copy of Loan Agreement with Anne Arundel County, Maryland dated December 1, 1981 securing 15-year floating rate industrial development revenue bonds in the principal sum of \$9 million held by The Northern Trust Company, Chicago, Illinois, for itself and other participating lenders filed as Exhibit 10-A-k to Post-Effective Amendment No. 3 to the Registrant's Form S-1 Registration Statement (Registration No. 2-63880) on March 9, 1982 and incorporated herein by reference.
- 10-N Copy of Note Purchase and Private Shelf Agreement with the Prudential Insurance Company of America dated September 27, 1991 securing 8.74% Senior Series A Notes in the principal sum of \$20,000,000.00 with a maturity date of July 1, 2003 filed as Exhibit 10-A-q to the Registrant's Form S-2 Registration Statement (Registration No. 33-46449) on March 23, 1992 and incorporated herein by reference.

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Exhibits
Incorporated
by Reference

- 10-O Copy of Standard Form of Ace Hardware International Retail Merchant Agreement adopted in 1990, filed as Exhibit 10-A-q to Post Effective Amendment No. 2 to the Registrant's Form S-2 Registration Statement (Registration No. 33-27790) on March 20, 1991 and incorporated herein by reference.
- 10-P Copy of current standard form of Ace Hardware Membership Agreement filed as Exhibit 10-P to Pre-Effective

Amendment No. 2 to the Registrant's form S-2 Registration Statement on or about April 26, 1995 and incorporated herein by reference.

- 10-Q Copy of 6.89% Senior Series B notes in the aggregate principal sum of \$20,000,000 issued July 29, 1992 with a maturity date of January 1, 2000 pursuant to Note Purchase and Private Shelf Agreement with the Prudential Insurance Company of America dated September 27, 1991 and filed as Exhibit 10-A-r to Post Effective Amendment No. 1 to the Registrant's Form S-2 Registration Statement on March 22, 1993 and incorporated herein by reference.
- 10-R Copy of 6.47% Senior Series A notes in the aggregate principal amount of \$30,000,000 issued September 22, 1993 with a maturity date of June 22, 2008, and \$20,000,000 Private Shelf Facility, pursuant to Note Purchase and Private Shelf Agreement with the Prudential Insurance Company of America dated as of September 22, 1993, filed as Exhibit 10-R to Post-Effective Amendment No. 2 to the Registrant's Form S-2 Registration Statement (Registration No. 33-46449) on or about March 23, 1994 and incorporated herein by reference.
- 10-S Assignment and Assumption dated October 22, 1992 of Lease dated August 31, 1992 with MTI Vacations, Inc. filed as Exhibit 10-A-s to Post Effective Amendment No. 1 to the Registrant's Form S-2 Registration Statement (Registration No. 33-46449) on March 22, 1993 and incorporated herein by reference.
- 10-T Copy of Amendment to the Executive Supplemental Benefit Plans of the Registrant adopted by its Board of Directors on March 17, 1992 and filed as Exhibit 10-A-t to the Registrant's Form S-2 Registration Statement (Registration No. 33-46449) on March 22, 1993 and incorporated herein by reference.
- 10-U Copy of Lease dated September 30, 1992 for general offices of the Registrant in Oak Brook, Illinois filed as Exhibit 10-A-u to the Registrant's Form S-2 Registration Statement (Registration No. 33-46449) on March 22, 1993 and incorporated herein by reference.
- 10-V Copy of Fourth Amendment to Executive Supplemental Benefit Plans effective January 1, 1994 filed as Exhibit 10-V to Post-Effective Amendment No. 2 to the Registrant's Form S-2 Registration Statement (Registration No. 33-46449) on or about March 23, 1994 and incorporated herein by reference.
- 10-W Copy of Ace Hardware Corporation Deferred Director Fee Plan as amended on June 8, 1993, filed as Exhibit 10-W to Post-Effective Amendment No. 2 to the Registrant's Form S-2 Registration Statement (Registration No. 33-46449) on or about March 23, 1994 and incorporated herein by reference.
- 10-X Copy of Ace Hardware Corporation Deferred Compensation Plan effective January 1, 1994, filed as Exhibit 10-X to Post-Effective Amendment No. 2 to the Registrants Form S-2 Registration Statement (Registration No. 33-46449) on or about March 23, 1994 and incorporated herein by reference.

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Exhibits
Incorporated
by Reference

- 10-Y Copy of Lease dated September 22, 1994 for bulk merchandise redistribution center of the Registrant in Carol Stream, Illinois filed as Exhibit 10-Y to the Registrant's Form S-2 Registration Statement on or about March 23, 1995 and incorporated herein by reference.
- 10-Z Copy of Lease dated May 4, 1994 for freight consolidation center of the Registrant in Chicago, Illinois filed as

Exhibit 10-Z to the Registrant's Form S-2 Registration Statement on or about March 23, 1995 and incorporated herein by reference.

- 10-a-1 Copy of Long-Term Incentive Compensation Deferral Option Plan of the Registrant effective January 1, 1995 adopted by its Board of Directors on December 6, 1994 filed as Exhibit 10-a-1 to the Registrant's Form S-2 Registration Statement on or about March 23, 1995 and incorporated herein by reference.
- 10-a-2 Copy of Directors' Deferral Option Plan of the Registrant effective January 1, 1995 adopted by its Board of Directors on December 6, 1994 filed as Exhibit 10-a-2 to the Registrant's Form S-2 Registration Statement on or about March 23, 1995 and incorporated herein by reference.
- 10-a-3 Copy of Employment Agreement dated March 22, 1994 between Ace Hardware Corporation and Fred J. Neer filed as Exhibit 10-a-3 to the Registrant's Form S-2 Registration Statement on or about March 23, 1995 and incorporated herein by reference.
- 10-a-4 Copy of Employment Agreement dated March 22, 1994 between Ace Hardware Corporation and Donald L. Schuman filed as Exhibit 10-a-4 to the Registrant's Form S-2 Registration Statement on or about March 23, 1995 and incorporated herein by reference.
- 10-a-5 Copy of Employment Agreement dated December 13, 1993 between Ace Hardware Corporation and David W. League filed as Exhibit 10-a-5 to the Registrant's Form S-2 Registration Statement on or about March 23, 1995 and incorporated herein by reference.
- 10-a-6 Copy of Employment Agreement dated December 15, 1993 between Ace Hardware Corporation and David F. Myer filed as Exhibit 10-a-6 to the Registrant's Form S-2 Registration Statement on or about March 23, 1995 and incorporated herein by reference.
- 10-a-7 Copy of Employment Agreement dated March 24, 1994 between Ace Hardware Corporation and Michael C. Bodzewski filed as Exhibit 10-a-7 to the Registrant's Form S-2 Registration Statement on or about March 23, 1995 and incorporated herein by reference.
- 10-a-8 Copy of Employment Agreement dated December 15, 1993 between Ace Hardware Corporation and Rita D. Kahle filed as Exhibit 10-a-8 to the Registrant's Form S-2 Registration Statement on or about March 23, 1995 and incorporated herein by reference.
- 10-a-9 Copy of Agreement dated January 6, 1995 between Ace Hardware Corporation and Roger E. Peterson filed as Exhibit 10-a-9 to the Registrant's Form S-2 Registration Statement on or about March 23, 1995 and incorporated herein by reference.

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Exhibits
Incorporated
by Reference

- 10-a-10 Copy of Ace Hardware Corporation Officer Incentive Plan for Fiscal Year 1994 filed as Exhibit 10-a-10 to the Registrant's Form S-2 Registration Statement on or about March 23, 1995 and incorporated herein by reference.
- 11 No Exhibit.
- 12 No Exhibit.
- 13 No Exhibit.
- 16 Not Applicable.
- 18 No Exhibit.

- 21 Subsidiaries of Registrant filed as Exhibit 21 to the Registrant's Form 10-K on or about March 23, 1995 and incorporated herein by reference.
- 22 Not Applicable.
- 23 Auditors' Consent, dated April 25, 1996, filed as Exhibit 23(a) to the Registrant's Pre-Effective No. 2 Amendment to the Form S-2 Registration Statement filed on or about April 26, 1995 and incorporated herein by reference.
- 24 Powers of Attorney filed as Exhibit 24 to the Registrant's Form 10-K on or about March 23, 1995 and incorporated herein by reference.
- 27 No Exhibit.
- 28 Not Applicable.

Supplemental Information to be Furnished with Reports Filed Pursuant to Section 15(d) of the Act by Registrants which have not Registered Securities Pursuant to Section 12 of the Act.

As of the date of the foregoing Report, no annual report for the Registrant's year ended December 31, 1994, nor any proxy soliciting materials for the Registrant's 1995 annual meeting have been sent to security holders. Copies of such Annual Report and proxy soliciting materials will subsequently be sent to security holders and furnished to the Securities and Exchange Commission.