

EXHIBIT A

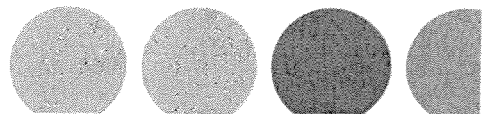
EXHIBIT A

CORNWELL QUALITY TOOLS COMPANY

December 31, 2013 and 2012

FINANCIAL STATEMENTS

AND SUPPLEMENTAL INFORMATION



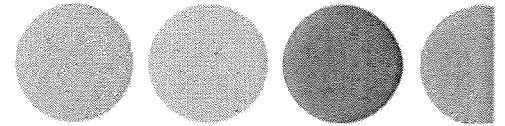
CORNWELL QUALITY TOOLS COMPANY

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Cornwell Quality Tools Company:

We have audited the accompanying financial statements of Cornwell Quality Tools Company (the "Company"), which comprise the balance sheets as of December 31, 2013 and 2012, and the related statements of operations, changes in shareholders' equity, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Cornwell Quality Tools Company as of December 31, 2013 and 2012, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Bushy, Cook, Seckler & Co.

CORNWELL QUALITY TOOLS COMPANY

BALANCE SHEETS

December 31, 2013 and 2012

ASSETS

	<u>2013</u>	<u>2012</u>
Current assets:		
Cash and cash equivalents	\$ 1,287,954	\$ 26,993
Accounts receivable, trade, net	5,705,185	4,466,254
Notes receivable, net	1,213,626	1,162,323
Finance receivables, net	8,058,964	7,784,850
Inventories	7,713,468	6,279,206
Prepaid expenses and other assets	639,054	484,564
Deferred income tax benefit	2,281,000	1,986,000
Total current assets	26,899,251	22,190,190
Notes receivable, net of current portion	6,778,677	6,867,246
Finance receivables, net of current portion	20,779,724	18,330,872
Restricted cash and investments	334,299	377,125
Property, plant and equipment, net	1,128,069	1,080,141
Other assets	1,893,777	1,503,599
	<u>\$ 57,813,797</u>	<u>\$ 50,349,173</u>

LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities:		
Accounts payable	\$ 5,055,628	\$ 3,516,416
Current maturities of capital lease obligation	80,000	-
Accrued expenses	1,594,030	1,528,605
Accrued taxes	833,639	238,963
Total current liabilities	7,563,297	5,283,984
Line of credit, bank	-	2,396,467
Capital lease obligation, less current maturities	240,000	-
Deferred compensation	1,358,928	1,312,272
Total liabilities	9,162,225	8,992,723
Shareholders' equity	48,651,572	41,356,450
	<u>\$ 57,813,797</u>	<u>\$ 50,349,173</u>

The accompanying notes are an integral part of these financial statements.

CORNWELL QUALITY TOOLS COMPANY

STATEMENTS OF OPERATIONS

for the years ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Net sales	\$ 100,362,467	\$ 93,363,460
Cost of goods sold	<u>71,106,156</u>	<u>66,185,782</u>
Gross profit	<u>29,256,311</u>	<u>27,177,678</u>
Expenses:		
Shipping	1,933,989	1,977,915
Selling	10,723,718	9,792,747
General and administrative	<u>6,316,240</u>	<u>6,391,410</u>
Total expenses	<u>18,973,947</u>	<u>18,162,072</u>
Income before financing operations	<u>10,282,364</u>	<u>9,015,606</u>
Financing operations:		
Revenues	6,951,262	6,340,557
Expenses	<u>4,954,912</u>	<u>4,526,683</u>
Income from financing operations	<u>1,996,350</u>	<u>1,813,874</u>
Income from operations	<u>12,278,714</u>	<u>10,829,480</u>
Other income (expense):		
Other finance charges	747,994	762,137
Other income	653,103	595,620
Employee appreciation gift	(192,144)	(211,410)
Bad debt expense, net	(698,881)	(1,149,490)
Interest expense, net	(35,314)	(25,567)
Employee stock ownership plan contribution	<u>(896,298)</u>	<u>(1,300,000)</u>
Other expense, net	<u>(421,540)</u>	<u>(1,328,710)</u>
Income before taxes	11,857,174	9,500,770
Provision for income taxes	<u>4,089,000</u>	<u>3,087,000</u>
Net income	<u>\$ 7,768,174</u>	<u>\$ 6,413,770</u>

The accompanying notes are an integral part of these financial statements.

CORNWELL QUALITY TOOLS COMPANY

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

for the years ended December 31, 2013 and 2012

	* Voting Common Stock		Additional Paid-In Capital	Treasury Stock (At Cost)		Retained Earnings	Total Shareholders' Equity
	Shares Issued	Amount		Number of Shares	Amount		
Balances, December 31, 2011	10,635	\$ 106,350	\$ 408,486	377	\$ (1,174,341)	\$ 36,781,853	\$ 36,122,348
Net income	-	-	-	-	-	6,413,770	6,413,770
Dividends paid	-	-	-	-	-	(1,179,668)	(1,179,668)
Balances, December 31, 2012	10,635	106,350	408,486	377	(1,174,341)	42,015,955	41,356,450
Net income	-	-	-	-	-	7,768,174	7,768,174
ESOP purchase of treasury shares	-	-	126,201	(59)	170,097	-	296,298
Dividends paid	-	-	-	-	-	(769,350)	(769,350)
Balances, December 31, 2013	10,635	\$ 106,350	\$ 534,687	318	\$ (1,004,244)	\$ 49,014,779	\$ 48,651,572

* Common stock, voting, \$10 par value, 25,000 shares authorized with 10,317 shares outstanding at December 31, 2013 and 10,258 shares outstanding at December 31, 2012.

The accompanying notes are an integral part of these financial statements.

CORNWELL QUALITY TOOLS COMPANY

STATEMENTS OF CASH FLOWS

for the years ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities:		
Cash received from customers	\$ 110,268,474	\$ 103,824,333
Cash paid to suppliers and employees	(95,397,879)	(91,060,541)
Cash paid to related party	(445,788)	(445,788)
Interest paid, net	(50,535)	(110,841)
Income taxes paid	<u>(3,717,000)</u>	<u>(3,302,000)</u>
Net cash provided by operating activities	<u>10,657,272</u>	<u>8,905,163</u>
Cash flows from investing activities:		
Finance receivables originated	(21,607,777)	(20,445,124)
Finance receivables repaid	15,536,549	14,326,821
Purchase of restricted cash and investments	42,826	(2,965)
Capital expenditures	<u>(318,390)</u>	<u>(191,200)</u>
Net cash used by investing activities	<u>(6,346,792)</u>	<u>(6,312,468)</u>
Cash flows from financing activities:		
Net repayments on line of credit, bank	(2,396,467)	(1,686,802)
Repayments of capital lease obligation	(180,000)	-
Purchase of treasury shares by ESOP	296,298	-
Cash dividends paid	<u>(769,350)</u>	<u>(1,179,668)</u>
Net cash used by financing activities	<u>(3,049,519)</u>	<u>(2,866,470)</u>
Net change in cash and cash equivalents	1,260,961	(273,775)
Cash and cash equivalents, beginning of year	<u>26,993</u>	<u>300,768</u>
Cash and cash equivalents, end of year	<u>\$ 1,287,954</u>	<u>\$ 26,993</u>
Supplemental disclosure:		
Non-cash transactions:		
Activity related to dealer incentive program affecting inventory, accounts receivable and other assets	<u>\$ 118,889</u>	<u>\$ 108,889</u>
Software license financed through a capital lease agreement	<u>\$ 500,000</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

CORNWELL QUALITY TOOLS COMPANY

STATEMENTS OF CASH FLOWS, Continued
for the years ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Reconciliation of net income to net cash provided by operating activities:		
Net income	\$ 7,768,174	\$ 6,413,770
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for finance credit losses	3,411,000	2,996,000
Provision for uncollectible accounts and notes receivables	873,881	1,149,490
Change in notes receivable allowance	175,000	-
Change in LIFO reserve	146,006	99,763
Depreciation and amortization	517,268	447,590
Deferred income taxes	(291,000)	(383,000)
(Increase) decrease in operating assets:		
Accounts receivable, trade	(2,069,618)	(620,821)
Notes receivable	(137,734)	339,892
Notes receivable, employee	-	47,488
Inventories	(1,795,268)	329,826
Prepaid expenses and other assets	(154,490)	(204,624)
Cash surrender value of officer's life insurance policies	(31,916)	8,776
Increase (decrease) in operating liabilities:		
Accounts payable	1,539,212	(1,415,218)
Accrued expenses	65,425	34,608
Accrued taxes	594,676	(343,695)
Deferred compensation	46,656	5,318
Total adjustments	<u>2,889,098</u>	<u>2,491,393</u>
Net cash provided by operating activities	<u>\$ 10,657,272</u>	<u>\$ 8,905,163</u>

The accompanying notes are an integral part of these financial statements.

CORNWELL QUALITY TOOLS COMPANY

NOTES TO FINANCIAL STATEMENTS

for the years ended December 31, 2013 and 2012

1. Summary of Significant Accounting Policies:

Nature of Operations – Cornwell Quality Tools Company (the “Company”) is a manufacturer and distributor of hand-held tools and other related products for mechanics, primarily in the automotive business. The Company sells its products to independent dealers and other industrial users throughout the United States and parts of Europe. Purchased parts account for approximately 92% of sales in 2013 and 2012. The Company maintains manufacturing facilities in Ohio and Pennsylvania and distribution centers in Ohio and Utah.

Cash and Cash Equivalents – For purposes of the statements of cash flows, cash and cash equivalents include cash on hand, cash held in banks and all highly liquid investments purchased with maturities of three months or less.

The Company maintains its cash and cash equivalents with banks, which, at times, may exceed federally insured limits. The Company has not experienced any significant losses in such accounts. Management of the Company believes it is not exposed to any significant credit risk on its cash and cash equivalents.

Restricted Cash and Investments – The Company designated cash and investments to be used at a future date for the purpose of funding a portion of the deferred compensation liability. Cash and investments have been deposited in a separate account during 2013 and 2012.

Accounts Receivable – The Company extends unsecured credit to its customers during the ordinary course of business but mitigates the associated risk by performing ongoing credit evaluations and actively pursuing past due accounts. Trade accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible accounts through a charge to earnings and a credit to the allowance for doubtful accounts based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the allowance and a credit to trade accounts receivable.

Notes Receivable – During the ordinary course of business customers may refinance their trade accounts receivable and create an installment loan. These loan terms are from one to five years with payments due weekly ranging between \$100 and \$480 including interest ranging between 10% and 17%. Interest is recorded on the loans as payments are received. Management provides for probable uncollectible accounts through a charge to earnings and a credit to the allowance for doubtful accounts based on its assessment of the current status of individual accounts.

Receivables are considered to be past due based on the various contractual terms.

Finance Receivables – Finance receivables, that management has the intent and ability to hold for the foreseeable future or until maturity or payoff, are reported at their outstanding unpaid principal balances reduced by any charge off or specific valuation accounts and net of any deferred fees or costs on originated loans.

CORNWELL QUALITY TOOLS COMPANY

NOTES TO FINANCIAL STATEMENTS, Continued
for the years ended December 31, 2013 and 2012

1. Summary of Significant Accounting Policies, Continued:

Finance Receivables, Continued – Allowance for loan losses is increased by charges to income and decreased by charge-offs (net of recoveries). Management's periodic evaluation of the adequacy of the allowance is based on the Company's past loan loss experience, known and inherent risks in the portfolio, adverse situations that may affect the borrower's ability to repay, the estimated value of any underlying collateral and current economic conditions. Commercial loans are charged off when they are one hundred twenty days contractually past due.

From time to time, the Company sells finance receivables that have been previously charged off. Proceeds from sales of the loans were \$72,919 in 2013 and \$69,114 in 2012, and is included in the income from financing operations in the statements of operations.

Inventories – Inventories are valued at the lower of cost or market with cost determined by the last-in, first-out (LIFO) method. If the first-in, first-out (FIFO) method was used to value inventories, reported inventories would have been increased by \$2,150,622 and \$2,004,616 at December 31, 2013 and 2012, respectively, and net income after taxes would have been increased by \$96,006 in 2013 and \$65,763 in 2012.

Property, Plant and Equipment – Property, plant and equipment are recorded at cost. Major additions and improvements are charged to the property accounts while replacements, maintenance, and repairs which do not improve or extend the lives of the respective assets, are expensed currently. When property is retired or otherwise disposed of, the cost of the property is removed from the asset account, accumulated depreciation is charged with an amount equivalent to the depreciation provided, and any resulting gain or loss is charged or credited to operations.

Depreciation has been provided using the straight-line method over the estimated useful lives of the assets as follows:

Buildings and improvements	4 to 35 years
Machinery and equipment	5 to 20 years
Office furniture and fixtures	3 to 10 years
Transportation equipment	3 to 5 years

Depreciation expense totaled \$270,462 in 2013 and \$299,812 in 2012.

Amortization – Deferred incentive expense for the special dealer program is amortized on a straight-line basis over a 36 month period. The amortization expense totaled \$146,806 in 2013 and \$147,778 in 2012.

NOTES TO FINANCIAL STATEMENTS, Continued
for the years ended December 31, 2013 and 2012

1. Summary of Significant Accounting Policies, Continued:

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. While actual results could differ from those estimates, management does not expect those differences to be significant to the financial statements.

Income Taxes – The Company accounts for uncertainties in income taxes in accordance with accounting principles generally accepted in the United States of America, which provides for financial statement recognition and measurement of tax positions taken or expected to be taken in tax returns that have a greater than 50% chance of not being allowed under examination. No such positions have been recorded in the December 31, 2013 and 2012 financial statements. If such positions were taken, the resulting interest and penalties would be recognized as income tax expense.

As of December 31, 2013, the Company's federal income tax returns are subject to examination by the Internal Revenue Service for the years 2010 and thereafter. The Company also files tax returns in 38 states with the most significant being California, Ohio, Pennsylvania, Texas, and Utah. The Company's state tax returns are open to examination for the tax years 2009 and thereafter.

Income Recognition – Revenues are recognized at the time the product is shipped to the customer. Interest income from finance receivables is recognized using the interest (actuarial) method. Accrual of interest income on finance receivables is suspended when a loan is contractually delinquent for one hundred twenty days or more. The accrual is resumed when the loan becomes contractually current, and past-due interest income is recognized at that time.

Returned Goods – The Company sells both manufactured tools and products purchased from other manufacturers. For purchased products, it is the Company's policy to extend the full manufacturer's guarantee to the Company's customers. For manufactured items, the Company will, at its sole discretion, replace or repair an item if it is determined that the item has not given the user a fair value in terms of length of useful life. This policy is considered a promotional expense that generates goodwill with the customer and, as consistent with standard practices in this industry, these amounts are charged to expense as incurred.

Concentrations of Credit Risk – The Company performs ongoing credit evaluations of its customers and generally requires collateral only on receivables with extended credit terms. The Company maintains reserves for potential credit losses and such losses have been within management's expectations.

Advertising – Direct-response advertising primarily consists of the Company's catalog, bulletins, flyers, and advertising in national publications for the Company's products. Advertising expense was \$786,058 in 2013 and \$641,854 in 2012.

CORNWELL QUALITY TOOLS COMPANY

NOTES TO FINANCIAL STATEMENTS, Continued
for the years ended December 31, 2013 and 2012

1. Summary of Significant Accounting Policies, Continued:

Fair Value – The Company applies fair value measurements in accordance with accounting principles generally accepted in the United States of America, which establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

Included in Restricted Cash and Investments on the balance sheets, are money market funds with a fair value of \$334,299 at December 31, 2013 and money market funds and annuity contracts with a fair value of \$377,125 at December 31, 2012. These investments and contracts are measured on a Level 1 basis at December 31, 2013 and a Level 2 basis at December 31, 2012 as defined by accounting principles generally accepted in the United States of America.

Reclassifications – Certain reclassifications have been made to the 2012 financial statements to conform with the 2013 presentation.

Subsequent Events – Management of the Company has evaluated subsequent events through March 24, 2014, the date which the financial statements were available to be issued.

2. Changes in the Valuation Allowance for Trade Accounts Receivable and Notes Receivable:

Changes in the valuation allowance for trade accounts receivable and notes receivable were as follows at December 31:

	<u>2013</u>	<u>2012</u>
Balance, beginning of year	\$ 150,000	\$ 150,000
Provision for bad debts	873,881	1,149,490
Write-offs	(775,332)	(1,180,276)
Recoveries	<u>76,451</u>	<u>30,786</u>
Balance, end of year	<u>\$ 325,000</u>	<u>\$ 150,000</u>

The allowance for doubtful accounts is presented net in the Company's financial statements as follows at December 31:

	<u>2013</u>	<u>2012</u>
Accounts receivable, trade	\$ 75,000	\$ 75,000
Notes receivable	<u>250,000</u>	<u>75,000</u>
	<u>\$ 325,000</u>	<u>\$ 150,000</u>

CORNWELL QUALITY TOOLS COMPANY

NOTES TO FINANCIAL STATEMENTS, Continued
for the years ended December 31, 2013 and 2012

3. Finance Receivables:

The Company engages in providing commercial financing services through purchasing receivables from tool dealers wishing to provide financing to their customers. The Company's finance receivables, which are comprised primarily of contracts with a maximum of 48 monthly installments, are as follows at December 31:

	<u>2013</u>	<u>2012</u>
Finance receivables	\$ 35,209,986	\$ 31,740,492
Deductions:		
Reserve for finance credit losses	(3,340,000)	(2,866,000)
Deferred revenue	<u>(3,031,298)</u>	<u>(2,758,770)</u>
	28,838,688	26,115,722
Less current maturities	<u>8,058,964</u>	<u>7,784,850</u>
Long-term finance receivables	<u>\$ 20,779,724</u>	<u>\$ 18,330,872</u>

On December 31, 2013 contractual maturities of finance receivables were as follows:

2014	\$ 13,061,346
2015	11,614,777
2016	7,909,130
2017	2,496,068
2018	<u>128,665</u>
	<u>\$ 35,209,986</u>

Current maturities of finance receivables as reported on the balance sheet consist of gross receivables of \$13,061,346 less the reserve for finance credit losses of \$3,340,000, less the current portion of deferred revenue of \$1,662,382.

It is the Company's experience that a substantial portion of the commercial loan portfolio generally is renewed or repaid before the contractual maturity dates. The above tabulation, therefore, is not regarded as a forecast of future cash collections. Cash collections of principal amounts of commercial loans totaled \$15,536,549 in 2013 and \$14,326,821 in 2012 and the ratios of these cash collections to average principal balances were approximately 46% in 2013 and 48% in 2012.

CORNWELL QUALITY TOOLS COMPANY

NOTES TO FINANCIAL STATEMENTS, Continued
for the years ended December 31, 2013 and 2012

3. Finance Receivables, Continued:

Changes in the allowance for credit losses for finance receivables were as follows:

	<u>2013</u>	<u>2012</u>
Balance, beginning of year	\$ 2,866,000	\$ 2,547,000
Provision for credit losses	3,411,000	2,996,000
Loans charged off	(3,405,000)	(3,235,000)
Recoveries	<u>468,000</u>	<u>558,000</u>
Balance, end of year	<u>\$ 3,340,000</u>	<u>\$ 2,866,000</u>

4. Credit Quality of Finance and Notes Receivables:

The Company actively monitors the credit quality of finance and notes receivables by performing credit worthiness analysis at the borrowing date, and at predetermined intervals throughout the time finance and notes receivables are outstanding. Credit for purchases under notes receivable is granted based on a review of the customer's Beacon credit score. Credit for purchases under finance receivables is granted based on an internally developed scoring method termed a Scorecard. The Scorecard was initially developed in June 2004 and has been revalidated in September 2008 and 2012. The scorecard takes into account various credit quality indicators such as job history, public record information, collections, and prior delinquent accounts and then assigns a weighted score which is used in determining the customer's credit. Before June 2004, the Company granted credit based on a customer's Beacon score or internally determined Blue Ribbon rating. The finance receivables and notes receivable balances are based on the following credit quality indicators at December 31:

	<u>2013</u>	<u>2012</u>
Notes receivable:		
Beacon score > 650	<u>\$ 8,242,303</u>	<u>\$ 8,104,569</u>
Finance receivables:		
Beacon score	\$ -	\$ 897,803
Blue Ribbon rating	694,965	749,241
Scorecard:		
415 - 419 – High risk	1,085,662	1,261,410
420 - 429	2,802,976	1,642,469
430 - 439	4,756,976	4,105,624
440 - 449	7,569,539	6,874,243
450 - 459	6,308,129	5,422,801
>= 460 – Low risk	<u>11,991,739</u>	<u>10,786,901</u>
Subtotal scorecard	<u>34,515,021</u>	<u>30,093,448</u>
Total finance receivables	<u>\$ 35,209,986</u>	<u>\$ 31,740,492</u>

CORNWELL QUALITY TOOLS COMPANY

NOTES TO FINANCIAL STATEMENTS, Continued
for the years ended December 31, 2013 and 2012

4. Credit Quality of Finance and Notes Receivables, Continued:

An aging analysis of the finance and notes receivables portfolio, based on customer repayment status is as follows at December 31:

	<u>2013</u>	<u>2012</u>
Notes receivable:		
Current	\$ 8,242,303	\$ 8,104,569
Total notes receivable	<u>\$ 8,242,303</u>	<u>\$ 8,104,569</u>
Finance receivables:		
Current	\$ 32,983,546	\$ 29,527,422
30-59 days past due	980,905	1,113,898
60-89 days past due	745,259	650,511
Greater than 90 days past due	<u>500,276</u>	<u>448,661</u>
Total finance receivables	<u>\$ 35,209,986</u>	<u>\$ 31,740,492</u>

5. Inventories:

Inventories consist of the following at December 31:

	<u>2013</u>	<u>2012</u>
Raw materials	\$ 219,330	\$ 187,758
Work in process	1,063,971	1,046,266
Finished goods	<u>8,580,789</u>	<u>7,049,798</u>
	9,864,090	8,283,822
Less LIFO reserve	<u>2,150,622</u>	<u>2,004,616</u>
	<u>\$ 7,713,468</u>	<u>\$ 6,279,206</u>

CORNWELL QUALITY TOOLS COMPANY

NOTES TO FINANCIAL STATEMENTS, Continued
for the years ended December 31, 2013 and 2012

6. Property, Plant and Equipment:

Property, plant and equipment consist of the following at December 31:

	<u>2013</u>	<u>2012</u>
Land	\$ 11,949	\$ 11,949
Buildings and improvements	1,419,838	1,414,520
Machinery and equipment	3,893,405	3,759,288
Office furniture and fixtures	2,952,601	2,870,965
Transportation equipment	85,670	85,670
Construction in progress	<u>194,259</u>	<u>96,940</u>
	8,557,722	8,239,332
Less accumulated depreciation	<u>7,429,653</u>	<u>7,159,191</u>
Property, plant and equipment, net	<u>\$ 1,128,069</u>	<u>\$ 1,080,141</u>

7. Other Assets:

Other assets consist of the following at December 31:

	<u>2013</u>	<u>2012</u>
Cash surrender value of officer's life insurance policies	\$ 639,527	\$ 607,611
Program costs for financing division	54,861	117,599
Deferred incentive expense for special dealer program, net of amortization of \$1,002,500 in 2013 and \$974,583 in 2012	116,389	91,389
Software license agreement, net of accumulated amortization of \$100,000 in 2013	400,000	-
Deferred income tax benefit	<u>683,000</u>	<u>687,000</u>
	<u>\$ 1,893,777</u>	<u>\$ 1,503,599</u>

CORNWELL QUALITY TOOLS COMPANY

NOTES TO FINANCIAL STATEMENTS, Continued
for the years ended December 31, 2013 and 2012

8. Financing:

In August 2011, the Company entered into a line of credit agreement with a bank. Under the terms of the agreement, the Company can borrow the lesser of \$8,000,000 or the borrowing base, collateralized by substantially all owned assets of the Company. The agreement, which expires July 31, 2015, requires monthly interest payments at the daily London Interbank Offered Rate (LIBOR) plus 1.75 percent (0.17 % at December 31, 2013). The line of credit agreement contains various covenants, the most restrictive of which requires the Company to maintain a minimum level of fixed charge coverage. There were no advances outstanding at December 31, 2013. Advances outstanding at December 31, 2012 totaled \$2,396,467.

9. Leases:

The Company leases from unrelated parties various equipment and facilities under cancelable and non-cancelable operating leases with terms varying from less than one year to five years. Rent expense for these leases totaled approximately \$390,047 in 2013 and \$406,650 in 2012. The following is a schedule of future minimum lease payments for operating leases with remaining terms of one year or more:

2014	\$ 309,313
2015	262,488
2016	207,786
2017	<u>114,701</u>
	<u>\$ 894,288</u>

The Company leases its warehouse and office facilities in Wadsworth, Ohio from a related party. The Company pays all insurance and operating costs associated with the real estate. The Ohio leases have remaining terms of five years. Rent payments for these facilities totaled \$445,788 in 2013 and 2012. The following is a schedule of future minimum lease payments for these leases with remaining terms of one year or more:

2014	\$ 445,788
2015	419,490
2016	288,000
2017	<u>264,000</u>
	<u>\$ 1,417,278</u>

CORNWELL QUALITY TOOLS COMPANY

NOTES TO FINANCIAL STATEMENTS, Continued
for the years ended December 31, 2013 and 2012

9. Leases, Continued:

In January 2013, the Company entered into a five year software license agreement through December 31, 2017 that will be treated as a capital lease. The terms of the agreement called for an initial payment of \$100,000 due in January 2013, five annual payments of \$80,000 due in January of each year, and sixty monthly payments of \$26,450. The Company will recover a significant portion of the \$26,450 monthly payment from its dealers by charging them a monthly service fee.

As shown in Note 7, the software license is recorded in other assets and is being amortized over five years. Amortization expense totaled \$100,000 in 2013.

Future minimum payments under the capital lease are as follows:

2014	\$	80,000
2015		80,000
2016		80,000
2017		<u>80,000</u>
Total minimum lease payments		320,000
Less current maturities of capital lease obligation		<u>80,000</u>
Long-term capital lease obligation	\$	<u>240,000</u>

10. Income Taxes:

The net income tax provision is comprised of the following:

	<u>2013</u>	<u>2012</u>
Current tax provision	\$ 4,380,000	\$ 3,470,000
Deferred tax benefit	<u>(291,000)</u>	<u>(383,000)</u>
	<u>\$ 4,089,000</u>	<u>\$ 3,087,000</u>

The difference between the effective tax rate for financial reporting and the federal statutory tax rate is due to other taxable income not included for financial reporting purposes.

CORNWELL QUALITY TOOLS COMPANY

NOTES TO FINANCIAL STATEMENTS, Continued
for the years ended December 31, 2013 and 2012

10. Income Taxes:

Deferred income taxes are provided for the temporary differences between the financial reporting basis and the tax basis of the Company's assets and liabilities. The tax effects of temporary differences that give rise to significant portions of deferred tax assets (liabilities) consist of the following:

	<u>2013</u>	<u>2012</u>
Accounts and finance receivable allowance	\$ 1,334,000	\$ 1,132,000
Inventory	85,000	87,000
Accumulated depreciation on property	(226,000)	(148,000)
Start up fees, financing division	(19,000)	(40,000)
Liabilities and reserves	863,000	768,000
Deferred compensation	462,000	446,000
Deferred income	<u>465,000</u>	<u>428,000</u>
Total deferred tax asset	<u>\$ 2,964,000</u>	<u>\$ 2,673,000</u>

These amounts have been presented in the Company's financial statements, as follows:

	<u>2013</u>	<u>2012</u>
Current deferred tax asset	\$ 2,281,000	\$ 1,986,000
Noncurrent deferred tax asset	<u>683,000</u>	<u>687,000</u>
Total	<u>\$ 2,964,000</u>	<u>\$ 2,673,000</u>

11. Retirement Plans:

The Company maintains a profit sharing plan covering substantially all salaried and hourly employees, having at least one year of service with the Company and attaining a certain age requirement. The amount of the contribution each year is at the sole discretion of the Board of Directors of the Company limited by Internal Revenue Service restrictions. There were no profit sharing contributions made to the plan in 2013 and 2012. The Plan includes 401(k) provisions. Under these provisions, employees may elect to contribute a portion of their compensation on a tax-deferred basis within the guidelines prescribed by the Internal Revenue Code. The Company may also make discretionary contributions to the plan each year. There were no discretionary contributions made to the plan in 2013 and 2012.

The Company also has deferred compensation agreements with three officers that provide for continuation of a portion of the officers' salary subsequent to retirement until death. It also provides for payments to beneficiaries in the event of death. The Company is funding, through a life insurance policy with a major life insurance carrier and by restricting cash and investments, an amount necessary to approximate the liability at retirement. Expenses related to these agreements were \$126,313 in 2013 and \$5,318 in 2012.

CORNWELL QUALITY TOOLS COMPANY

NOTES TO FINANCIAL STATEMENTS, Continued
for the years ended December 31, 2013 and 2012

12. Employee Stock Ownership Plan:

The Company established an employee stock ownership plan (ESOP) during 1998 with a contribution of 1,064 treasury shares, valued at \$608 per share. The ESOP covers substantially all salaried and hourly employees, who have obtained at least 1,000 hours of service. The contributions are determined at the sole discretion of the Board of Directors of the Company limited by Internal Revenue Service restrictions. Under the provisions of the ESOP, terminated participants may require the Company to repurchase their vested shares at fair market value. The ESOP purchased 59 shares of treasury stock during 2013 at \$5,022 per share. The shares were valued in treasury at the cost value of \$2,883 per share, with the difference between the fair value paid and the cost basis recorded as additional paid-in capital. As of December 31, 2013, the ESOP held 1,757 shares of stock, which are all allocated and valued at \$5,022 per share. ESOP compensation expense was \$896,298 in 2013 and \$1,300,000 in 2012.

13. Contingencies:

During the normal course of business, the Company is involved in routine legal matters that management intends to aggressively defend. Management believes the likelihood of any material adverse outcome to be remote.

The Company's past and present daily operations include activities which are subject to federal and state environmental regulations. Compliance with these regulations has not had, nor does the Company expect such compliance to have, a material effect upon net income, financial condition or competitive position of the Company.

14. Major Suppliers:

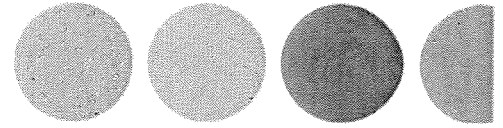
Purchases from the Company's two largest suppliers accounted for approximately 30% of purchases during 2013, and purchases from the Company's largest supplier accounted approximately 20% of purchases during 2012.

15. Related Party Transactions:

The Company leases facilities under operating leases from a related party as described in Note 9.



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INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTAL INFORMATION

The Board of Directors of
Cornwell Quality Tools Company:

We have audited the basic financial statements of Cornwell Quality Tools Company as of and for the years ended December 31, 2013 and 2012 and our report thereon dated March 24, 2014, which expressed an unmodified opinion on those financial statements, appears on page 1. Our audits were conducted for the purpose of forming an opinion on the financial statements taken as a whole. As discussed in Note 1 to the financial statements, the Company prepares its basic financial statements using the last-in, first-out (LIFO) method to value inventories. The accompanying additional schedules and note on pages 20-23 are presented for purposes of additional analysis using the first-in, first-out (FIFO) method to value inventories and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

Burton Cash, Sec 6.

March 24, 2014

CORNWELL QUALITY TOOLS COMPANY

SUPPLEMENTAL BALANCE SHEETS - FIFO BASIS

December 31, 2013 and 2012

ASSETS

	<u>2013</u>	<u>2012</u>
Current assets:		
Cash and cash equivalents	\$ 1,287,954	\$ 26,993
Accounts receivable, trade, net	5,705,185	4,466,254
Notes receivable, net	1,213,626	1,162,323
Finance receivables, net	8,058,964	7,784,850
Inventories	9,864,090	8,283,822
Prepaid expenses and other assets	639,054	484,564
Deferred income tax benefit	<u>1,549,000</u>	<u>1,304,000</u>
Total current assets	28,317,873	23,512,806
Notes receivable, net of current portion	6,778,677	6,867,246
Finance receivables, net of current portion	20,779,724	18,330,872
Restricted cash and investments	334,299	377,125
Property, plant and equipment, net	1,128,069	1,080,141
Other assets	<u>1,893,777</u>	<u>1,503,599</u>
	<u>\$ 59,232,419</u>	<u>\$ 51,671,789</u>

LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities:		
Accounts payable	\$ 5,055,628	\$ 3,516,416
Current maturities of capital lease obligation	80,000	-
Accrued expenses	1,594,030	1,528,605
Accrued taxes	<u>833,639</u>	<u>238,963</u>
Total current liabilities	7,563,297	5,283,984
Line of credit, bank	-	2,396,467
Capital lease obligation, less current maturities	240,000	-
Deferred compensation	<u>1,358,928</u>	<u>1,312,272</u>
Total liabilities	9,162,225	8,992,723
Shareholders' equity	<u>50,070,194</u>	<u>42,679,066</u>
	<u>\$ 59,232,419</u>	<u>\$ 51,671,789</u>

See independent auditor's report on supplemental information.

CORNWELL QUALITY TOOLS COMPANY

SUPPLEMENTAL STATEMENTS OF OPERATIONS - FIFO BASIS
for the years ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Net sales	\$ 100,362,467	\$ 93,363,460
Cost of goods sold	<u>70,960,150</u>	<u>66,086,019</u>
Gross profit	<u>29,402,317</u>	<u>27,277,441</u>
Expenses:		
Shipping	1,933,989	1,977,915
Selling	10,723,718	9,792,747
General and administrative	<u>6,316,240</u>	<u>6,391,410</u>
Total expenses	<u>18,973,947</u>	<u>18,162,072</u>
Income before financing operations	<u>10,428,370</u>	<u>9,115,369</u>
Financing operations:		
Revenues	6,951,262	6,340,557
Expenses	<u>4,954,912</u>	<u>4,526,683</u>
Income from financing operations	<u>1,996,350</u>	<u>1,813,874</u>
Income from operations	<u>12,424,720</u>	<u>10,929,243</u>
Other income (expense):		
Other finance charges	747,994	762,137
Other income	653,103	595,620
Employee appreciation gift	(192,144)	(211,410)
Bad debt expense, net	(698,881)	(1,149,490)
Interest expense, net	(35,314)	(25,567)
Employee stock ownership plan contribution	<u>(896,298)</u>	<u>(1,300,000)</u>
Other expense, net	<u>(421,540)</u>	<u>(1,328,710)</u>
Income before taxes	12,003,180	9,600,533
Provision for income taxes	<u>4,139,000</u>	<u>3,121,000</u>
Net income	<u>\$ 7,864,180</u>	<u>\$ 6,479,533</u>

See independent auditor's report on supplemental information.

CORNWELL QUALITY TOOLS COMPANY

SUPPLEMENTAL STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY - FIFO BASIS

for the years ended December 31, 2013 and 2012

	* Voting Common Stock		Additional Paid-In Capital	Treasury Stock (At Cost)		Retained Earnings	Total Shareholders' Equity
	Shares Issued	Amount		Number of Shares	Amount		
Balances, December 31, 2011	10,635	\$ 106,350	\$ 408,486	377	\$ (1,174,341)	\$ 38,038,706	\$ 37,379,201
Net income	-	-	-	-	-	6,479,533	6,479,533
Dividends paid	-	-	-	-	-	(1,179,668)	(1,179,668)
Balances, December 31, 2012	10,635	106,350	408,486	377	(1,174,341)	43,338,571	42,679,066
Net income	-	-	-	-	-	7,864,180	7,864,180
ESOP purchase of treasury shares	-	-	126,201	(59)	170,097	-	296,298
Dividends paid	-	-	-	-	-	(769,350)	(769,350)
Balances, December 31, 2013	10,635	\$ 106,350	\$ 534,687	318	\$ (1,004,244)	\$ 50,433,401	\$ 50,070,194

* Common stock, voting, \$10 par value, 25,000 shares authorized with 10,317 shares outstanding at December 31, 2013 and 10,258 shares outstanding at December 31, 2012.

See independent auditor's report on supplemental information.

CORNWELL QUALITY TOOLS COMPANY

NOTE TO SUPPLEMENTAL FINANCIAL STATEMENTS – FIFO BASIS
for the years ended December 31, 2013 and 2012

1. Basis of Presentation:

The accompanying supplemental balance sheets, statements of operations and changes in shareholders' equity as of December 31, 2013 and 2012 and for the years then ended have been prepared in accordance with accounting principles generally accepted in the United States of America as applied by the Company in its historical financial statements, adjusted for the following:

Inventories – are valued at the lower of cost or market with costs determined by the first-in, first-out (FIFO) method.

Inventories stated on the basis referred to in the preceding paragraph are as follows:

	<u>2013</u>	<u>2012</u>
Raw materials	\$ 219,330	\$ 187,758
Work in process	1,063,971	1,046,266
Finished goods	<u>8,580,789</u>	<u>7,049,798</u>
	<u>\$ 9,864,090</u>	<u>\$ 8,283,822</u>

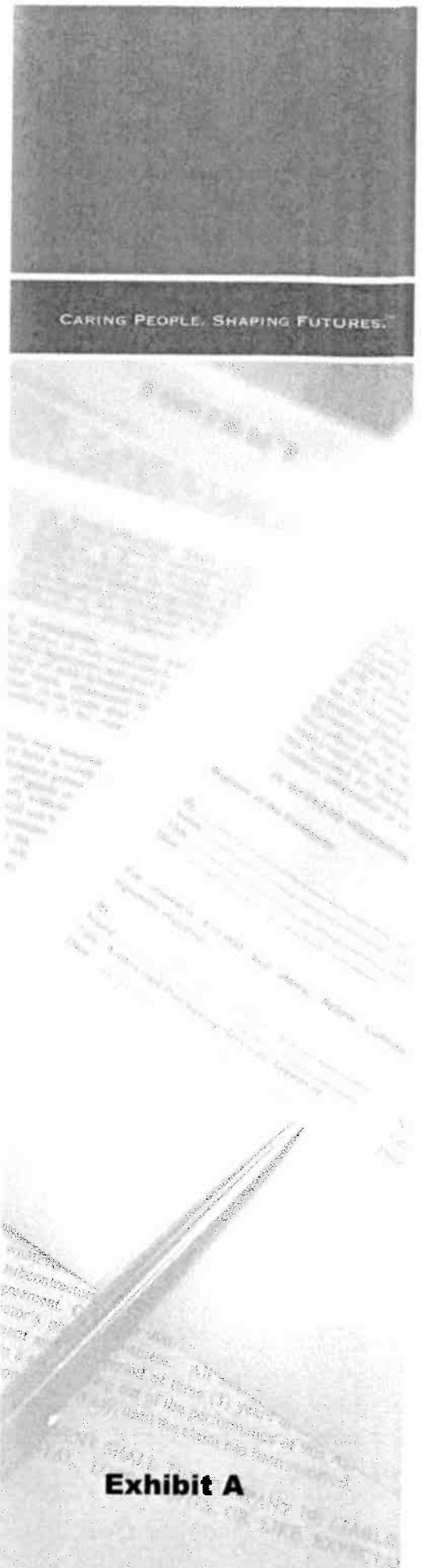
The income tax effect has been provided on the increase/decrease in inventory value at the statutory federal and state tax rates. The tax effect decreased the deferred tax assets by \$732,000 in 2013 and \$682,000 in 2012. The tax effect increased the provision for income taxes by \$50,000 in 2013 and \$34,000 in 2012.

The Company uses the LIFO (last-in, first-out) method for its historical financial statements because it better matches costs and revenues.

CORNWELL QUALITY TOOLS COMPANY

December 31, 2011 and 2010

**FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION**



CORNWELL QUALITY TOOLS COMPANY

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CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Cornwell Quality Tools Company:

We have audited the accompanying balance sheets of Cornwell Quality Tools Company as of December 31, 2011 and 2010, and the related statements of operations, changes in shareholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 Cornwell Quality Tools Company as of December 31, 2011 and 2010, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Brockman, Coats, Gebelian & Co.

March 19, 2012

CORNWELL QUALITY TOOLS COMPANY

BALANCE SHEETS

December 31, 2011 and 2010

ASSETS

	<u>2011</u>	<u>2010</u>
Current assets:		
Cash and cash equivalents	\$ 300,768	\$ 365,077
Accounts receivable, trade, net	4,989,090	3,943,143
Notes receivable, current portion, net	1,367,872	1,530,500
Finance receivables, current portion, net	7,384,773	6,395,360
Note receivable, employee	47,488	53,809
Inventories	6,848,795	6,003,040
Prepaid expenses and other assets	279,940	538,292
Deferred income tax benefit	<u>1,756,000</u>	<u>1,889,000</u>
Total current assets	22,974,726	20,718,221
Notes receivable, net of current portion	7,001,589	7,190,355
Finance receivables, net of current portion	15,704,995	13,551,257
Restricted cash and investments	374,160	369,476
Property, plant and equipment, net	1,188,753	1,269,996
Other assets	<u>1,276,637</u>	<u>1,221,451</u>
	<u>\$ 48,520,860</u>	<u>\$ 44,320,756</u>

LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities:		
Accounts payable	\$ 4,931,634	\$ 3,272,293
Accrued expenses	1,493,997	1,231,289
Accrued taxes	<u>582,658</u>	<u>230,551</u>
Total current liabilities	7,008,289	4,734,133
Line of credit, bank	4,083,269	7,627,397
Deferred compensation	<u>1,306,954</u>	<u>1,227,903</u>
Total liabilities	12,398,512	13,589,433
Shareholders' equity	<u>36,122,348</u>	<u>30,731,323</u>
	<u>\$ 48,520,860</u>	<u>\$ 44,320,756</u>

The accompanying notes are an integral part of these financial statements.

CORNWELL QUALITY TOOLS COMPANY

STATEMENTS OF OPERATIONS

for the years ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Net sales	\$ 86,340,786	\$ 75,961,016
Cost of goods sold	<u>61,485,015</u>	<u>53,583,078</u>
Gross profit	<u>24,855,771</u>	<u>22,377,938</u>
Expenses:		
Shipping	1,888,581	1,774,561
Selling	9,380,559	8,469,116
General and administrative	<u>6,006,365</u>	<u>5,354,920</u>
Total expenses	<u>17,275,505</u>	<u>15,598,597</u>
Income before financing operations	<u>7,580,266</u>	<u>6,779,341</u>
Financing operations:		
Revenues	5,678,261	5,650,443
Expenses	<u>3,465,013</u>	<u>4,264,889</u>
Income from financing operations	<u>2,213,248</u>	<u>1,385,554</u>
Income from operations	<u>9,793,514</u>	<u>8,164,895</u>
Other income (expense):		
Other finance charges	788,519	703,232
Interest income	7,363	9,213
Other income	362,021	239,637
Employee appreciation gift	(208,958)	(246,906)
Bad debt expense, net	(1,116,588)	(1,135,929)
Interest expense	(1,673)	(1,395)
Employee stock ownership plan contribution	<u>(175,000)</u>	<u>(130,000)</u>
Other expense, net	<u>(344,316)</u>	<u>(562,148)</u>
Income before taxes	9,449,198	7,602,747
Provision for income taxes	<u>3,176,000</u>	<u>2,459,000</u>
Net income	<u>\$ 6,273,198</u>	<u>\$ 5,143,747</u>

The accompanying notes are an integral part of these financial statements.

CORNWELL QUALITY TOOLS COMPANY

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
for the years ended December 31, 2011 and 2010

	* Voting Common Stock		Additional Paid-In Capital	Treasury Stock (At Cost)		Retained Earnings	Total Shareholders' Equity
	Shares Issued	Amount		Number of Shares	Amount		
Balances, January 1, 2010	10,635	\$ 106,350	\$ 408,486	318	\$ (1,004,244)	\$ 26,247,076	\$ 25,757,668
Net income	-	-	-	-	-	5,143,747	5,143,747
Purchase of treasury stock	-	-	-	59	(170,092)	-	(170,092)
Balances, December 31, 2010	10,635	106,350	408,486	377	(1,174,336)	31,390,823	30,731,323
Net income	-	-	-	-	-	6,273,198	6,273,198
Dividends paid	-	-	-	-	-	(882,173)	(882,173)
Balances, December 31, 2011	10,635	\$ 106,350	\$ 408,486	377	\$ (1,174,336)	\$ 36,781,848	\$ 36,122,348

* Common stock, voting, \$10 par value, 25,000 shares authorized with 10,258 shares outstanding at December 31, 2011 and 2010, respectively.

The accompanying notes are an integral part of these financial statements.

CORNWELL QUALITY TOOLS COMPANY

STATEMENTS OF CASH FLOWS

for the years ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities:		
Cash received from customers	\$ 93,218,463	\$ 83,052,613
Cash paid to suppliers and employees	(79,976,398)	(73,600,178)
Cash paid to related party	(445,788)	(445,788)
Interest received	7,363	9,213
Interest paid	(166,350)	(290,694)
Income taxes paid	(3,252,000)	(2,612,000)
Net cash provided by operating activities	<u>9,385,290</u>	<u>6,113,166</u>
Cash flows from investing activities:		
Finance receivables originated	(18,205,254)	(15,778,203)
Finance receivables repaid	13,257,477	12,258,119
Purchase of restricted cash and investments	(4,684)	(7,246)
Capital expenditures	(70,837)	(363,649)
Net cash used by investing activities	<u>(5,023,298)</u>	<u>(3,890,979)</u>
Cash flows from financing activities:		
Net repayments on line of credit, bank	(3,544,128)	(2,165,820)
Cash paid for the purchase of treasury stock	-	(170,092)
Cash dividends paid	(882,173)	-
Net cash used by financing activities	<u>(4,426,301)</u>	<u>(2,335,912)</u>
Net change in cash and cash equivalents	(64,309)	(113,725)
Cash and cash equivalents, beginning of year	<u>365,077</u>	<u>478,802</u>
Cash and cash equivalents, end of year	<u>\$ 300,768</u>	<u>\$ 365,077</u>
Supplemental disclosure:		
Non-cash investing activity:		
Activity related to dealer incentive program affecting inventory, accounts receivable and other assets	<u>\$ 49,583</u>	<u>\$ 110,833</u>
Capital expenses included in accounts payable	<u>\$ 98,484</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

CORNWELL QUALITY TOOLS COMPANY

STATEMENTS OF CASH FLOWS, Continued
for the years ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Reconciliation of net income to net cash provided by operating activities:		
Net income	\$ 6,273,198	\$ 5,143,747
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for finance credit losses	1,808,000	2,321,000
Provision for uncollectible accounts and notes receivables	1,116,588	1,135,929
Depreciation and amortization	402,231	493,486
(Increase) decrease in operating assets:		
Accounts receivable, trade	(2,116,839)	(1,691,171)
Notes receivable	351,394	(136,578)
Notes receivable, employee	6,321	5,034
Inventories	(985,755)	(566,764)
Prepaid expenses and other assets	258,352	(261,014)
Deferred income taxes	51,000	118,000
Cash surrender value of officer's life insurance policies	(33,923)	7,074
Increase (decrease) in operating liabilities:		
Accounts payable	1,560,857	(288,642)
Accrued expenses	262,708	(207,073)
Accrued taxes	352,107	28,176
Deferred compensation	79,051	11,962
Total adjustments	<u>3,112,092</u>	<u>969,419</u>
Net cash provided by operating activities	<u>\$ 9,385,290</u>	<u>\$ 6,113,166</u>

The accompanying notes are an integral part of these financial statements.

CORNWELL QUALITY TOOLS COMPANY

NOTES TO FINANCIAL STATEMENTS for the years ended December 31, 2011 and 2010

1. Summary of Significant Accounting Policies:

Nature of Operations – Cornwell Quality Tools Company (the “Company”) is a manufacturer and distributor of hand-held tools and other related products for mechanics, primarily in the automotive business. The Company sells its products to independent dealers and other industrial users throughout the United States and parts of Europe. Purchased parts account for approximately 92% of sales in 2011 and 91% of sales in 2010. The Company maintains manufacturing facilities in Ohio and Pennsylvania and distribution centers in Ohio and Utah.

Cash and Cash Equivalents – For purposes of the statements of cash flows, cash and cash equivalents include cash on hand, cash held in banks and all highly liquid investments purchased with maturities of three months or less.

The Company maintains its cash and cash equivalents with banks, which, at times, may exceed federally insured limits. The Company has not experienced any significant losses in such accounts. Management of the Company believes it is not exposed to any significant credit risk on its cash and cash equivalents.

Restricted Cash and Investments – The Company designated cash and investments to be used at a future date for the purpose of funding a portion of the deferred compensation liability. Cash and investments have been deposited in a separate account during 2011 and 2010.

Accounts Receivable – The Company extends unsecured credit to its customers in the ordinary course of business but mitigates the associated risk by performing ongoing credit evaluations and actively pursuing past due accounts. Trade accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible accounts through a charge to earnings and a credit to the allowance for doubtful accounts based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the allowance and a credit to trade accounts receivable.

Notes Receivable – In the ordinary course of business customers may refinance their trade accounts receivable and create an installment loan. These loan terms are from one to five years with payments due weekly ranging between \$100 and \$480 including interest ranging between 10% and 17%. Interest is recorded on the loans as payments are received. Management provides for probable uncollectible accounts through a charge to earnings and a credit to the allowance for doubtful accounts based on its assessment of the current status of individual accounts.

Receivables are considered to be past due based on the various contractual terms.

Finance Receivables – Finance receivables that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are reported at their outstanding unpaid principal balances reduced by any charge off or specific valuation accounts and net of any deferred fees or costs on originated loans.

CORNWELL QUALITY TOOLS COMPANY

NOTES TO FINANCIAL STATEMENTS, Continued
for the years ended December 31, 2011 and 2010

1. Summary of Significant Accounting Policies, Continued:

Finance Receivables, Continued – Allowance for loan losses is increased by charges to income and decreased by charge-offs (net of recoveries). Management's periodic evaluation of the adequacy of the allowance is based on the Company's past loan loss experience, known and inherent risks in the portfolio, adverse situations that may affect the borrower's ability to repay, the estimated value of any underlying collateral and current economic conditions. Commercial loans are charged off when they are one hundred twenty days contractually past due.

From time to time, the Company sells finance receivables that had been previously charged off. Proceeds from sales of the loans were \$90,736 in 2011 and \$125,950 in 2010, and is included in the income from financing operations in the statements of operations.

Inventories – Inventories are valued at the lower of cost or market with cost determined by the last-in, first-out (LIFO) method. If the first-in, first-out (FIFO) method was used to value inventories, reported inventories would have been increased by \$1,904,853 and \$1,912,830 at December 31, 2011 and 2010, respectively, and net income after taxes would have been decreased by \$4,977 in 2011 and \$68,821 in 2010.

Property, Plant and Equipment – Property, plant and equipment are recorded at cost. Major additions and improvements are charged to the property accounts while replacements, maintenance, and repairs which do not improve or extend the lives of the respective assets, are expensed currently. When property is retired or otherwise disposed of, the cost of the property is removed from the asset account, accumulated depreciation is charged with an amount equivalent to the depreciation provided, and any resulting gain or loss is charged or credited to operations.

Depreciation has been provided using the straight-line method over the estimated useful lives of the assets as follows:

Buildings and improvements	4 to 35 years
Machinery and equipment	5 to 20 years
Office furniture and fixtures	3 to 10 years
Transportation equipment	3 to 5 years

Depreciation expense totaled \$250,564 in 2011 and \$268,903 in 2010.

Amortization – Deferred incentive expense for the special dealer program is amortized on a straight-line basis over a 36 month period. The amortization expense totaled \$151,667 in 2011 and \$224,583 in 2010.

CORNWELL QUALITY TOOLS COMPANY

NOTES TO FINANCIAL STATEMENTS, Continued
for the years ended December 31, 2011 and 2010

1. Summary of Significant Accounting Policies, Continued:

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. While actual results could differ from those estimates, management does not expect those differences to be significant to the financial statements.

Income Taxes – The Company accounts for uncertainties in income taxes in accordance with accounting principles generally accepted in the United States of America, which provides for financial statement recognition and measurement of tax positions taken or expected to be taken in a tax return that has a greater than 50% chance of not being allowed under examination. No such positions have been recorded in the December 31, 2011 and 2010 financial statements. If such positions were taken, the resulting interest and penalties would be recognized as income tax expense.

As of December 31, 2011, the Company's federal income tax returns are subject to examination by the Internal Revenue Service for the years 2008 and thereafter. The Company also files tax returns in 38 states with the most significant being California, Ohio, Pennsylvania, Texas, and Utah. The Company's state tax returns are open to examination for the tax years 2007 and thereafter.

Income Recognition – Revenues are recognized at the time the product is shipped to the customer. Interest income from finance receivables is recognized using the interest (actuarial) method. Accrual of interest income on finance receivables is suspended when a loan is contractually delinquent for one hundred twenty days or more. The accrual is resumed when the loan becomes contractually current, and past-due interest income is recognized at that time.

Returned Goods – The Company sells both manufactured tools and products purchased from other manufacturers. For purchased products, it is the Company's policy to extend the full manufacturer's guarantee to the Company's customers. For manufactured items, the Company will, at its sole discretion, replace or repair an item if it is determined that the item has not given the user a fair value in terms of length of useful life. This policy is considered a promotional expense that generates goodwill with the customer and, as consistent with standard practices in this industry, these amounts are charged to expense as incurred.

Concentrations of Credit Risk – The Company performs ongoing credit evaluations of its customers and generally requires collateral only on receivables with extended credit terms. The Company maintains reserves for potential credit losses and such losses have been within management's expectations.

Advertising – Direct-response advertising primarily consists of the Company's catalog, bulletins, and flyers, and advertising in national publications for the Company's products. Advertising expense was \$671,468 in 2011 and \$520,492 in 2010.

CORNWELL QUALITY TOOLS COMPANY

NOTES TO FINANCIAL STATEMENTS, Continued
for the years ended December 31, 2011 and 2010

1. Summary of Significant Accounting Policies, Continued:

Fair Value – The Company applies fair value measurements in accordance with accounting principles generally accepted in the United States of America, which establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

Included in the caption restricted cash and investments are annuity contracts with a fair value of \$374,160 at December 31, 2011 and \$369,476 at December 31, 2010. These investments and contracts are measured on a Level 2 basis as defined by generally accepted accounting principles.

Subsequent Events - Management of the Company has evaluated subsequent events through March 19, 2012, the date which the financial statements were available to be issued.

2. Changes in the Valuation Allowance for Trade Accounts Receivable and Notes Receivable:

Changes in the valuation allowance for trade accounts receivable and notes receivable were as follows:

	<u>2011</u>	<u>2010</u>
Balance, beginning of year	\$ 150,000	\$ 150,000
Provision for bad debts	1,116,588	1,135,929
Write-offs	(1,170,233)	(1,227,665)
Recoveries	<u>53,645</u>	<u>91,736</u>
Balance, end of year	<u>\$ 150,000</u>	<u>\$ 150,000</u>

The allowance for doubtful accounts is presented net in the Company's financial statements as follows:

	<u>2011</u>	<u>2010</u>
Accounts receivable, trade	\$ 75,000	\$ 75,000
Notes receivable	<u>75,000</u>	<u>75,000</u>
	<u>\$ 150,000</u>	<u>\$ 150,000</u>

CORNWELL QUALITY TOOLS COMPANY

NOTES TO FINANCIAL STATEMENTS, Continued
for the years ended December 31, 2011 and 2010

3. Finance Receivables:

The Company engages in providing commercial financing services through purchasing receivables from tool dealers wishing to provide financing to their customers. The Company's finance receivables, which are comprised primarily of contracts with a maximum of 48 monthly installments, are as follows as of December 31:

	<u>2011</u>	<u>2010</u>
Finance receivables	\$ 28,086,088	\$ 25,223,667
Deductions:		
Reserve for finance credit losses	(2,547,000)	(3,061,000)
Deferred revenue	<u>(2,449,320)</u>	<u>(2,216,050)</u>
	23,089,768	19,946,617
Less current maturities	<u>7,384,773</u>	<u>6,395,360</u>
Long-term finance receivables	<u>\$ 15,704,995</u>	<u>\$ 13,551,257</u>

On December 31, 2011 contractual maturities of finance receivables were as follows:

2012	\$ 11,258,677
2013	9,164,903
2014	5,788,682
2015	1,731,291
2016	<u>142,535</u>
	<u>\$ 28,086,088</u>

Current maturities of finance receivables as reported on the balance sheet consists of gross receivables of \$11,258,677 less the reserve for finance credit losses of \$2,547,000, less the current portion of deferred revenue of \$1,326,904.

It is the Company's experience that a substantial portion of the commercial loan portfolio generally is renewed or repaid before the contractual maturity dates. The above tabulation, therefore, is not regarded as a forecast of future cash collections. Cash collections of principal amounts of commercial loans totaled \$13,257,477 in 2011 and \$12,258,119 in 2010 and the ratios of these cash collections to average principal balances were approximately 50% in 2011 and 49% in 2010.

CORNWELL QUALITY TOOLS COMPANY

NOTES TO FINANCIAL STATEMENTS, Continued
for the years ended December 31, 2011 and 2010

3. Finance Receivables, Continued:

Changes in the allowance for credit losses for finance receivables were as follows:

	<u>2011</u>	<u>2010</u>
Balance, beginning of year	\$ 3,061,000	\$ 3,921,000
Provision for credit losses	1,808,000	2,321,000
Loans charged off	(2,954,000)	(4,057,000)
Recoveries	<u>632,000</u>	<u>876,000</u>
Balance, end of year	<u>\$ 2,547,000</u>	<u>\$ 3,061,000</u>

4. Credit Quality of Finance and Notes Receivables:

The Company actively monitors the credit quality of finance and notes receivables by performing credit worthiness analysis at the borrowing date, and at predetermined intervals throughout the time finance and notes receivables are outstanding. Credit for purchases under notes receivable is granted based on a review of the customers Beacon credit score. Credit for purchases under finance receivables is granted based on an internally developed scoring method termed a Scorecard. The Scorecard was initially developed in June of 2004 and has been revalidated in September 2008. The scorecard takes into account various credit quality indicators such as job history, public record information, collections, and prior delinquent accounts and then assigns a weighted score which is used in determining the customer's credit. Before June 2004, the Company granted credit based on a customer's Beacon score or internally determined Blue Ribbon rating. As of December 31, 2011 and 2010, the finance receivables and notes receivable balances are based on the following credit quality indicators:

	<u>2011</u>	<u>2010</u>
Notes receivable:		
Beacon score > 650	<u>\$ 8,444,461</u>	<u>\$ 8,795,855</u>
Finance receivables:		
Beacon score	\$ 1,112,193	\$ 1,462,341
Blue Ribbon rating	742,122	770,847
Scorecard:		
415 - 419 – High risk	1,155,052	992,432
420 - 429	1,068,133	1,033,821
430 - 439	3,554,007	3,245,961
440 - 449	5,950,284	4,951,114
450 - 459	4,713,044	4,261,162
>= 460 – Low risk	<u>9,791,253</u>	<u>8,535,989</u>
Subtotal scorecard	<u>26,231,773</u>	<u>22,990,479</u>
Total finance receivables	<u>\$ 28,086,088</u>	<u>\$ 25,223,667</u>

CORNWELL QUALITY TOOLS COMPANY

NOTES TO FINANCIAL STATEMENTS, Continued
for the years ended December 31, 2011 and 2010

4. Credit Quality of Finance and Notes Receivables, Continued:

The aging of the finance receivables and notes receivable balances as of December 31, 2011 and 2010 is as follows:

	<u>2011</u>	<u>2010</u>
Notes receivable:		
Current	\$ 8,444,461	\$ 8,795,855
Total notes receivable	<u>\$ 8,444,461</u>	<u>\$ 8,795,855</u>
Finance receivables:		
Current	\$ 26,182,358	\$ 23,270,975
30-59 days past due	858,611	956,141
60-89 days past due	699,721	572,184
Greater than 90 days past due	<u>345,398</u>	<u>424,367</u>
Total finance receivables	<u>\$ 28,086,088</u>	<u>\$ 25,223,667</u>

5. Inventories:

Inventories consist of the following at December 31:

	<u>2011</u>	<u>2010</u>
Raw materials	\$ 164,494	\$ 205,364
Work in process	1,087,295	1,106,984
Finished goods	<u>7,501,859</u>	<u>6,603,522</u>
	8,753,648	7,915,870
Less LIFO reserve	<u>1,904,853</u>	<u>1,912,830</u>
	<u>\$ 6,848,795</u>	<u>\$ 6,003,040</u>

CORNWELL QUALITY TOOLS COMPANY

NOTES TO FINANCIAL STATEMENTS, Continued
for the years ended December 31, 2011 and 2010

6. Property, Plant and Equipment:

Property, plant and equipment consist of the following at December 31:

	<u>2011</u>	<u>2010</u>
Land	\$ 11,949	\$ 11,949
Buildings and improvements	1,405,159	1,405,159
Machinery and equipment	3,728,911	3,645,973
Office furniture and fixtures	2,816,443	2,447,717
Transportation equipment	85,670	85,670
Construction in progress	<u>-</u>	<u>282,343</u>
	8,048,132	7,878,811
Less accumulated depreciation	<u>6,859,379</u>	<u>6,608,815</u>
Property, plant and equipment, net	<u>\$ 1,188,753</u>	<u>\$ 1,269,996</u>

7. Other Assets:

Other assets consist of the following at December 31:

	<u>2011</u>	<u>2010</u>
Cash surrender value of officer's life insurance policies	\$ 616,387	\$ 582,464
Program costs for financing division	21,250	24,624
Deferred incentive expense for special dealer program, net of amortization of \$935,694 in 2011 and \$833,611 in 2010	105,000	162,363
Deferred income tax benefit	<u>534,000</u>	<u>452,000</u>
	<u>\$ 1,276,637</u>	<u>\$ 1,221,451</u>

CORNWELL QUALITY TOOLS COMPANY

NOTES TO FINANCIAL STATEMENTS, Continued
for the years ended December 31, 2011 and 2010

8. Financing:

In August 2011, the Company entered into a new line of credit agreement with a bank. Under the terms of the new agreement, the Company can borrow the lesser of \$10,000,000 or the borrowing base, collateralized by substantially all owned assets of the Company. At December 31, 2011 available credit on the line was approximately \$5,916,000. The new agreement, which expires July 31, 2014, requires monthly interest payments at the daily London Interbank Offered Rate (LIBOR) plus 2.00 percent (0.30% at December 31, 2011). Under the terms of the old agreement interest was payable at the one month London Interbank Offered Rate (LIBOR) plus 2.75 percent (0.26% at December 31, 2010) for the first \$9,000,000 borrowed and prime (3.25% at December 31, 2010) on additional borrowings. The new line of credit agreement contains various covenants, the most restrictive of which requires the Company to maintain a minimum level of fixed charge coverage. Advances outstanding at December 31, 2011 and 2010 totaled \$4,083,269 and \$7,627,397, respectively.

9. Leases:

The Company leases from unrelated parties various equipment and facilities under cancelable and non-cancelable operating leases with terms varying from less than one year to five years. Rent expense for these leases totaled approximately \$448,583 in 2011 and \$454,593 in 2010. The following is a schedule of future minimum lease payments for operating leases with remaining terms of one year or more:

2012	\$	266,873
2013		134,929
2014		80,879
2015		54,018
2016		<u>7,619</u>
	\$	<u>544,318</u>

The Company leases its warehouse and office facilities in Wadsworth, Ohio from a related party. The Company pays all insurance and operating costs associated with the real estate. The Ohio leases have remaining terms of six years. Rent payments for these facilities totaled \$445,788 in 2011 and 2010. The following is a schedule of future minimum lease payments for these leases with remaining terms of one year or more:

2012	\$	445,788
2013		445,788
2014		445,788
2015		419,490
2016		288,000
Thereafter		<u>264,000</u>
	\$	<u>2,308,854</u>

CORNWELL QUALITY TOOLS COMPANY

NOTES TO FINANCIAL STATEMENTS, Continued
for the years ended December 31, 2011 and 2010

10. Income Taxes:

The income tax provision is comprised of the following:

	<u>2011</u>	<u>2010</u>
Current provision	\$ 3,125,000	\$ 2,341,000
Deferred provision	<u>51,000</u>	<u>118,000</u>
	<u>\$ 3,176,000</u>	<u>\$ 2,459,000</u>

The difference between the effective tax rate for financial reporting and the federal statutory tax rate is due to other taxable income not included for financial reporting purposes.

Deferred income taxes are provided for the temporary differences between the financial reporting basis and the tax basis of the Company's assets and liabilities. The tax effects of temporary differences that give rise to significant portions of deferred tax assets (liabilities) consist of the following:

	<u>2011</u>	<u>2010</u>
Accounts and finance receivable allowance	\$ 1,013,000	\$ 1,185,000
Inventory	79,000	71,000
Accumulated depreciation on property	(329,000)	(288,000)
Start up fees, financing division	(7,000)	(8,000)
Liabilities and reserves	664,000	633,000
Deferred compensation	444,000	417,000
Deferred income	<u>426,000</u>	<u>331,000</u>
Total deferred tax asset	<u>\$ 2,290,000</u>	<u>\$ 2,341,000</u>

These amounts have been presented in the Company's financial statements, as follows:

	<u>2011</u>	<u>2010</u>
Current deferred tax asset	\$ 1,756,000	\$ 1,889,000
Noncurrent deferred tax asset	<u>534,000</u>	<u>452,000</u>
Total	<u>\$ 2,290,000</u>	<u>\$ 2,341,000</u>

CORNWELL QUALITY TOOLS COMPANY

NOTES TO FINANCIAL STATEMENTS, Continued
for the years ended December 31, 2011 and 2010

11. Retirement Plans:

The Company maintains a profit sharing plan covering substantially all salaried and hourly employees, having at least one year of service with the Company and attaining a certain age requirement. The amount of the contribution each year is at the sole discretion of the Board of Directors of the Company limited by Internal Revenue Service restrictions. There were no profit sharing contributions in 2011 and 2010. The Plan includes 401(k) provisions. Under these provisions, employees may elect to contribute a portion of their compensation on a tax-deferred basis within the guidelines prescribed by the Internal Revenue Code. The Company may also make discretionary contributions to the plan each year. There were no discretionary contributions in 2011 or 2010.

The Company also has deferred compensation agreements with two officers that provide for continuation of a portion of the officers' salary subsequent to retirement until death. It also provides for payments to beneficiaries in the event of death. The Company is funding, through a life insurance policy with a major life insurance carrier and by restricting cash, an amount necessary to approximate the liability at retirement. Expenses related to these agreements were \$79,051 in 2011 and \$11,962 in 2010.

12. Employee Stock Ownership Plan:

The Company established an employee stock ownership plan (ESOP) during 1998 with a contribution of 1,064 treasury shares, valued at \$608 per share. The ESOP covers substantially all salaried and hourly employees, who have obtained at least 1,000 hours of service. The contributions are determined at the sole discretion of the Board of Directors of the Company limited by Internal Revenue Service restrictions. Under the provisions of the ESOP, terminated participants may require the Company to repurchase their vested shares at fair market value. As of December 31, 2011, the ESOP held 1,698 shares of stock, which are all allocated and valued at \$3,924 per share. ESOP compensation expense was \$175,000 in 2011 and \$130,000 in 2010.

13. Treasury Stock:

The Company did not purchase any shares from the employee stock ownership plan during 2011 and purchased 59 shares from the employee stock ownership plan during 2010. These shares are recorded as treasury stock, and accounted for under the cost method.

CORNWELL QUALITY TOOLS COMPANY

NOTES TO FINANCIAL STATEMENTS, Continued
for the years ended December 31, 2011 and 2010

14. Contingencies:

During the normal course of business, the Company is involved in routine legal matters that management intends to aggressively defend. Management believes the likelihood of any material adverse outcome to be remote.

The Company's past and present daily operations include activities which are subject to federal and state environmental regulations. Compliance with these regulations has not had, nor does the Company expect such compliance to have, a material effect upon net income, financial condition or competitive position of the Company.

15. Major Suppliers:

Purchases from the Company's largest supplier accounted for approximately 22% of purchases during 2011, and approximately 21% of purchases during 2010.

16. Related Party Transactions:

The Company has a note receivable due from an employee totaling \$47,488 at December 31, 2011 and \$53,809 at December 31, 2010. Interest is payable monthly at 7% and the note is due on demand.

In addition, the Company leases facilities under operating leases from a related party as described in Note 9.



BROCKMAN, COATS, GEDELIAN & CO.

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INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTAL INFORMATION

The Board of Directors of
Cornwell Quality Tools Company:

We have audited the basic financial statements of Cornwell Quality Tools Company as of and for the years ended December 31, 2011 and 2010 and our report thereon dated March 19, 2012, which expressed an unqualified opinion on those financial statements, appears on page 1. Our audits were conducted for the purpose of forming an opinion on the financial statements taken as a whole. As discussed in Note 1 to the financial statements, the Company prepares its basic financial statements using the last-in, first-out (LIFO) method to value inventories. The accompanying additional schedules and note on pages 20-23 are presented for purposes of additional analysis using the first-in, first-out (FIFO) method to value inventories and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

Brockman, Coats, Gedelian & Co.

March 19, 2012

CORNWELL QUALITY TOOLS COMPANY

SUPPLEMENTAL BALANCE SHEETS - FIFO BASIS

December 31, 2011 and 2010

ASSETS

	<u>2011</u>	<u>2010</u>
Current assets:		
Cash and cash equivalents	\$ 300,768	\$ 365,077
Accounts receivable, trade, net	4,989,090	3,943,143
Notes receivable, current portion, net	1,367,872	1,530,500
Finance receivables, current portion, net	7,384,773	6,395,360
Note receivable, employee	47,488	53,809
Inventories	8,753,648	7,915,870
Prepaid expenses and other assets	279,940	538,292
Deferred income tax benefit	<u>1,108,000</u>	<u>1,238,000</u>
Total current assets	24,231,579	21,980,051
Notes receivable, net of current portion	7,001,589	7,190,355
Finance receivables, net of current portion	15,704,995	13,551,257
Restricted cash and investments	374,160	369,476
Property, plant and equipment, net	1,188,753	1,269,996
Other assets	<u>1,276,637</u>	<u>1,221,451</u>
	<u>\$ 49,777,713</u>	<u>\$ 45,582,586</u>

LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities:		
Accounts payable	\$ 4,931,634	\$ 3,272,293
Accrued expenses	1,493,997	1,231,289
Accrued taxes	<u>582,658</u>	<u>230,551</u>
Total current liabilities	7,008,289	4,734,133
Line of credit, bank	4,083,269	7,627,397
Deferred compensation	<u>1,306,954</u>	<u>1,227,903</u>
Total liabilities	12,398,512	13,589,433
Shareholders' equity	<u>37,379,201</u>	<u>31,993,153</u>
	<u>\$ 49,777,713</u>	<u>\$ 45,582,586</u>

See independent auditor's report on supplemental information.

CORNWELL QUALITY TOOLS COMPANY

SUPPLEMENTAL STATEMENTS OF OPERATIONS - FIFO BASIS
for the years ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Net sales	\$ 86,340,786	\$ 75,961,016
Cost of goods sold	<u>61,492,992</u>	<u>53,686,899</u>
Gross profit	<u>24,847,794</u>	<u>22,274,117</u>
Expenses:		
Shipping	1,888,581	1,774,561
Selling	9,380,559	8,469,116
General and administrative	<u>6,006,365</u>	<u>5,354,920</u>
Total expenses	<u>17,275,505</u>	<u>15,598,597</u>
Income before financing operations	<u>7,572,289</u>	<u>6,675,520</u>
Financing operations:		
Revenues	5,678,261	5,650,443
Expenses	<u>3,465,013</u>	<u>4,264,889</u>
Income from financing operations	<u>2,213,248</u>	<u>1,385,554</u>
Income from operations	<u>9,785,537</u>	<u>8,061,074</u>
Other income (expense):		
Other finance charges	788,519	703,232
Interest income	7,363	9,213
Other income	362,021	239,637
Employee appreciation gift	(208,958)	(246,906)
Bad debt expense, net	(1,116,588)	(1,135,929)
Interest expense	(1,673)	(1,395)
Employee stock ownership plan contribution	<u>(175,000)</u>	<u>(130,000)</u>
Other expense, net	<u>(344,316)</u>	<u>(562,148)</u>
Income before taxes	9,441,221	7,498,926
Provision for income taxes	<u>3,173,000</u>	<u>2,424,000</u>
Net income	<u>\$ 6,268,221</u>	<u>\$ 5,074,926</u>

See independent auditor's report on supplemental information.

CORNWELL QUALITY TOOLS COMPANY

SUPPLEMENTAL STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY - FIFO BASIS
for the years ended December 31, 2011 and 2010

	* Voting		Additional Paid-In Capital	Treasury Stock (At Cost)		Total Shareholders' Equity	
	Common Stock Shares Issued	Amount		Number of Shares	Amount		Retained Earnings
Balances, January 1, 2010	10,635	\$ 106,350	\$ 408,486	318	\$ (1,004,244)	\$ 27,577,727	\$ 27,088,319
Net income	-	-	-	-	-	5,074,926	5,074,926
Purchase of treasury stock	-	-	-	59	(170,092)	-	(170,092)
Balances, December 31, 2010	10,635	106,350	408,486	377	(1,174,336)	32,652,653	31,993,153
Net income	-	-	-	-	-	6,268,221	6,268,221
Dividends paid	-	-	-	-	-	(882,173)	(882,173)
Balances, December 31, 2011	10,635	\$ 106,350	\$ 408,486	377	\$ (1,174,336)	\$ 38,038,701	\$ 37,379,201

* Common stock, voting, \$10 par value, 25,000 shares authorized with 10,258 shares outstanding at December 31, 2011 and 2010, respectively.

See independent auditor's report on supplemental information.

CORNWELL QUALITY TOOLS COMPANY

NOTE TO SUPPLEMENTAL FINANCIAL STATEMENTS – FIFO BASIS

for the years ended December 31, 2011 and 2010

1. Basis of Presentation:

The accompanying supplemental balance sheets, statements of operations and changes in shareholders' equity as of December 31, 2011 and 2010 and for the years then ended have been prepared in accordance with accounting principles generally accepted in the United States of America as applied by the Company in its historical financial statements, adjusted for the following:

- a) *Inventories* – are valued at the lower of cost (as determined by the first-in, first-out method) or market.

Inventories stated on the basis referred to in the preceding paragraph are as follows:

	<u>2011</u>	<u>2010</u>
Raw materials	\$ 164,494	\$ 205,364
Work in process	1,087,295	1,106,984
Finished goods	<u>7,501,859</u>	<u>6,603,522</u>
	<u>\$ 8,753,648</u>	<u>\$ 7,915,870</u>

- b) The income tax effect has been provided on the increase/decrease in inventory value at the statutory federal and state tax rates.

The Company uses the LIFO (last-in, first-out) method for its historical financial statements because it better matches costs and revenues.

See independent auditor's report on supplemental information.

EXHIBIT B

EXHIBIT B

CORNWELL QUALITY TOOLS COMPANY



DFA0414

DEALER FRANCHISE AGREEMENT



DEALER FRANCHISE AGREEMENT

THIS DEALER FRANCHISE AGREEMENT ("Agreement") made this _____ day of _____, 20____, by and between THE CORNWELL QUALITY TOOLS COMPANY of Wadsworth, Ohio ("Cornwell"), and _____ of _____ Residence, _____ City, _____ State _____ Zip, and his or her spouse as active partners in the operation of the franchise (individually and/ or collectively referred to as "Dealer")

RECITALS

- A. Cornwell represents that it is a manufacturer and distributor of various tools and other items of use in the automotive repair business (the "Products").
- B. Cornwell desires to grant to the Dealer a franchise to purchase and resell the Products with primary responsibility on Dealer's part to serve the automotive aftermarket in the area defined below (the "Territory") and the Dealer desires to serve in such capacity.

In consideration of the mutual promises set forth, the Dealer and Cornwell agree as follows:

1. Cornwell grants to the Dealer the right, and the Dealer undertakes the obligation, upon the terms set forth in this Agreement, to operate a franchise selling the Products in the Territory described as follows:

See Attached Map

This Agreement shall continue until terminated, as set forth in Paragraphs 13, 14, and 16 below.

2. Cornwell agrees to sell dealer products in such quantities as Dealer requires and at such prices as Cornwell may determine from time to time.

3. Upon execution or within 30 days of this Agreement, the Dealer agrees to place an order for an initial inventory of Products from Cornwell with a total regular dealer net price of \$_____ (the "Starter Inventory"). Cornwell must approve the Starter Inventory order. Cornwell will recommend a list of Products, which would be useful for the Dealer in beginning its operation.

4. a. The Dealer agrees to pay for the Starter Inventory in either of the following ways: (1) by paying Cornwell the full amount of the regular dealer net price of the products ordered in cash upon execution of the Agreement; or (2) upon prior written approval of Cornwell, with a note.

4. b. Unless waived by Cornwell, the Dealer further agrees to deposit \$15,000, as a reserve with Cornwell, at the time payment is made for the Starter Inventory ("the Reserve"). The Dealer agrees to pay for the Reserve in either of the following ways: (1) by paying Cornwell the full amount of the Reserve in cash upon execution of the Agreement; or (2) upon prior written approval of Cornwell, included with note for the balance.

4. c. The Reserve shall be applied by Cornwell to the Dealer's open account, as a credit against the Dealer's further purchases of inventory, in a weekly amount equal to 65% of the increase in the Dealer's documented Time Payment (TP) Account balance over the previous high TP balance. The Reserve shall be maintained by Cornwell until it is exhausted or this Agreement is terminated, whichever occurs first. If the Reserve is funded with a combination of cash and notes, the cash deposited will be applied first against the further purchases of inventory. The funds remaining in the Reserve shall be refunded if paid in cash or, if borrowed, credited at the Dealer's option to the Dealer's open account or as a voluntary pre-payment under paragraph 1(c) of the Dealer's note, if the Reserve has not been used in full upon the termination of this Agreement. When the Reserve is established, it shall be credited by Cornwell with a lump-sum amount reflecting interest on the cash portion of the Reserve at the then-applicable rate for Cornwell's overnight bank sweep accounts and the assumption that the Reserve will be drawn down evenly over 13 weeks. A lump-sum amount reflecting interest for 13 weeks will be applied to the borrowed portion of the Reserve at the same rate as the Dealer's note. Any unearned interest may be recovered by Cornwell if the Reserve ends with a remaining balance.

4. d. Unless waived by Cornwell, the Dealer further agrees that the Dealer will provide verification to Cornwell, at the time payment is made for the Starter Inventory and Reserve, that as of that date the Dealer has at least an additional \$10,000 deposited in usable funds in a business checking account at a financial institution of the Dealer's choice and the Dealer further agrees that the Dealer will only use those funds for the business purposes of the dealership, which may include a reasonable draw for personal living expenses, as agreed upon by Cornwell in advance, while this Agreement is in force.

5. a. Dealer agrees to acquire and/or use in the operation of its franchise a display truck or van which has been approved by Cornwell.

5. b. Dealer agrees to purchase or lease a new portable personal computer (laptop) from HP, Toshiba, Lenovo or Samsung. Cornwell's current hardware specifications require a minimum 1.4 GHZ processor, Windows XP (wSP3), Windows 7 or 8 operating system, either Norton or MacAfee anti-virus software, minimum of 2 gigabyte of RAM memory, high speed wireless internet capability for your laptop via Broadband Access Card from a cellular network, CD-ROM Drive, either an Epson, Cannon, Brother or Lexmark printer, at least five 1 gigabyte USB back-up devices while using the MM1Plus program, a seven port USB hub that is powered by electrical current (120 volts) and any brand name cooling pad for a laptop.

5. c. Dealer agrees to obtain and maintain high speed Internet access through a subscription with an Internet service provider via Broadband Access Card from a cellular network, to be able to communicate electronically with Cornwell.

5. d. Until the "Ironman Business Network (IBN)" Software for Cornwell dealers becomes available later this year from Cornwell, Dealer agrees to acquire licensing from Classic Computer Systems for the "MM1Plus" Software for Cornwell dealers, under a Service Contract with Classic. Cornwell agrees to make available to Dealer, free of charge, a software package, *Dealer Business System*, which is compatible with Classic Computer Software.

5. e. If the "Ironman Business Network (IBN)" is available when signing this Dealer Agreement, then Dealer agrees to acquire licensing from Cornwell for the "Ironman Business Network (IBN)" Software for Cornwell dealers, under a separate License Agreement with Cornwell instead of the "MM1Plus" Software from Classic Computer Systems.

5. f. Dealer agrees to acquire licensing for upgrades and updates of the software from Classic Computer Systems as they become available, if they are not covered under Dealer's agreements with Classic Computer Systems.

5. g. Dealer agrees that Cornwell will have independent access to the information that will be generated and stored on Dealer's MM1Plus or on Dealer's "Ironman Business Network IBN" and *Dealer Business System* computer system. Dealer agrees to maintain written, weekly report summaries of Dealer's sales and then existing Total Inventory and all Accounts each week. Dealer's MM1Plus or IBN will automatically store and electronically transmit this information to Cornwell. Dealer agrees to submit data generated by the computer system, including but not limited to the weekly report summaries. Failure to supply this data is a material breach of this Agreement.

6. Dealer agrees to carry the following minimum insurance coverages: commercial business auto liability insurance with limits of \$1,000,000; general commercial liability insurance under a comprehensive general liability form that includes coverage for bodily harm, property damage, and product liability policy limits not less than \$1,000,000; and cargo insurance with all risk property coverage for full replacement value of Dealer's inventory. Dealer agrees to include Cornwell as "additional insured" on the Dealer's general commercial liability insurance. Dealer agrees to include Cornwell as "loss payee" on the Dealer's cargo insurance policy, to the extent of Cornwell's security interest in Dealer's inventory.

7. Commencing at the end of the first six months after the franchise agreement is signed, the Dealer agrees to maintain average weekly purchases from Cornwell equal to at least 80% of the national average of Cornwell franchise dealers' weekly purchases during the current calendar year. Every week, Cornwell calculates the national average franchise dealer weekly purchase amount during the current year. (Total dealer year to date purchases, divided by the number of weeks to date, then divided by the number of dealers at the end of the week prior to the current week.) Each week, Dealer agrees to maintain average weekly purchases (year to date purchases divided by the number of weeks to date) equal to 80% of Cornwell's national weekly average for franchise dealers.

8. a. Cornwell will make available to the Dealer combined formal and informal training opportunities depending on the individual requirements and background of the Dealer. This training will include a mandatory two (2) weeks in the first month in which the Dealer is in operation, during which a Cornwell District Manager will accompany Dealer on Dealer's route and train Dealer.

8. b. Before Dealer begins selling Cornwell product from Dealer's truck or van, Cornwell will provide Dealer with at least 40 hours of mandatory initial classroom training (New Dealer Training Program) near Cornwell's corporate offices in Wadsworth, Ohio. Dealer must complete the New Dealer Training Program before operating the dealership. The New Dealer Training Program will include classroom instruction on basic business procedures, computer setup, MM1Plus or IBN setup, customer relations, products warranty/repair, Cornwell CDL and Dealer Business System. Dealer must pay the cost of travel, food, lodging and any other incidental costs for the New Dealer Training Program.

9. Dealer agrees to personally participate full time in the direct operation of the Dealership. Dealer further agrees to operate only one truck in the territory described in Paragraph 1.

10. The Dealer shall display the Cornwell Trademarks ("Marks") in the location, style and manner specified by Cornwell. No other trademarks shall be used or employed by Dealer on or in connection with the Cornwell Products except as specified in writing by Cornwell. It is expressly understood and agreed that the Marks shall not be employed as, or included in, the trade name or trade style of Dealer either during the life of this Agreement or subsequently thereto.

Dealer recognizes the validity and Cornwell's exclusive ownership of the Marks. Dealer agrees that it will not do any act or thing, either directly or indirectly, that may in any way impair Cornwell's title and exclusivity. Dealer further agrees that during the continuance of this agreement, or at any time thereafter, it does not have and may not claim any right to use, any right, title, or interest in, and may not register with any Governmental authority any trademark, identical with or similar to the Marks without the prior written consent of Cornwell.

Dealer further acknowledges that nothing in this Agreement, and no use of any of the Marks under the terms of this agreement, shall create in Dealer any right, title or interest in any of the Marks. Dealer shall take such steps and execute such further documents as Cornwell may reasonably request in order to protect Cornwell's complete interest in and ownership of the Marks.

Dealer agrees to notify Cornwell immediately when it learns about an infringement of or challenge to its use of Cornwell's trademark. Cornwell will take the action it thinks appropriate. While Cornwell is not required to defend the Dealer against a claim against its use of the trademark, Cornwell will reimburse Dealer for its liability and reasonable costs in connection with defending Cornwell's trademark. To receive reimbursement, the Dealer must have notified Cornwell immediately upon learning about the infringement or challenge.

Dealer must modify or discontinue the use of a trademark if Cornwell modifies or discontinues it. In the event of such action by Cornwell, Cornwell will reimburse the Dealer for tangible costs of compliance (for example, changing decals or signs). The Dealer agrees not to directly or indirectly contest Cornwell's right to its trademarks, trade secrets or business techniques that are a part of Cornwell's business.

11. The franchise granted by this Agreement is assignable or transferable by Dealer, either voluntarily or by operation of law, only with written consent from Cornwell. Cornwell will not unreasonably withhold its consent. Dealer shall have the right to assign or transfer Dealer's assets, subject to any security interest Cornwell may have in them. Upon the death or disability of Dealer, Cornwell may authorize a succession of ownership within the Dealer's family when the proposed successor has been previously active in the Dealer's business. Cornwell reserves the right to assign or transfer its rights, duties or obligation under this agreement.

12. Cornwell guarantees that products manufactured by Cornwell ("Cornwell Hard Line") will be free of defects in material and workmanship, and that the Cornwell Hard Line products will conform to the description given them by Cornwell. If there are imperfections, any such products will be repaired or replaced without charge upon being returned to Cornwell Quality Tools Company, 635 Seville Road, Wadsworth, Ohio 44281. The Dealer agrees to extend this same warranty to the Dealer's customers.

Cornwell further extends manufacturers' warranties to its dealers on products supplied to Cornwell and re-sold to its dealers ("Cornwell Allied Line"). The Dealer agrees to extend this same warranty to the Dealer's customers.

13. In the event of default caused by the following (and except as required under applicable laws): (1) breach of promises contained in this Agreement and any other agreement between Dealer and Cornwell, including but not limited to (a) the Dealer's failure to pay as agreed for merchandise delivered by Cornwell or (b) to maintain the inventory purchase levels required in Paragraph 7 or (c) to display Cornwell's trademarks and to refrain from their misuse or (d) to supply weekly data required in Paragraph 5.g or (e) to maintain full collateralization of any promissory note and security agreement; (2) Dealer is convicted of a felony; (3) a voluntary or involuntary proceeding is instituted against Dealer in bankruptcy or other similar laws; (4) A Receiver is appointed for the assets of Dealer; or (5) Dealer makes an assignment for the benefit of Dealer's creditors, this Agreement may be declared terminated by Cornwell by notice in writing effective immediately upon receipt.

14. Dealer shall have 30 days to cure default caused by failure to pay as agreed for merchandise delivered and/or failure to maintain the inventory purchase levels required in Paragraph 7 and/or failure to maintain full collateralization of any promissory note and security agreement.

15. Cornwell may agree to waive any default, in its sole discretion. No action or failure to act on the part of Cornwell shall operate as a waiver or otherwise of the subsequent right to terminate Dealer, unless expressly so stated in writing.

16. Dealer may terminate this Agreement at any time after mailing written notice to Cornwell thirty (30) days before the effective date of such termination. In addition to its rights under Paragraph 13 above, Cornwell may terminate this Agreement at any time five years or more after the date of this Agreement, in the event that Cornwell ceases generally from the business of selling the Products in the State in which the Territory is located. Cornwell shall give at least one (1) year's notice in writing of such termination and shall not offer franchises again to sell the Products in the State for at least five (5) years thereafter.

17. Upon termination of this Agreement for any reason, or upon the death or disability of Dealer, Cornwell will purchase certain merchandise from Dealer or Dealer's estate, at the then prevailing dealer prices, less a 15% restocking charge. Only new tools and other merchandise will be approved for return. They must be in new and saleable condition, listed in the current price sheet and not to be discontinued by Cornwell. All returned product must be of current design and finish. All product returned must be in the original carton or container. Broken packs of Cornwell or Cornwell-Allied tools will not be accepted for return, if the tools are normally sold by Cornwell in factory pack quantities. The following items are not subject to return: tool boxes, socket trays, clips and rails, vinyl kit bags, air compressors, parts washers, sales administration or truck display aids, welders, battery chargers and serial numbered test equipment. All such tools must be shipped freight prepaid to Cornwell Quality Tools Company, 635 Seville Road, Wadsworth, Ohio 44281, Attn: Returns Dept. within thirty (30) days.

Upon termination, Dealer shall immediately discontinue use of the Marks and shall immediately remove all reference to the Marks by way of signs or otherwise and any terms confusingly similar from its property and Dealer shall discontinue reference to the Marks in its advertising media. It is understood and agreed by Dealer that, upon termination, all rights pertaining to the Marks shall automatically revert to Cornwell.

Cornwell will apply any or all monies to be paid for assets purchased from a terminated Dealer as may be necessary to discharge terminated Dealer's total indebtedness to Cornwell. Should there be a deficiency in the purchased assets, any balance remaining due to Cornwell will be payable immediately. The term "indebtedness" shall include both matured and unmatured obligations, and upon termination Cornwell may declare all promissory notes held or later acquired by it against Dealer immediately due and payable at any time.

18. This Agreement supersedes all agreements, written or oral, and previous and contemporaneous, to date between Dealer and Cornwell. No modification or amendment of this Agreement shall be effective unless made in writing and signed by a representative of Cornwell and Dealer.

19. Any provision of this agreement at variance with the laws of any State or Territory in which it is or becomes operative, or of the United States shall be deemed modified to conform with such laws and the remaining provisions shall remain in effect.

20. Any claim or controversy in connection with, arising out of, or relating to the Agreement between Dealer and Cornwell shall be settled by binding arbitration in accordance with the rules pertaining to commercial dispute arbitration then existing with the American Arbitration Association. Judgment upon the award rendered by the arbitrator(s) may be entered in any court having jurisdiction. Such arbitration shall take place in such locations as the parties mutually agree, and in the absence of such agreement, in Akron, Ohio. The laws applicable to the arbitration procedure shall be the laws of the State of Ohio. The award of the arbitrator(s) shall be the sole remedy between the parties regarding any claims, counterclaims, issues presented or pled to the arbitrator(s).

Cornwell reserves the right to obtain injunctive relief from the act or omission of any activity prohibited or required by this Agreement in any court having jurisdiction, when such act or omission will cause irreparable harm to Cornwell.

21. Any notice required to be given under this Agreement or service of process for the purposes of arbitration or litigation of issues arising out of it, shall be given to Cornwell at 667 Seville Road, Wadsworth, Ohio 44281 and to Dealer and Dealer's Spouse, if applicable, at the address or addresses last provided by them to Cornwell. Service on Cornwell, Dealer, or Dealer's Spouse shall conclusively be deemed to have been completed for all purposes if made by regular U.S. mail or any other usual and reliable form of delivery to the address last given. The parties will continue to have the obligation to notify one another of any change of address during and after the termination of this Agreement, if they wish to be assured of the receipt of notices and service of process, and they expressly waive any objection to notice provided or service made to the last address they have given.

22. Dealer shall give Cornwell not less than thirty (30) days' notice of the intention to do business as an entity (for example, corporation, partnership, LLC or LLP). Dealer shall not do business as an entity without Cornwell's express written consent, which shall not be unreasonably withheld. Dealer and Dealer's Spouse agree to execute any personal guarantees and other documentation that Cornwell may require as a condition of its consent for the Dealer to do business as an entity.

EXHIBIT C

EXHIBIT C

Amount of Note: [**\$50,000**]

Wadsworth, Ohio

~~2014~~

Date: _____

**CORNWELL QUALITY TOOLS COMPANY
DEALER PURCHASE ORDER, NOTE AND SECURITY AGREEMENT**

The undersigned, individually or collectively, being an authorized dealer of Cornwell Quality Tools products or (if applicable) such dealer and the spouse of such dealer as active partners in the operation of the business (individually and/or collectively referred to as "Dealer"), hereby orders and agrees to purchase from CORNWELL QUALITY TOOLS COMPANY, an Ohio Corporation ("Cornwell"), the inventory and other property listed in Schedule A attached to this agreement (the "Inventory"). This order will become binding and effective when accepted in writing by Cornwell in Ohio.

1. Promise to Pay Deferred Sales Price.

(a) The cash price for the Inventory is **\$50,000**. Dealer has chosen to pay for the Inventory over time and Dealer therefore agrees to pay to the order of Cornwell a deferred sales price of \$ _____. The deferred sales price indicated shall be payable in **260** weekly installments of \$ _____ each due on the Monday of each week commencing on _____, 20 ____ at Cornwell Quality Tools Company, 667 Seville Road, Wadsworth, Ohio 44281, or such place as Cornwell shall designate.

(b) The time-price charge is the same amount as a _____ % interest charge would be on a loan of money. If this agreement is made by a dealer and the dealer's spouse, their obligations shall be joint and several, which means that each one can be separately required by Cornwell to pay the entire indebtedness or both can be required to pay it.

(c) All payments are intended to be applied first toward unpaid accrued time-price charges and then as a reduction of the unpaid principal balance, but Cornwell reserves the right to apply such payments in such order as it may determine. This note may be voluntarily pre-paid in part or in full at any time, without penalty, and is subject to involuntary acceleration, as set forth in paragraph 9 below.

(d) If any payment is not made on or before its due date, additional time-price charges will be made at the rate of _____ % per annum and will continue to accrue on the unpaid balance as part of the Indebtedness described in paragraph 3 below. This will result in a slower principal reduction, to be deferred at Cornwell's option to increase the final scheduled payment, if it is not paid sooner and a default is not earlier declared. Conversely, payments received in advance of their due date will result in a faster principal reduction than scheduled, thus decreasing the final scheduled payment.

(e) In addition, Cornwell may impose a weekly late charge of \$10.00 each week that Dealer is three or more payments in arrears. The late charge will become an increase in the principal balance, and likewise become part of the Indebtedness, which will increase the amount of the final scheduled payment, if it is not paid sooner and a default is not earlier declared.

(f) Although it is not the present practice, or any intention of Cornwell, to sell, assign, or discount to a third-party, in whole or in part, any note, contract or other instrument executed by the Dealer, Cornwell retains the right to do so.

(g) The installments to be paid to Cornwell by the Dealer, pursuant to subparagraph (a) above, shall be paid by an ACH Debit for automatic payment, which will be automatically processed every Monday according to the schedule set forth in subparagraph 1(a) above, until the obligation is paid in full. The Dealer shall sign an irrevocable ACH Agreement authorizing Cornwell to automatically deduct the weekly payment from the Dealer's bank account until this obligation is paid in full. In the event funds are not available to complete the automatic transfer on that date, it shall be considered an event of default.

(h) A portion of the Inventory (the "Reserve Inventory"), having a cash price of \$15,000, may be selected and ordered to be shipped at the Dealer's discretion within the first 13 weeks after the date of this note. Cornwell and the Dealer acknowledge that under the terms of the Dealer Franchise Agreement, the purchase of the Reserve Inventory is also funded by this note.

(i) In the event orders for the Reserve Inventory in the amount of \$15,000 have not been placed by the Dealer by the end of the 13 weeks, a credit for any remaining funds in the Reserve that are proceeds of this note will be given, at the Dealer's option, against this note or against the Dealer's open account with Cornwell. Any credit against this note will be considered a voluntary pre-payment by the Dealer under subparagraph 1(c) above.

2. Title and Shipping. The Inventory will be sent by Cornwell to the address designated by the Dealer. Title will pass to Dealer when the Inventory leaves the Cornwell Distribution Center, but costs of shipping and insurance during shipping are included in the prices quoted above and will be paid by Cornwell.

3. Security Interest.

(a) Security Interest and Warranty of Clear Title. This security interest is intended to extend broadly, to make all of Dealer's personal property available to cover any amounts the Dealer may owe Cornwell for the purchase of Inventory, now or in the future and the other amounts described below in the definition of Indebtedness. Without limitation, the security interest specifically includes Dealer's entire inventory ("Total Inventory"), whenever acquired, and all of Dealer's accounts receivable ("Accounts"), whenever created.

In order to secure the payment of any and all of Dealer's indebtedness, obligations and liabilities owing to Cornwell and the performance by the Dealer of any or all of Dealer's covenants and warranties contained in any agreement in favor of Cornwell, whether currently existing or arising in the future, contingent or absolute, whether contained in this agreement, the Dealer Agreement, or in any other agreement; all costs and expenses incurred in the collection of such obligations and/or indebtedness; and for all taxes levied, insurance and repairs to or maintenance of any collateral (collectively, the "Indebtedness"), Dealer hereby grants to Cornwell a security interest in the following described property, hereinafter referred to as the "Collateral":

Description of Collateral

All accounts, accounts receivable, contract rights, chattel paper, general intangibles, instruments, documents, policies and certificates of insurance, all goods, inventory and equipment (such terms having the meaning assigned to them in the Uniform Commercial Code as adopted in Ohio), together with all attachments, and accessories, and all proceeds from insurance, including but not limited to Total Inventory, whether now existing or hereafter arising, now owned or hereafter acquired, due or to become due, including proceeds and products and Dealer's records of such property.

Dealer warrants that Dealer owns good and marketable title to the Collateral, or will own such title upon sale of the Inventory, free and clear of any and all liens, interests and encumbrances, except as set forth below, that Dealer will not permit any lien, security interest or encumbrance (other than the security interest created hereby) to attach to the Collateral and, except for sales of inventory in the normal course of business, that Dealer will not sell, exchange, lease or otherwise dispose of or transfer any interest in the Collateral.

(b) Dealer's Records. Dealer shall maintain at Dealer's place of business accurate and up-to-date records pertaining to the Total Inventory, the Collateral and the Accounts. Cornwell shall have a special property interest in all of Dealer's records pertaining to the Total Inventory, the Collateral and the Accounts, and Cornwell's agents, representatives and employees shall have the right to inspect them at any reasonable time or times. At the request of Cornwell, if any part of the Indebtedness is in default, Dealer agrees to stamp, in form and manner satisfactory to Cornwell, its records pertaining to the Accounts with an appropriate reference to the security interest created herein, and/or to deliver and turn over any and all such records to the Cornwell.

(c) Financing Statements. Dealer shall execute and immediately deliver to Cornwell with this Order, Note and Security Agreement, or upon demand, such financing statements or other appropriate documentation as may be requested by Cornwell now or hereafter, to evidence and to perfect the security interest created herein.

(d) Good Condition. Until all the Indebtedness is paid in full, Dealer shall keep the Total Inventory in good condition and repair and shall properly maintain it and keep it stored in a safe place, at the Dealer's business address or any other location approved by Cornwell. If the truck or other vehicle where Dealer will keep any or all of the Total Inventory is currently encumbered by a security interest or lease, the name of the secured party or lessor is _____ whose address is _____.

If Dealer's vehicle subsequently becomes encumbered or subject to a lease before all the Indebtedness is paid in full, Dealer agrees to immediately notify Cornwell of the name and address of such other secured party or lessor. Cornwell reserves the right to notify such secured party or lessor of the existence of the security interest created by this agreement and to require the removal of the Total Inventory from the vehicle, in the event the vehicle is repossessed.

4. Insurance.

(a) Dealer shall provide that the Collateral is continuously insured with the following minimum insurance coverages: commercial business auto liability insurance with limits of One Million Dollars (\$1,000,000); general commercial liability insurance under a comprehensive general liability form that includes coverage of bodily harm, property damage, and product liability with policy limits not less than One Million Dollars (\$1,000,000); and cargo insurance with all risk property coverage for full replacement value of Dealer's inventory. Such insurance shall be so written and endorsed as to make losses, if any, payable to Cornwell in addition to the Dealer, as their respective interest may appear. Each policy of insurance shall be written so as to be not subject to cancellation or substantial modification without at least thirty (30) days' written notice to Cornwell. Dealer shall deposit with Cornwell certificates or other evidence satisfactory to Cornwell that the required insurance has been obtained and is in full force and effect and, prior to the expiration of any such insurance, Dealer shall furnish Cornwell with evidence satisfactory to Cornwell that such insurance has been renewed or replaced. Contemporaneous with the execution of this agreement, and from time to time thereafter upon request by Cornwell, Dealer shall provide Cornwell with a Certificate of Insurance evidencing that Dealer has complied with the foregoing requirements of this Agreement.

(b) All amounts received by Cornwell in payment of insurance losses may, at Cornwell's option, be applied in satisfaction of Dealer's Indebtedness to Cornwell or all or any part thereof may be used for the purpose of repairing, replacing, or restoring the Collateral.

(c) Dealer will at all times have and maintain public liability insurance covering such risks and in such amounts and issued by such companies as are acceptable to Cornwell.

(d) Dealer assigns to Cornwell all rights to the proceeds of any insurance not exceeding unpaid balances and hereby directs the insurance carrier and its agents to pay all proceeds directly to Cornwell, authorizes Cornwell to endorse any draft for and on behalf of Dealer as its attorney-in-fact, coupled with an interest, and further authorizes Cornwell to make adjustments of all insurance losses, sign all applications, receipts, releases and other papers necessary and to make settlements.

(e) Note to Dealer: DEALER IS REQUIRED TO SUBMIT AN INSURANCE AUTHORIZATION FORM. PLEASE FILL IN THE APPROPRIATE BLANKS ON THE FORM WITH THE NAME AND ADDRESS OF THE INSURANCE COMPANY WHICH WILL INSURE THE TOTAL INVENTORY AND ENCLOSE THE FORM WHEN YOU RETURN THIS AGREEMENT TO CORNWELL QUALITY TOOLS COMPANY.

(f) Collection of Accounts: With respect to the Accounts and in addition to and not in limitation of any of the rights provided to Cornwell elsewhere in this agreement or by law, Cornwell may upon the occurrence of any of the events described in Paragraph 8 below or at any time thereafter (such event not having previously been cured or waived), at its option, without prior demand or notice to Dealer, and without resort to legal process or judicial hearing, order or authorization, notify the persons liable for the payment of the Accounts of Cornwell's security interest and direct such persons to make payments directly to Cornwell, and, at Cornwell's request, all bills and statements sent by Dealer to the persons liable for the payment of the Accounts shall state that the Accounts have been assigned to, and are solely payable to Cornwell, and at Cornwell's request, Dealer shall direct the persons liable for the payment of the Accounts to pay directly to Cornwell any sums due or to become due on account thereof.

The Dealer hereby irrevocably appoints Cornwell as its true and lawful attorney-in-fact, coupled with an interest, with full power to send the notices described above, to take possession of and endorse in the name of Dealer any instruments or documents received in payment of all or part of the Accounts, to collect, sue for and give a quittances for monies due on the Accounts, and to withdraw any claims, suits or proceedings pertinent thereto, or arising out of the assignment of the Accounts.

In pursuance of the rights granted hereunder, Cornwell may extend the time for payment of, compromise or settle for cash, credit or otherwise, and upon any terms and conditions, any of the Accounts and thereby discharge the person or persons liable for the payment thereof, without affecting the obligations of Dealer to Cornwell (except to the extent that the Indebtedness shall be reduced by the amount of any sums received by Cornwell).

5. Financial Condition. Upon request by Cornwell, Dealer agrees to furnish Cornwell within reasonable time accurate and up-to-date information concerning any aspect of Dealer's financial condition.

6. Verification of Sales and Inventory. Dealer will maintain written, weekly summaries of its sales and then existing Total Inventory and all Accounts in a form acceptable to Cornwell and Dealer shall each week furnish MM1 or IBN Weekly Report Summary to Cornwell's District Sales Manager, Cornwell's Credit Department and as Cornwell may otherwise direct. Dealer will also allow, upon request and reasonable notice, Cornwell's authorized representative to inspect Dealer's Total Inventory at any time.

7. Repurchase of Inventory. If Dealer ceases for any reason to be an authorized dealer of Cornwell's products, Cornwell will repurchase from Dealer that portion of the Total Inventory which Cornwell is required to repurchase, if any, in accordance with the terms set forth in the Dealer Franchise Agreement between Cornwell and the Dealer, the terms of which are expressly incorporated herein. If any of the Indebtedness is unpaid at the time of such repurchase, Cornwell will credit against the Indebtedness the net amounts from such repurchase, as determined in accordance with the terms set forth in the Dealer Franchise Agreement.

8. Default. The Dealer shall be in default upon the happening of any of the following events or conditions:

(a) The failure of Dealer to make payment or performance of any of the Dealer's indebtedness to Cornwell, as described in paragraph 3 above, including but not limited to those arising from the sale of inventory described in this Agreement.

(b) If the Dealer defaults under the Dealer Franchise Agreement or any other agreement or contract between the Dealer and Cornwell, including but not limited to paragraph 5 or the obligation to furnish MM1 or IBN Report Summaries as contained in Paragraph 6 above, or upon the termination of any such agreement.

(c) The failure of the Dealer to have this note and security agreement fully collateralized at all times. Until the Indebtedness is paid in full, Dealer shall own and maintain in Dealer's truck or other vehicle inventory purchased from Cornwell in an amount not less than the lesser of Thirty Five Thousand Dollars (\$35,000) or the outstanding balance of this note, including principal, interest and any costs and expenses.

Upon default, all obligations of the Dealer at once become due and payable without any notice or demand, notice and demand having been expressly waived. Payments made shall first be applied to the payment of the interest that accrued and then to the principal amount, which remains unpaid.

9. Acceleration. Upon the happening of any of the following events or conditions:

(a) Default by Dealer in the payment or the performance of any of Dealer's Indebtedness to Cornwell, as described in paragraphs 3, 5, or 6 above, including but not limited to those arising from the sale of inventory described in this agreement;

(b) Loss, theft, destruction, encumbrance, levy against, seizure or attachment of or to any of the Collateral, or any sale of all or any part of the Collateral other than in the regular course of Dealer's business;

(c) Any warranty, representation, financial statement or other information made or furnished to Cornwell by or on behalf of Dealer proves to have been or to have become false in any material respect;

(d) Death, impairment, termination of existence, insolvency, business failure, appointment of a trustee or receiver of any part of the property of, assignment for the benefit of creditors of or the commencement of any proceedings under bankruptcy or any other state or federal law for the relief of debtors by or against Dealer, or any surety for Dealer;

(e) Dealer's ceasing for any reason to be an authorized dealer of Cornwell's products;

(f) A judgment for the payment of any sum of money against Dealer, which shall remain undischarged for a period of 45 days during which time execution shall not be effectively stayed; or

(g) Cornwell deems itself insecure, in good faith believing that the prospect of payment of any of the Indebtedness or the performance of any other obligation of Dealer is impaired.

Cornwell may, at its option, without notice or demand, declare due and payable, and, in addition to other rights and remedies upon default under applicable law, collect the full amount of the Indebtedness or any portion thereof, as calculated below, and will have the further right, without notice or demand, to repossess the Collateral, to enter peacefully upon any premises where the Collateral is located in order to repossess it and to exercise all other rights allowed by law. Without limiting the above, Cornwell shall have all of the rights and remedies of a secured creditor under the Uniform Commercial Code as adopted in Ohio.

Dealer agrees upon the request of Cornwell to assemble the Collateral and to make it available at any place designated by Cornwell. Dealer hereby expressly waives the entitlement, if any, to a judicial hearing prior to the exercise of Cornwell's right of repossession, which right is exercisable by Cornwell on its own behalf or through resort to appropriate judicial process. After repossession, Cornwell will provide at least 10 days prior written notice to Dealer at Dealer's Business Address of the time and place of any public sale or the time after which any private sale or repurchase pursuant to the Dealer Agreement will be made of the Collateral, and Dealer agrees that such 10-day period is reasonable. Dealer further agrees that repurchase of the Total Inventory, or any part thereof, pursuant to the terms of the Dealer Agreement shall constitute a commercially reasonable disposition thereof. The proceeds of any disposition of the Collateral may be applied to the Indebtedness as Cornwell may elect.

Upon Voluntary prepayment in full or upon acceleration as set forth herein, the amount of the Indebtedness will be calculated as follows: total (1) the cash price of each time-deferred sale, less the amounts from previous payments which have been applied to principal; plus (2) time-price charges and late charges on unpaid balances; plus (3) all other outstanding Indebtedness, as defined in paragraph 3 above; plus (4) additional time-price charges of _____ % per annum (or the highest rate allowed by law, whichever is less) on the total of the first three components above, until paid in full. Cornwell expressly states its intention not to collect any amount in excess of that permitted by law and the Indebtedness shall be reduced accordingly, as may be required.

10. PARTIAL WAIVER OF DEALER'S REMEDIES. DEALER HEREBY EXPRESSLY AGREES THAT, WITH REGARD TO THE INVENTORY DELIVERED UNDER THIS AGREEMENT, DEALER'S REMEDIES UNDER THIS AGREEMENT (INCLUDING WITHOUT LIMITATION, REMEDIES BY WAY OF DEFENSE, COUNTERCLAIM, RECOUPMENT AND SET-OFF) ARE EXCLUSIVELY LIMITED TO ANY WARRANTIES EXPRESSLY GIVEN IN WRITING. WARRANTIES OF MERCHANTABILITY, AND OF FITNESS FOR A PARTICULAR PURPOSE ARE EXPRESSLY DISCLAIMED.

11. LIMITATION OF DAMAGES. DEALER HEREBY ALSO EXPRESSLY AGREES THAT DEALER'S DAMAGES FOR CORNWELL'S BREACH OF THE FOREGOING EXCLUSIVE WARRANTIES ARE LIMITED TO THE ENFORCEMENT OF SECTION 7 OF THIS AGREEMENT AND REPLACEMENT OR RECOVERY OF AMOUNTS PAID BY DEALER TO CORNWELL FOR DEFECTIVE PRODUCTS, AS APPLICABLE, AND THAT CORNWELL SHALL NOT BE LIABLE FOR ANY CONSEQUENTIAL OR INCIDENTAL DAMAGES.

12. Collection Costs. Dealer shall reimburse Cornwell for all costs of collection of the Indebtedness or any portion thereof, including, without limiting the generality of the foregoing, expenses of, and charges for, the repossession and holding of the Collateral for sale and any preparations for such sale, court costs and reasonable attorneys' fees. Cornwell expressly states its intention not to collect any amount in excess of that permitted by law and the costs of collection shall be reduced accordingly, as may be required.

13. Taxes and Assessments. Dealer will pay promptly when due all taxes and assessments upon the Collateral or for its use or operation or upon this agreement or upon any papers evidencing the obligations between the parties and at its option, Cornwell may discharge taxes, liens or other encumbrances at any time levied or placed on the Collateral, pay for the maintenance and preservation of the Collateral and taxes, assessments and insurance on the Collateral should Dealer fail to do so, and Dealer agrees to reimburse Cornwell on demand for any payments so made until such reimbursement, the amount so paid by Cornwell shall be added to the Indebtedness.

14. Application of Amounts Received. All amounts received by Cornwell from Dealer may be applied by Cornwell to the Indebtedness in such order and to principal or to time-price charges, as Cornwell may determine. Dealer authorizes Cornwell at any time, without notice, to appropriate and to apply any Collateral in Cornwell's possession, custody or control towards the payment of the Indebtedness. Dealer waives presentment, demand, notice, acceptance, performance, default, enforcement, exoneration and reimbursement, assents to any acceleration, extension, modification, waiver or postponement or to any other indulgence, to any addition, substitution, exchange or release of the Collateral to the addition or release of any other party or person primarily or secondarily liable, to the settlement, compromise or adjustment of the Indebtedness and/or to the application of any Collateral against the Indebtedness and in any order.

15. Miscellaneous.

(a) This agreement shall continue until such time as there is no outstanding Indebtedness and there are no other agreements in effect between Dealer and Cornwell.

(b) This agreement shall be deemed to have been made in Ohio and shall be governed by Ohio law, and shall be binding upon and inure to the benefit of the parties, their executors, administrators, personal representatives, heirs, successors, and assigns as the case may be.

(c) Any claim or controversy in connection with, arising out of, or relating to this agreement between Dealer and Cornwell shall be settled by binding arbitration in accordance with the rules pertaining to commercial dispute arbitration then existing with the American Arbitration Association. Judgment upon the award rendered by the arbitrator(s) may be entered in any court having jurisdiction. Such arbitration shall take place in such locations as the parties mutually agree, and in the absence of such agreement, in Akron, Ohio. The laws applicable to the arbitration procedure shall be the laws of the State of Ohio. The award of the arbitrator(s) shall be the sole remedy between the parties regarding any claims, counterclaims, issues presented or pled to the arbitrator(s).

Cornwell reserves the right to obtain injunctive relief from the act or omission of any activity prohibited or required by this agreement in any court having jurisdiction, when such act or omission will cause irreparable harm to Cornwell.

(d) In the event that this agreement, or any part of it is found to be governed by the law of any other state and/or to be unenforceable, any part found to be unenforceable shall be severed and the agreement given effect according to the intent of the parties, to the fullest extent permitted by law.

(e) This agreement may only be modified by a writing, signed by all of the parties hereto and shall not be effective until accepted by Cornwell in Ohio.

16. Notice and Service of Process. Any notice required to be given under this Order, Note and Security Agreement, or service of process for the purposes of arbitration or litigation of issues arising out of it, shall be given to Cornwell at 667 Seville Road, Wadsworth, Ohio 44281 and to Dealer and Dealer's Spouse, if applicable, at the address or addresses last provided by them to Cornwell. Service on Cornwell, Dealer, or Dealer's Spouse shall conclusively be deemed to have been completed for all purposes if made by regular U.S. mail or any other usual and reliable form of delivery to the address last given. The parties will continue to have the obligation to notify one another of any change of address during and after the termination of this Order, Note and Security Agreement, if they wish to be assured of the receipt of notices and service of process, and they expressly waive any objection to notice provided or service made to the last address they have given.

EXHIBIT D



**CORNWELL TECH-CREDIT FINANCE PLAN
Dealer Credit Assignment Agreement**

THIS AGREEMENT is made this day _____ of _____, _____, between Cornwell Tech-Credit ("Assignee"), a division of Cornwell Quality Tools Company ("Cornwell"), and _____ ("Dealer") and _____ ("Dealer's Spouse"), collectively "Dealer", if applicable, and provides as follows:

WHEREAS, Dealer is a franchised independent Cornwell Dealer engaging in the sale of Cornwell's automotive tools, equipment and other products ("Equipment") to the professional mechanic and technician, pursuant to a Dealer Franchise Agreement ("Franchise Agreement"); and

WHEREAS, the Assignee is willing to provide financing for the sale of certain Equipment by Dealer to Dealer's credit-worthy customers, provided Dealer complies with the Terms and Conditions contained within this Dealer Credit Assignment Agreement ("this Agreement").

NOW, the parties agree to the following:

1. If Dealer wishes Assignee to finance a purchase of Equipment by one of Dealer's customers ("Borrowers"), Dealer will submit to Assignee such documents as Assignee may request relating to the proposed sale ("Application Documents"). The Application Documents will include without limitation a Master Contract & Security Agreement and Cornwell Tech-Credit Sale Slip in substantially the form included in the Tech-Credit Operation Manual. Assignee shall have the sole discretion to determine whether or not to finance any purchase and nothing herein shall be construed as obligating Assignee to finance any purchase.
2. Assignee shall communicate its decision to Dealer concerning the request to finance within a reasonable time. Dealer shall then obtain and execute such further documentation as Assignee shall require completing the transaction. Without limitation, such documentation shall provide for the assignment to Assignee of the right to collection of the net amount payable from Borrower to Dealer, representing the time purchase balance due for the purchase of the Equipment ("Obligation").

3. The amount to be credited to the Dealer's Cornwell account by Assignee with respect to the purchase being financed will be subject to a discount as determined by Assignee in its sole discretion, which shall be communicated to Dealer at the time of the approval of the transaction.
4. The amount to be credited will be calculated as a discount from the net cash price charged by Dealer to Borrower (principal amount of new sale net of any trade-in, down payment and sales tax charge). Criteria for determining the discount will be disclosed in the Cornwell Tech-Credit Operation Manual ("Manual") for Dealer's information, but such criteria shall be solely for Assignee's internal use and shall not affect Assignee's discretion to determine the discount offered with respect to any particular transaction. Within 24 hours of acceptance of the document evidencing Borrower's obligation to pay Dealer, with Dealer's executed assignment, the Assignee will credit Dealer's open account with Cornwell and Cornwell will send a confirming document to Dealer.
5. The Dealer shall at all times comply with the policies and procedures that are outlined in the Manual, which shall be considered a part of this Agreement. The policies and procedures may from time to time be modified by the Assignee in its sole discretion, except that the Dealer will be notified at least thirty (30) days in advance of any change in the Manual.
6. The Dealer will act as the primary collecting agent of Assignee. The Dealer will collect payments as requested by Assignee from any person indebted on its Obligation to Assignee who is employed or has a place of business within the Dealer's territory, regardless of whether the Dealer has sold Equipment to the Borrower or not. The Dealer will remit all monies to Assignee promptly upon collecting them and in any case not longer than ten (10) days from when they are collected. For administrative ease, Assignee will supply the Dealer a report that the Dealer can use to summarize the collections for each customer.
7. Dealer agrees to repossess Equipment located in Dealer's territory for Assignee's benefit, upon Assignee's request, at Dealer's sole cost and expense, unless Assignee gives its prior written consent to Dealer that it will pay some or all of the cost and expense. Further, the Dealer agrees to purchase Equipment from the Assignee at fair market value (to be agreed upon by the district manager and the Dealer), less a discount of thirty percent (30%) or such other discount as may be established by Assignee from time to time and set forth in the Manual.
8. Dealer agrees to abide by all laws of the jurisdictions in which Dealer is operating the dealership and all provisions of Dealer's agreements with Cornwell. This includes, but is not limited to, never breaching the peace when attempting repossession, never violating the stay when a customer is under the protection of the bankruptcy laws, and never harassing, threatening, assaulting or intimidating

- a Borrower. The Dealer agrees to always act in a professional and business-like manner.
9. Dealer agrees that upon termination of this Agreement by Cornwell, Dealer will accept the reassignment by Assignee to Dealer of all Borrower Obligations previously purchased during the sixty (60) day period immediately prior to termination of this Agreement, except those Obligations which Assignee agrees in writing to retain. Notwithstanding the preceding provision, Dealer agrees that upon termination of this Agreement because Dealer terminates Dealer's Franchise Agreement or this Agreement, Dealer will accept the reassignment by Assignee to Dealer of all Borrower Obligations previously purchased during the ninety (90) day period immediately prior to Dealer's giving notice of termination of the Franchise Agreement or of this Agreement, whichever is earlier, except those Obligations which Assignee agrees in writing to retain. Dealer agrees to accept such assignment without recourse, setoff or deduction and authorizes Assignee to debit Dealer's open account with Cornwell in the amount equal to the amounts due on the reassigned Obligations.
 10. Dealer agrees upon notice of the termination of the Franchise Agreement with Cornwell, whether such notice is given by Dealer or Cornwell, Dealer will provide all reasonable assistance to Assignee in arranging for the orderly collection thereafter by Assignee of Obligations not being reassigned to Dealer under the provisions of subparagraph 8 above. Such assistance shall include but not be limited to the verification of outstanding balances on Dealer's Borrower Obligations prior to the settlement of all Dealer's own accounts with Cornwell (i.e. DSA, open account).
 11. Assignee's acceptance of Obligations shall be subject to the following terms and conditions:
 - a. If any documents submitted or assigned to Assignee pursuant to this Agreement are later reasonably claimed by Assignee to be, in whole or part, altered, modified, forged or not genuine, accurate or in compliance with the Terms and Conditions of this Agreement in any respect, the Obligations evidenced by such documents shall be immediately reassigned by Assignee to Dealer. Dealer hereby agrees to accept such reassignment, without recourse, setoff or deduction of any kind and agrees to pay Cornwell the full amount to the Borrower's balance that is outstanding at all times of the reassignment. Dealer agrees that Assignee may charge Dealer's open account with Cornwell in the amount of such balance and that Assignee may pursue any other available remedy at law or in equity to recover such balance, with interest at the rate provided in the Obligation documents to have been paid by Borrower and Assignee's reasonable costs of collection.

- b. Upon failure of the Dealer to collect payments or to remit payments or other funds within ten (10) days of collection, as required in paragraph 6 above, Dealer authorizes Assignee and Cornwell to charge Dealer's open account with Cornwell in the amount equal to the amount not collected or collected but not remitted and to pursue any other available remedy at law or in equity to recover such amount not collected or collected but not remitted, with interest at the highest rate allowed by law and Assignee's reasonable costs of collection.
 - c. Assignee reserves the right to require that Dealer obtain and perfect a security interest in any Equipment sold to a Borrower, as a condition of acceptance of the assignment of Borrower's Obligation. In the event such a security interest is created, Dealer agrees to assign such interest in full to Assignee and Dealer shall not release any such security interest, without prior written consent of the Assignee. Further, Dealer shall not release or substitute any Equipment described in the documents without the prior written consent of the Assignee. Any of these actions by the Dealer may result in the reassignment of the Obligation to Dealer and the exercise of Assignee's rights described above in connection with such reassignment, as well as any other remedies provided for in this Agreement or available to Assignee or Cornwell at law or in equity.
 - d. Assignee reserves the right to suspend the Dealer, either temporarily or permanently, from using the Cornwell Tech-Credit Financing Plan, if Dealer violates any of the terms and provisions of this Agreement, or Dealer's Franchise Agreement with Cornwell or the Manual. At Assignee's sole option, Assignee may notify Dealer of the violations which have occurred and give the Dealer the opportunity to cure the violations according to a schedule established by Assignee. Assignee may establish collection and charge off maximums for all Dealers, which shall be provided for the information of Dealers in the Manual. If Dealer exceeds the average charge offs / delinquency maximums, Assignee may suspend the Dealer from using the Plan, either temporarily or permanently. At Assignee's sole option, Assignee may notify Dealer that Assignee intends to suspend Dealer from participation in the Plan pursuant to the provisions of this paragraph and to give Dealer the opportunity to improve collections and charge offs according to a schedule established by Assignee.
12. Dealer hereby agrees that the following warranties and representations shall apply to every purchase from Dealer financed by Assignee, without further documentation. Dealer shall indemnify Assignee against any loss arising from a breach of any of the warranties or inaccuracy of any of the representations.
- a. The Obligations not have been offered previously to any other financial institution or other entity for purchase or as collateral against advances.

- b. All Application Documents and other Obligation documentation executed by Borrower and Dealer shall be genuine, valid and complete, and Dealer and Borrower shall have signed such documentation in good faith, with the legal capacity to do so and not in contravention of any law, judgment, ruling, undertaking or other prohibition which would cause Borrower or Dealer not to be obligated according to the stated terms of the documentation, or to be unable legally to perform the obligations created by the documentation.
- c. Borrower shall be the same individual as the person represented on the Application Documents and other Obligation documentation and shall have signed the Master Contract & Security Agreement.
- d. Each CTC Sale Slip and other item of Obligation documentation shall accurately and completely evidence a bona fide sale transaction according to its terms. Without limitation, this shall mean that all Equipment described shall have been delivered and the Sale Slip completed accurately prior to its being signed by Borrower. The individual signing the Sale Slip and other documentation shall have been the same person who has signed the Master Contract & Security Agreement.
- e. There shall be no other agreement, oral or written, between the Dealer and Borrower, which would impair the obligations evidenced by the documents being submitted.
- f. The Dealer will not change or modify the terms of any of the documents without the prior written consent of the Assignee.
- g. The sale of the Equipment to be financed shall only be for commercial use by the Borrower, to be used by the Borrower primarily in the Borrower's trade or occupation. The Equipment shall not be intended for personal, family or household use.
- h. All Equipment sold by the Dealer through financing by Assignee shall have been purchased from Cornwell. No other product from sources other than Cornwell may be financed on the Cornwell Tech-Credit Finance Plan, without prior written consent from Assignee.
- i. The Dealer shall have timely paid any taxes (including but not limited to sales tax) that Dealer's jurisdiction may require pertaining to the transaction.
- j. Dealer shall have complied in all respects with every requirement of law and with all agreements between Dealer and Cornwell and Dealer and Assignee with respect to the transaction.

13. Notwithstanding any other provisions of this Agreement and in addition to any other rights of suspension or termination, which are described, Dealer, Assignee or Cornwell may terminate this Agreement at any time upon thirty (30) days written notice, with or without cause. Unless otherwise provided in this Agreement, such termination shall not affect the respective rights and obligations of the parties as to the Obligations acquired by Assignee from Dealer, including but not limited to Assignee's right to reassign Obligations to Dealer prior to termination and Dealer's indemnification of Assignee, which rights and obligations shall survive following termination.
14. This Agreement contains the entire understanding of the parties with respect to the provision of financing by Assignee and shall only be amended or modified in writing and signed by both parties. None of the provisions of this Agreement shall be deemed in any way to limit such rights as the parties may have by statute or at law or in equity against one another, and any such remedies provided for in this Agreement shall be in addition to and not exclusive of any other remedy available by statute or under principles of common law or equity and such remedies may be exercised by the party(s) consecutively or concurrently and such exercises shall not be deemed to waive any other rights or remedies which may be available to a party.
15. This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective heirs, successors and assigns, provided however, the Agreement shall not be assigned by the Dealer without prior written consent of the Assignee.
16. This Agreement shall be governed by and construed in accordance with the laws of the State of Ohio.
17. Any provision of this agreement at variance with the laws of any State or Territory in which it is or becomes operative, or of the United States shall be deemed modified to conform with such laws and the remaining provisions shall remain in effect.
18. Any claim or controversy in connection with, arising out of, or relating to the Agreement between Dealer and Assignee or Cornwell shall be settled by binding arbitration in accordance with the rules pertaining to commercial dispute arbitration then existing with the American Arbitration Association. Judgment upon the award rendered by the arbitrator(s) may be entered in any court having jurisdiction. Such arbitration shall take place in such locations as the parties mutually agree, and in the absence of such agreement, in Akron, Ohio. The laws applicable to the arbitration procedure shall be the laws of the State of Ohio. The award of the arbitrator(s) shall be the sole remedy between the parties regarding any claims, counterclaims, issues presented or pled to the arbitrator(s).

Cornwell and Assignee reserve the right to obtain injunctive relief from the act or omission of any activity prohibited or required by this Agreement in any court having jurisdiction, when such act or omission will cause irreparable harm to Cornwell or Assignee.

19. Any notice required to be given under this Agreement or service of process for the purposes of arbitration or litigation of issues arising out of it, shall be given to Assignee at 667 Seville Road, Wadsworth, Ohio 44281 and to Dealer and Dealer's Spouse, if applicable, at the address or addresses last provided by them to Cornwell. Service on Cornwell, Assignee, Dealer, or Dealer's Spouse shall conclusively be deemed to have been completed for all purposes if made by regular U.S. mail or any other usual and reliable form of delivery to the address last given. The parties will continue to have the obligation to notify one another of any change of address during and after the termination of this Agreement, if they wish to be assured of the receipt of notices and service of process, and they expressly waive any objection to notice provided or service made to the last address they have given.

EXHIBIT E

EXHIBIT E

April 1, 2014
Supersedes: April 1, 2013

CORNWELL QUALITY TOOLS COMPANY

**AUTHORIZATION AGREEMENT FOR
AUTOMATIC PAYMENT (ACH DEBITS)**

I hereby authorize Cornwell Quality Tools Company to initiate debit entries and to initiate, if necessary, credit entries and adjustments for any debit in error to my (our) account or accounts listed below:

Financial Institution Information

Institution Name	Transit/ABA Number*	Account Number	Type of Account
			<input type="checkbox"/> Checking <input type="checkbox"/> Savings
			<input type="checkbox"/> Checking <input type="checkbox"/> Savings
			<input type="checkbox"/> Checking <input type="checkbox"/> Savings

The authority is to remain in full force until Cornwell Quality Tools Company has received written notification from me (us) of its termination in such time and such manner as to afford Cornwell Quality Tools Company and the Financial Institution(s) a reasonable opportunity to act on it.

Print Full Name Listed on Account: _____

Name of Business Entity

Signature

Date

Signature

Date

Attach
Voided
Check
Here

***Notes on Transit/ABA Numbers**

*Provide the nine-digit number that appears on the bottom of a check. Attach a voided check to verify the accuracy of this important number.

*This number is not valid if the first number is 4, 5, 6, 7, 8 or 9.

*Financial Institutions must be a receiving Institution of the Federal Reserve.

*If the financial institution is a Credit Union, transit and ABA number 0219-0947-8 is not valid for Direct debit and credit activity. You must get transit and ABA number from the Credit Union.

EXHIBIT F

EXHIBIT F



DEALER CREDIT ACCOUNT PROGRAM AUTHORIZATION

This authorization is given on this _____ day of _____, 20____
by _____, a Cornwell Dealer ("Dealer"), to Cornwell
Quality Tools Company Co. ("Cornwell").

RECITALS

A. Cornwell is a manufacturer and distributor of various tools and other items of use in the automotive repair business.

B. Dealer is a franchised independent Cornwell Dealer engaged in the sale of Cornwell's automotive tools, equipment and other products to the professional mechanic and technician, pursuant to a Dealer Franchise Agreement.

In consideration of the mutual promises set forth, the Dealer and Cornwell agree as follows:

1. Cornwell will provide Dealer with an account within the Dealer Credit Account Program ("DCA") for Dealer to accumulate broken tool credits and/or incentive credits throughout the year.
2. Funds can be used at any time throughout the year. Any unused funds on April 1st of each year will automatically be credited to dealer's open account. The process then automatically restarts.
3. Interest will be accumulated on a weekly basis at a nominal rate, which will be determined every 90 days.
4. Dealer agrees that Cornwell may, in its absolute discretion, apply credits toward Dealer's open account if the same becomes past due for more than thirty (30) days.
5. Accumulated credits are not transferable to other Cornwell Dealers.
6. Accumulated funds shall not be refunded with cash if the same are not used for Cornwell purchases or applied to Dealer's open account. In the event that Dealer's Franchise is terminated, voluntary or otherwise, all accumulated credits shall be applied to any indebtedness owed on Dealer's open account.

7. Cornwell or Dealer may terminate this Agreement and the DCA at any time after mailing written notice to the other, thirty (30) days before the effective date of such termination. This authorization in no way modifies any of the terms or conditions of Dealer's Dealer Franchise Agreement and/or Dealer Purchase Order, Note And Security Agreement. All provisions of those written agreements remain in full force and effect.

Dealer elects the following options for the DCA:

- Broken Tool Credits to DCA (Only)
- Incentive Credits only to DCA (Only)
- Both Broken Tool Credits and Incentive Credits to DCA
- Neither Broken Tool Credits or Incentive Credits to DCA

(Name of Business Entity)

Dated: _____

(Dealer Signature)

(Print Dealer Name) (Dealer Code)

EXHIBIT G

EXHIBIT G
ADDENDUM – NOTES TO ITEM 17

NOTE 1 You may be terminated by Cornwell because of default caused by the following: (1) breach of promises contained in the Agreement, including but not limited to your failure to promptly pay for merchandise delivered by Cornwell or to maintain the inventory purchase levels described in Item 8, to display Cornwell's trademarks and to refrain from their misuse, to supply weekly data required described in Item 11, Note 5; (2) a voluntary or involuntary proceeding is instituted against you in bankruptcy or other similar laws (this provision may not be enforceable under federal bankruptcy law (11 U.S.C Section 101 et seq.); (3) a Receiver is appointed for your assets; (4) you make an assignment for the benefit of your creditors; or (5) you are convicted of a felony. You have thirty days to cure default caused by nonpayment for merchandise and failure to maintain inventory purchase levels. No action or failure to act on the part of Cornwell shall operate as a waiver or otherwise of the subsequent right to terminate you, unless expressly so stated in writing.

NOTE 2 You may terminate the Dealer Franchise Agreement at any time after mailing written notice thirty (30) days before the effective date to Cornwell. After 5 years, Cornwell may exercise a similar right of termination if Cornwell ceases generally from the business of selling the Products in the State in which the Territory is located. Cornwell shall give at least one (1) year's notice in writing of such termination, and shall not offer franchises again to sell the Products in the State for at least five (5) years thereafter.

NOTE 3 Following termination, you must cease from and may not use the Cornwell trademark or trade names in any fashion and must remove the trademarks and trade names and all reference to the trademarks and trade names by way of signs or otherwise from your property and discontinue reference to the trademarks and trade names from your advertising.

NOTE 4 Upon termination, Cornwell will purchase certain merchandise from you or your estate at the then prevailing dealer prices, less a 15% restocking charge. These tools must be shipped freight prepaid to Cornwell's distribution center in Wadsworth, Ohio. Only new tools and other merchandise will be approved for return. They must be in new and saleable condition, listed in the current price sheet and not to be discontinued by Cornwell. All returned product must be of current design and finish. All products returned must be in the original carton or container. Broken packs of Cornwell or Cornwell-Allied tools will not be accepted for return, if the tools are normally sold by Cornwell in factory pack quantities. The following items are **not** subject to return: tool boxes, socket trays, clips and rails, vinyl kit bags, air compressors, parts washers, sales administration or truck display aids, welders, battery chargers and serial numbered test equipment.

NOTE 5 Upon termination, Cornwell will refund any credit balance remaining after all outstanding loan and open account balances are satisfied. Cornwell does not retain any right of first refusal concerning the purchase of your dealership or any of its inventory or other property.

NOTE 6 Your dealership is not transferable or assignable by you, either voluntarily or by operation of law, without Cornwell's written approval, which will not be unreasonably withheld. Cornwell may always transfer or assign its rights and obligations under the Franchise Agreement, however. You retain the right to assign or transfer your assets, subject to Cornwell's security interest. Cornwell may also in its sole discretion waive the prohibition against assignment of the dealership, to permit a succession of ownership within your family upon your death or disability, when the proposed successor has been active previously in the business.

NOTE 7 The Franchise Agreement may only be modified in writing by both parties. However, Cornwell reserves the right to establish the prices and terms at which it will sell to dealers and repurchase inventory from them, in its sole discretion.

NOTE 8 Any claim or controversy in connection with, arising out of, or relating to the Agreement between you and Cornwell shall be settled by binding arbitration in accordance with the rules pertaining to commercial dispute arbitration then existing with the American Arbitration Association. Judgment upon the award rendered by the arbitrator(s) may be entered in any court having jurisdiction. Such arbitration will take place in such locations as the parties mutually agree, and in the absence of such agreement, in Akron, Ohio. The laws applicable to the arbitration procedure will be the laws of the State of Ohio.

NOTE 9 The award of the arbitrator(s) shall be the sole remedy between the parties regarding any claims, counterclaims, issues presented or pled to the arbitrator(s). Cornwell reserves the right to seek injunctive relief from the act or omission of any activity prohibited by the Agreement in any court having jurisdiction.

NOTE 10 Any notice required to be given under the Franchise Agreement or the Dealer Purchase Order, Note and Security Agreement, or service of process for the purposes of arbitration or litigation of issues arising out of the dealership, shall be given to Cornwell at 667 Seville Road, Wadsworth, Ohio 44281 and to Dealer and Dealer's Spouse, if applicable, at the address or addresses last provided by them to Cornwell. Service on Cornwell, Dealer, or Dealer's Spouse shall conclusively be deemed to have been completed for all purposes if made by regular U.S. mail or any other usual and reliable form of delivery to the address last given. The parties will continue to have the obligation to notify one another of any change of address during and after the termination of the dealership, if they wish to be assured of the receipt of notices and service of process, and they expressly waive any objection to notice provided or service made to the last address they have given.

These states have statutes, which may supersede the franchise agreement in your relationship with the franchisor, including the areas of termination and renewal of your franchise: ARKANSAS [Stat. Section 70-807], CALIFORNIA [Bus. & Profd. Code Sections 20000-20043], CONNECTICUT [Gen. Stat. Section 42-133e et seq.], DELAWARE [Code tit. 6 Sections 2551-2556], HAWAII [Rev. Stat. Section 482E-1], ILLINOIS [Rev. Stat. Chapter 121 ½ par 1719-1720], INDIANA [Stat. Section 23-2-2.7], IOWA [Code Sections 523H.1-523H.17], MICHIGAN [Stat. Section 19.854 (27)], MINNESOTA [Stat. Section 80C.14], MISSISSIPPI [Code Section 75-24-51], MISSOURI [Stat. Section 407.400], NEBRASKA [Rev. Stat. Section 87-401], NEW JERSEY [Stat. Section 56:10-1], SOUTH DAKOTA [Codified Laws Sections 37-5B-5], VIRGINIA [Code 13.1-557-574-13.1-564], WASHINGTON [Code Section 19.100.180], WISCONSIN [Stat. Section 135.03]. These and other states may have court decisions, which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.

EXHIBIT H

EXHIBIT H
MINNESOTA ADDENDUM

This Addendum to Cornwell's Dealer Franchise Agreement is made and entered into this ____ day of _____, 20__, and provides as follows:

WHEREAS, Cornwell and _____ entered into an Agreement that is governed by Minnesota law. The Agreement is supplemented, amended and modified as set forth below:

1. Minn. Stat. § 80C.21 and Minn. Rule 2860.4400(J) prohibit Cornwell from requiring litigation to be conducted outside Minnesota. In addition, nothing in the disclosure document or agreement can abrogate or reduce any of your rights as provided for in Minn. Stat. Chapter 80C or your rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.

2. With respect to franchises governed by Minnesota law, the franchisor will comply with Minn. Stat. § 80C.14, Subds. 3, 4, and 5, which required, except in certain specified cases, that a franchisee be given 90 days notice of termination (with 60 days to cure) and 180 days notice for non-renewal of the franchise agreement.

3. Pursuant to Minn. Stat. § 80C.12 SUBD. 1(G) Minnesota considers it unfair to not protect the franchisee's right to use the trademarks. The Franchisor will protect the franchisee's rights to use the trademarks, service marks, trade names, logotypes, or other commercial symbols or indemnify the franchisee from any loss, costs, or expenses arising out of any claim, suit, or demand regarding the use of the name.

4. Minn. Rule 2860.4400(D) prohibits a franchisor from requiring a franchisee to assent to a general release.

5. Pursuant to Minn. Rule 2860.4400(J), the franchisee cannot waive any rights. Accordingly, the franchisee cannot consent to the franchisor obtaining injunctive relief. However, the franchisor may seek injunctive relief.

6. The limitations of Claims section must comply with Minn. Stat. § 80C.17 SUBD. 5.

IN WITNESS WHEREOF, Cornwell and Dealer have set their hands hereunto as of the date first set forth above.

Witnesses:

CORNWELL:

(Corporate Officer) (Date)

DEALER:

(Dealer Signature) (Date)

(Dealer's Spouse) (Date)

EXHIBIT I

EXHIBIT I

CORNWELL QUALITY TOOLS COMPANY IRONMAN BUSINESS NETWORK ("IBN") SOFTWARE LICENSE, MAINTENANCE AND SUPPORT AGREEMENT (END USER LICENSE AGREEMENT)

The Cornwell Quality Tools Company ("Cornwell") agrees to provide to: _____
_____ (Dealer) and _____ (Dealer Spouse)
and (if applicable) _____ (Business Entity Name) (collectively,
"Dealer") and the Dealer agrees to license from Cornwell, one (1) copy of the
applications software system known as the Cornwell Ironman Business Network ("IBN
Software") consisting of computer programs and associated documentation, subject to
the terms and conditions set forth in this Agreement ("the License Agreement").

Cornwell and the Dealer are parties to a Dealer Franchise Agreement dated as of
_____, 20____ (the "Franchise Agreement"). The terms of this License
Agreement and the Franchise Agreement are incorporated into one another. If the
Franchise Agreement exists prior to this License Agreement, it is deemed amended to
include this License Agreement. In the event of a conflict between the two, the terms of
this License Agreement shall prevail.

1. LICENSE OF SYSTEM; PERMITTED USE AND COPYING.

The Cornwell IBN Software is the proprietary property of Cornwell. Cornwell grants a
nonexclusive license to the Dealer to use the IBN Software only in connection with the
operation of the Dealer's Cornwell dealership. Cornwell will provide the IBN Software
and documentation to the Dealer upon order of the IBN Software by the Dealer.

The Dealer may not sublicense, assign, sell, transfer or dispose of any part of the IBN
Software, or any copies of the IBN Software, to any person or entity. The Dealer may
not reverse engineer, decompile, or disassemble the IBN Software. The Dealer
warrants that the IBN Software will be used only in connection with the operation of the
Dealer's Cornwell dealership, and will not be used for any other purposes. The Dealer
may make a reasonable number of backup copies of the IBN Software only for the
purpose of operating the dealership.

All title, including but not limited to copyrights, in and to the IBN Software and any
copies of it are owned exclusively by Cornwell. All rights not expressly granted are
reserved by Cornwell.

2. CHARGES AND PAYMENT TERMS.

The initial startup fee for the IBN Software is \$150.00. The current monthly
maintenance and support fee is \$50.00. Such fee is subject to change by Cornwell from
time to time. There will also be a one-time \$175.00 license fee for Credit Card

Processing Software that interfaces with the IBN Software, to include the cost of signature hardware.

3. TERM.

This Agreement will remain in effect while the Franchise Agreement is in effect, unless terminated by either party in accordance with the terms of this Agreement. This Agreement will terminate upon the termination of the Franchise Agreement.

4. SYSTEM HARDWARE and INTERNET CONNECTIVITY.

The Dealer agrees to subscribe to a high speed Internet Connection through one of the national (i.e. Time Warner, Qwest, Verizon, AT&T, etc.) or local Internet Service Providers in his area.

Additionally the Dealer agrees to purchase or lease computer hardware that meets or exceeds the minimum recommended requirements as follows:

Manufacturer (recommended): HP, Toshiba, Lenovo, Samsung

CPU: Intel Core i3 1.4GHZ (or equivalent or faster)

Memory: 2GB

Hard Drive: 250GB

Monitor resolution: 1024x768

OS: Windows XP (w/SP3) or Windows 7 or Windows 8

Printer: DeskJet (LaserJet recommended)

Wireless connectivity to the Internet via an internal wireless card or a vendor-supplied wireless card.

Cornwell does not guarantee or warrant the successful execution of the IBN Software on every particular brand and/or model of computer. It is the Dealer's responsibility to handle all equipment hardware/warranty issues directly with the equipment manufacturer. Cornwell is not responsible for hardware reliability or service. The above standards are established solely for the purpose of optimum IBN Software performance. System Hardware requirements are subject to change.

The Dealer will be responsible for acquiring and maintaining the computer hardware and manufacturer's operating system software required to execute the IBN Software. Except for the IBN Software, the Dealer will have sole and complete responsibility for: (a) acquiring, operating, maintaining and upgrading Dealer's own computer hardware and software; (b) the manner in which the Dealer's systems interface with Cornwell's systems and those of other third parties; and (c) any and all consequences that may arise if the Dealer's systems are not properly operated, maintained, and upgraded.

The Dealer is responsible for acquiring and maintaining an Internet email account and must promptly notify Cornwell's Customer Service Department of any changes. This account must be established prior to attending the new Dealer training. The Dealer is

further responsible for entering the shop, customer, tax rates and other data needed to run the IBN Software.

5. CORNWELL'S MAINTENANCE AND SUPPORT RESPONSIBILITIES.

Cornwell will make on-call support available to the Dealer on office working days during the hours of 8:00 a.m. through 6:00 p.m. E.T. All notices of errors or malfunctions must be clearly stated by telephone or in writing by the Dealer and must provide details sufficient to diagnose or reproduce such errors.

If the Dealer notifies Cornwell of a suspected error, Cornwell will respond within an industry-customary time and will use all reasonable efforts to confirm the existence of and correct such reproducible error by exercising standard test programs and taking necessary corrective actions. If, in analyzing a suspected error in the IBN Software at the Dealer's request, Cornwell determines that no error exists in the IBN Software program logic and/or documentation, and/or if the program malfunction is due to the Dealer's alteration of the IBN Software, and/or if the Dealer is using computer hardware other than specified or approved by Cornwell or if the laptop computer is infected with viruses, worms and/or spyware of any nature, Cornwell will proceed with further efforts to diagnose and correct the malfunction only if the Dealer agrees to pay Cornwell for its time and efforts at Cornwell's then-current rates. The current rate is \$150.00/hour.

Cornwell will from time to time review the IBN Software for improved functionality and operating efficiency. Cornwell will, based on its own judgment, make such improvements and enhancements to the IBN Software from time to time as it deems appropriate. Cornwell will provide such updated software and documentation to the Dealer. Cornwell will also provide to the Dealer, as updates under the terms of this Agreement, any program logic and documentation changes made by Cornwell to correct any proven reproducible errors in the IBN Software which cause the IBN Software to deviate materially from the specifications for that system.

Any changes to IBN Software or its program logic or documentation made by Cornwell under the terms of this Agreement will be downloaded to the Dealer on the Internet.

To ensure performance and software compatibility, the use of the IBN computer and software shall be restricted to the Dealer's Cornwell business related functions. For example, the IBN computer shall not be used to browse the Internet for personal use, it should not be used for gaming, and other third-party software should not be loaded and executed on the computer.

7. LIMITED WARRANTY.

Cornwell hereby warrants the IBN Software for a period of ninety (90) days from the time of shipment to materially conform to the specifications described in the documentation in the shipment. Within the warranty period, if the Dealer finds that the IBN Software does not materially conform to the specifications, the Dealer will promptly

provide Cornwell with sufficient documentation of such nonconformity such that Cornwell can reproduce and verify the same. Cornwell will, within a reasonable time, upon its confirmation of the nonconformity, provide the Dealer with either instructions for correcting the nonconformity or an updated copy of the IBN Software that is free of the nonconformity.

In the event that Cornwell is unable to accomplish any of the above, it will accept a return of the nonconforming IBN Software and fully refund to the Dealer the license fee paid. The foregoing will constitute Cornwell's sole obligation, and the Dealer's sole remedy, for breach of warranty. Cornwell's warranty is conditioned upon the installation by the Dealer of any and all updates to the IBN Software provided to the Dealer by Cornwell and the Dealer's compliance with the terms of this Agreement.

EXCEPT FOR THE EXPRESS LIMITED WARRANTY SET FORTH ABOVE, CORNWELL HEREBY DISCLAIMS AND DEALER HEREBY EXPRESSLY WAIVES, ANY AND ALL OTHER EXPRESS WARRANTIES AND REPRESENTATIONS OF ANY KIND OR NATURE. UPON THE EXPIRATION OF THE EXPRESS LIMITED WARRANTY PERIOD SET FORTH ABOVE, CORNWELL DISCLAIMS, AND DEALER HEREBY EXPRESSLY WAIVES, ANY AND ALL IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY IMPLIED WARRANTY OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE.

CORNWELL DOES NOT WARRANT THAT USE OF THE IBN SOFTWARE WILL CAUSE THE DEALER'S BUSINESS TO IMPROVE, TO SUCCEED, OR TO PERFORM AT ANY PARTICULAR LEVEL.

IN NO EVENT WILL CORNWELL BE LIABLE TO DEALER FOR ANY SPECIAL, INDIRECT, INCIDENTAL, OR CONSEQUENTIAL DAMAGES, INCLUDING LOST PROFITS OR LOST SAVINGS, IN ANY WAY ARISING OUT OF OR RELATING TO THIS AGREEMENT, WHETHER IN CONTRACT OR IN TORT.

8. CONFIDENTIALITY.

The Dealer will not disclose the IBN Software to any person other than other persons who have need to use the IBN Software in connection with the operation of the Dealer's Cornwell dealership. The Dealer will not alter or remove any ownership, trademark or copyright notices from the IBN Software or any associated documentation.

9. DEFAULT; TERMINATION.

Either party will have the right to terminate this Agreement upon the same terms that the Franchise Agreement may be terminated. This Agreement will also terminate immediately and automatically upon the termination of the Franchise Agreement. In addition, this Agreement and the license granted hereunder may be terminated by Cornwell on not less than (30) days' written notice if Dealer defaults in the payment or performance of his obligations under this Agreement. Such default will also be a

material breach of the Franchise Agreement and may lead to termination of the dealership.

Dealer shall have 30 days to cure default caused by failure to pay as agreed. Cornwell may agree to waive any default, in its sole discretion. No action or failure to act on the part of Cornwell shall operate as a waiver or otherwise of the subsequent right to terminate this Agreement, unless expressly so stated in writing.

In the event of termination of the Agreement, the Dealer will immediately cease using the IBN Software, and will immediately return to Cornwell all copies of the IBN Software and documentation in the Dealer's possession or under the Dealer's control. No refund of any fees paid by the Dealer pursuant to this Agreement will be owed by Cornwell to the Dealer in the event of the termination of this Agreement.

10. MISCELLANEOUS.

This Agreement will be governed by, and construed and enforced in accordance with the laws of the State of Ohio. If any provision will be held invalid or unenforceable, such provision will be severable from the Agreement and will not be construed to have any effect on the remaining provisions.

11. DISPUTE RESOLUTION.

Any claim or controversy in connection with, arising out of, or relating to this License Agreement between Dealer and Cornwell shall be settled by binding arbitration in accordance with the rules pertaining to commercial dispute arbitration then existing with the American Arbitration Association. Judgment upon the award rendered by the arbitrator(s) may be entered in any court having jurisdiction. Such arbitration shall take place in such locations as the parties mutually agree, and in the absence of such agreement, in Akron, Ohio. The laws applicable to the arbitration procedure shall be the laws of the State of Ohio. The award of the arbitrator(s) shall be the sole remedy between the parties regarding any claims, counterclaims, issues presented or pled to the arbitrator(s).

Cornwell reserves the right to obtain injunctive relief from the act or omission of any activity prohibited or required by this License Agreement in any court having jurisdiction, when such act or omission will cause irreparable harm to Cornwell.

12. NOTICE.

Any notice required to be given under this Agreement or service of process for the purposes of arbitration or litigation of issues arising out of it, shall be given to Cornwell at 667 Seville Road, Wadsworth, Ohio 44281 and to Dealer and Dealer's Spouse, if applicable, at the address or addresses last provided by them to Cornwell. Service on Cornwell, Dealer, or Dealer's Spouse shall conclusively be deemed to have been completed for all purposes if made by regular U.S. mail or any other usual and reliable

form of delivery to the address last given. The parties will continue to have the obligation to notify one another of any change of address during and after the termination of this Agreement, if they wish to be assured of the receipt of notices and service of process, and they expressly waive any objection to notice provided or service made to the last address they have given.

13. ENTIRE AGREEMENT; AMENDMENTS.

This Agreement supersedes all previous agreements on the same subject matter between Dealer and Cornwell. No modification or amendment of this Agreement shall be effective unless made in writing and signed by a representative of Cornwell and Dealer.

IN WITNESS WHEREOF, Cornwell and Dealer have set their hands to duplicates hereof at Wadsworth, Ohio and _____ on the day and year first above written.

NAME OF BUSINESS ENTITY

DEALER SIGNATURE

PRINT DEALER NAME

DEALER'S SPOUSE SIGNATURE

PRINT DEALER'S SPOUSE NAME

FOR OFFICE USE ONLY

Agreed to and accepted this _____ day of _____, 20 _____
in Wadsworth, Ohio.

CORNWELL QUALITY TOOLS COMPANY

By: _____
CORNWELL (Corporate Officer)

EXHIBIT J

**EXHIBIT J
RECEIPT**

This Disclosure Document summarizes certain provisions of the franchise agreement and other information in plain language. Read this Disclosure Document and all agreements carefully.

If Cornwell offers you a franchise, it must provide this Disclosure Document to you by 14 calendar-days before you sign a binding agreement with, or make payment, to the franchisor or an affiliate in connection with the proposed franchise sale.

If Cornwell does not deliver this Disclosure Document on time or if it contains a false or misleading statement, or a material omission, a violation of federal and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and Minnesota Commissioner of Commerce, 85 7th Place East, Suite 500, St. Paul, Minnesota 55101.

The franchise is offered by Cornwell Quality Tools Company, 667 Seville Road, Wadsworth, Ohio 44281, 330-336-3506 and Cornwell's district manager _____.

(Print District Manager's Name)

(Print District Manager's Address and Phone Number)

Issuance date: April 15, 2014.

I have received a Disclosure Document dated _____ that included the following Exhibits:

- A. FINANCIAL STATEMENTS
- B. DEALER FRANCHISE AGREEMENT
- C. DEALER PURCHASE ORDER, NOTE AND SECURITY AGREEMENT
- D. TECH-CREDIT DEALER CREDIT ASSIGNMENT AGREEMENT
- E. ACH Agreement-Authorization Agreement for Automatic Payment
- F. DCA AUTHORIZATION- DEALER CREDIT ACCOUNT PROGRAM AUTHORIZATION
- G. ADDENDUM – NOTES TO ITEM 17
- H. MINNESOTA ADDENDUM
- I. IRONMAN BUSINESS NETWORK (IBN)-END USER LICENSE AGREEMENT
- J. RECEIPT

Dated: _____
(Do not leave blank)

Your name: _____
(Please print)

Your signature: _____

Dated: _____
(Do not leave blank)

Spouse name: _____
(Please print)

Spouse signature: _____

Exhibit J is a Receipt prepared in duplicate. You must sign both copies of the Receipt. Please retain one copy for your records and return the other copy to the District Manager who disclosed this document.

**EXHIBIT J
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(Print District Manager's Name)

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- J. RECEIPT

Dated: _____
(Do not leave blank)

Your name: _____
(Please print)

Your signature: _____

Dated: _____
(Do not leave blank)

Spouse name: _____
(Please print)

Spouse signature: _____

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