

July 6, 2001

Mr. Steven M. Prebish  
Patzik, Frank & Samotny LTD.  
150 South Wacker Drive, Suite 900  
Chicago, Illinois 60606

RE: TruServ Corporation  
No Action No. 01 - 005

Dear Mr. Prebish:

The Arkansas Securities Department is in receipt of your request, on behalf of TruServ Corporation ("TruServ" or "Company"), that the Arkansas Securities Department ("Department") issue a no-action letter, determining that shares of the Company's Class A and Class B common stock are not a "security" within the meaning of the Arkansas Securities Act.

You have represented in correspondence to the Department the following facts:

The Company operates in the United States and in several foreign countries as the cooperative wholesale distributor for True Value, ServiStar and Coast to Coast hardware, paint and lumber stores. TruServ is a cooperative buying association that operates for the benefit of its Members.

All holders of the Company's Class A Common Stock ("Class A Shares") are individuals, partnerships, corporations, or limited liability companies who sell hardware, lumber or builders' supplies at retail or are in the equipment rental business (the "Members"). Ownership of Class A Shares is expressly limited to such retailers and renters. Each Member holds 60 or more Class A Shares, with a par value of \$100.00 per share. The Company requires each Member to purchase one unit of 60 Class A Shares for each of the first five retail establishments owned by the Member. Thus each Member is required to purchase a minimum of 60 (\$6,000) and a maximum of 300 (\$30,000) Class A Shares. No Member may own more than 300 Class A Shares, regardless of the number of retail locations operated by the Member. Purchase of the Class A Shares is an incident to Membership in the Company.

Mr. Prebish  
July 6, 2001  
Page 2

At the end of each year a "patronage dividend" is paid to Members based upon the volume of and the margins applicable to merchandise and services purchased by a given Member. The patronage dividend is paid from revenues from business done with or for that Member during the year. The Company does not pay "dividends" in the usual sense. Only patronage dividends are distributed to Members, based on patronage with the Company and not on shareholdings. The Company has the right to, and does, pay a portion of the patronage dividends in the form of Class B Common Stock ("Class B Shares"). The attributes of the Class B Shares are identical in all respects to the Class A Shares except that the Class B Shares are non-voting.

Due to a number of resale restrictions in the Company's Certificate of Incorporation and By-Laws, as well as the Company's practice of not permitting a transfer to a non-retailer, it is for all intents and purposes impossible for the Company's Class A Shares or Class B Shares to be transferred to non-Members. Upon ceasing to be a Member of the Company, the ex-Member's Shares must be re-sold to the Company and the Company is obligated to repurchase such ex-Member's Shares. The price at which the Shares are repurchased is equal to their par value, or \$100 per Share. There is no appreciation in the value of the Shares.

Neither the Company's Class A nor Class B Shares are listed on any stock exchange or traded on the NASDAQ system. No commissions are paid, either directly or indirectly, in connection with the sale of the Company's stock.

It is your position that shares of the Class A and Class B stock of the Company are not a "security" within the meaning of Section 23-42-102(15)(A) of the Act. In support of your contention you point out that Members do not purchase the shares with the expectation of receiving profits, rather, the shares are sold and purchased to obtain membership in the cooperative. Once purchased, the shares cannot be sold, pledged, hypothecated or otherwise transferred by the dealer without the consent of the Company. There is no market for the shares of the Company stock. No dividends are paid, and the financial benefits of membership in the cooperative are not determined by the number of shares owned, but rather by the dealer's purchases of merchandise from the Company. Lastly, the stock does not appreciate in value, nor is it purchased to achieve increases in value as a result of the efforts of others. The shares of the company lack the qualities of an investment security. They are required merely as an incident of cooperative membership in the Company and have no marketability.

Mr. Prebish  
July 6, 2001  
Page 3

Based upon the representations contained in your letter, the Department will not recommend any enforcement action to the Arkansas Securities Commissioner regarding the registration of the shares of Class A and Class B stock of TruServ if the program is carried out as set forth in your letters.

Please note that the position of this Department is based solely upon the representations made to us in your letter and applies only to the transactions identified herein. Different facts or circumstances might, and often would, require a different response. The position expressed deals only with anticipated enforcement action by this Department and does not purport to be a legal opinion.

Very truly yours,

DAVID H. SMITH  
Staff Attorney